From Negotiation to Implementation – State of Play of the 2014-20 & 2007-13 Programmes

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

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- Enterprise Agency Flanders

Czech Republic
- Ministry of Regional Development

Denmark
- Danish Business Authority

Finland
- South and West Finland (Etelä- ja Länsi-Suomi)

France
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- Management Organisation Unit of Development Programmes S.A.
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- País Vasco (Basque Country), Provincial Council of Bizkaia, Department of Economy and Finance

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- Department of Communities and Local Government
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EXECUTIVE SUMMARY

- Programming is at an advanced stage with all Partnership Agreements now approved significantly and around two-thirds of Operational Programmes approved by March 2015. However, there is variation in the preparation, approval and launch of programmes across Member States.

- Generally, the preparation of the PAs was an administratively complex process. A common challenge in ensuring strategic value was synchronicity in the drafting of PAs and OPs.

- In the IQ-Net countries, a range of issues emerged during OP negotiation, influencing the speed of the process: delayed agreement of the regulatory framework and the detailed, ‘checklist’ approach taken by the Commission in negotiations. These challenges have been most obvious in Member States with more complex programming architectures and those preparing multi-Fund programmes.

- OP negotiation challenges have focused on specific content issues:
  - Thematic concentration has remained a prominent issue, with challenges related ensuring strategic coherence. Experiences of programme authorities varied but there were significant constraints for infrastructure in the EU15.
  - Significant efforts have been made to meet ex-ante conditionalities but there are difficulties with the scope and level of detail required, particularly for the themes of transport, the environment and research and innovation.
  - Mapping the territorial dimension into programme priorities, implementation systems and domestic administrative structures has been challenging.
  - There is still uncertainty about future plans for the incorporation of financial instruments as many ex ante assessments are still underway (or have not yet been launched).

- All IQ-Net programme authorities begun to launch their programmes. Launch events have now taken place across Member States and several programmes have now opened applications for funding.

- Project demand so far been rated as either high or satisfactory by programme authorities. However, there are some issues in terms of the quality and type of project applications, arising in part from beneficiaries’ adjustment to the requirements of the new results-orientation.

- In response to this, work among all IQ-Net programme managers on the construction of systems to generate, assess and select operations for the new programmes has intensified. This includes ‘demand side’ efforts to boost the capacity of project applicants alongside work on the ‘supply side’ to improve the efficiency and transparency of implementation systems.

- Programme authorities have intensified work in the past six months on other key arrangements to ensure a successful start to the 2014-20 period:
- Reviewing programme management arrangements, including in some cases the reallocation of responsibilities between bodies or new coordination arrangements.
- Changes to monitoring systems and procedures and actions to ensure compliance with e-Cohesion.
- The strengthening of communication frameworks, including more integration between funds and programmes.

- **IQ-Net programme authorities are progressing with preparations for closure**, but concerns with the amount of work involved and the capacities needed for this process remain.
PROGRESS OF THE 2014-20 PROGRAMMES

Over the past six months, programming has advanced considerably. All 28 Partnership Agreements (PAs) have been adopted and progress has been made in agreeing the individual Operational Programmes for Member States. However, progress in the preparation, approval and launch of programmes varies significantly across Member States due to political changes, the introduction of new policy initiatives, administrative reorganisation or budgetary adjustments.

Some IQ-Net countries have had to take into account changing domestic circumstances during the drafting, approval and launch of programmes. IQ-Net programme authorities in France are adjusting to the implications of ongoing administrative reforms that include partially decentralised implementation arrangements and a forthcoming reduction in the number of regions. In three countries, recent elections and changes of government have altered the context within which programmes are being developed and launched:

- In Vlaanderen, a change of government in 2014 has been accompanied by cuts in public expenditure (that have implications for the availability of co-financing), civil service reforms and a necessary deceleration in programming while new political incumbents become familiar with the European funding system.
- In Greece, legislative changes and amendments to the domestic legal and regulatory framework for the 2014-20 period are expected as a result of the recent change of government following elections in January.
- United Kingdom elections in May 2015 meant that some major decisions effecting programmes were delayed. At the same time, exchange rate changes mean ESIF programmes in the United Kingdom have less to spend than anticipated.

The following sections provide a review of the progress with the PAs and OPs for 2014-20.

1. THE PARTNERSHIP AGREEMENTS & OPERATIONAL PROGRAMMES

Approval of PAs

All PAs were adopted by November 2014 and Member States have been reflecting on their utility as frameworks for strategic programming. Approaches to developing the PAs varied significantly between Member States and, according to a recent survey by the Committee of the Regions, perceptions of the quality of the preparatory stage and the final version of PAs vary from country to country and often also within Member States. Generally, the preparation of the PAs was viewed as a long, complex process. Member States were required to respond to lengthy Commission observations and take part in detailed negotiations while ensuring internal coordination of inputs into the drafting process. Coordination arrangements varied significantly between Member States related to programme architecture, existing institutional arrangements and the allocation of policy responsibilities across public administration.

Committee of the Regions (2015) Results of the CoR online consultation on the outcome of negotiations on the Partnership Agreements and Operational Programmes, March 2015.
A common challenge in ensuring the strategic value of the PA was synchronicity in the drafting of PAs and OPs. In several cases, the prior drafting of OPs limited the strategic role of the PA at sub-national levels (e.g. FI). The value of the PA as an overarching strategic framework was, in some countries, limited as it served mainly to summarise the strategies of different sub-national administrations and OPs rather than set out an integrated, national-level vision (e.g. DE, UK). Despite these issues with strategic coherence, managing authorities have broadly recognised the practical value of the process of developing the PA, notably in terms of: clarifying Commission requirements (AT, DE); strengthening integration between ESI Funds; encouraging coordination between associated departments and ministries (FI, DK, Vla); and, providing a framework for consultation and communication between partners (CZ, FR). According to research carried out on behalf of the European Parliament, managing authorities are cautiously optimistic that the process and the systems introduced will lead to greater coordination than in 2007-13.\(^2\)

**Submission and approval of OPs**

Substantial progress has also been made with the finalisation and negotiation of OPs over the past six months, although there have been significant delays in a number of cases. As of March 2015, 263 programmes had been approved, worth more than €256 billion. At the end of the process, 401 programmes are anticipated, of which, 313 are for Investment for Jobs and Growth objective (76 for ETC and 12 for IPA-CBC).

**Progress of the IQ-Net OPs**

As of the beginning of May 2015, the majority of IQ-Net OPs had been approved by the Commission. At this stage, only the Czech IROP and the two England OPs (ERDF and ESF) are awaiting approval, which is anticipated later in May or in June 2015. A range of issues emerged during OP negotiation, influencing the speed of the process. IQ-Net programme authorities faced some common challenges in this respect.

- The delayed agreement of the European regulatory framework meant that in, the early programming stages, authorities had no clear basis from which to work (e.g. AT).
- There have been clear challenges in simultaneously responding to the ‘checklist’ approach taken by the Commission in the negotiation process and strengthening the strategic coherence of the new programmes. IQ-Net programme managers noted a tendency for the Commission to focus on minutiae rather than a broader strategic picture.
- These challenges have been most obvious in Member States with more complex programming architectures that include a large number of OPs. For instance, in Poland the Commission adopted a ‘twin track’ approach for approving the country’s 16 regional OPs. A group of seven programmes were identified as being relatively straightforward to negotiate and these were ‘fast tracked’, with straightforward negotiations and very little issues raised. This created some issues for the other regional programmes which had specific issues to negotiate but which were expected to ‘sign up’ to principles agreed among the ‘fast track’ group.

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• **Member States preparing multi-Fund programmes have faced specific challenges** during the negotiations (e.g. PL, SI). In these cases, authorities had to negotiate simultaneously but separately with different Commission DGs and the feedback received was not always consistent. There were occasions when something agreed with one was rejected by another. Finally, in some cases the OP negotiation process was complicated by the need to incorporate regulations and guidelines from both the EU level and from national level authorities.

2. THE NEGOTIATION PROCESS

**Key negotiation issues**

Beyond this, negotiation challenges have focused on specific content issues, mainly related to setting thematic concentration, meeting ex-ante conditionalities and incorporating the territorial dimension into programmes.

(i) **Thematic concentration**

The task of agreeing levels of thematic concentration on key areas in line with the Europe 2020 strategy remained a prominent issue throughout OP negotiations. The Commission has noted that thematic concentration targets have been exceeded at Member State level. Figure 1 illustrates this performance with reference to Thematic Objectives (TOs) 1-4.

**Figure 1: Thematic concentration under Thematic Objectives 1-4**

Nevertheless, programme authorities have noted some specific challenges:

- **Tensions between improving strategic quality and a formulaic approach to negotiation.** The aim of strengthening the strategic dimension of programmes (which, in theory, thematic concentration can contribute to) sometimes conflicted with the Commission’s approach to negotiating appropriate targeting that was often dictated by percentages.

- **Unnecessarily strict interpretation of the regulations.** There has also been concern in some Member States that the Commission’s interpretation of thematic concentration is stricter than the regulations indicate (e.g. ES).

- **Varied Member State experience but significant constraints for infrastructure in the EU15.** Experiences of Member States in negotiating thematic concentration have varied. Generally, incorporating thematic concentration presented fewer restrictions for countries with scope to exploit all 11 TOs (e.g. HU, PT, RO, SI). The issue was also less problematic for countries which were already taking a more focused approach to EU funding (e.g. AT, DK, FI, SE). However, constraints have been particularly felt in larger EU15 countries with less funding but ongoing infrastructure investment needs (e.g. ES, UK). In some of these Member States, negotiating the allocation of funding targeting infrastructure support has proven to be difficult (e.g. ES, England). Some programmes have been through a number of iterations to make clear the justification of infrastructure investment in terms of support for SMEs or smart specialisation strategies (e.g. FI, Scotland). Specific issues arose in Germany prior to formal submission of the PA, in relation to the possibility of using ERDF funding for broadband.

(ii) **Ex-ante conditionalities**

The introduction of ex-ante framework conditions which must be in place before the funds are disbursed has also remained a contentious programming issue. From the Commission’s perspective, verification of ex-ante conditionalities has proven useful in improving investment conditions and detecting and addressing issues that could impede effective implementation. However, as Figure 2 shows, although 60 percent of thematic conditionalities had been fulfilled at OP level by February 2015, over a quarter were only partially fulfilled and 13 percent had not been fulfilled. Several Member States are producing Action Plans that set out how they will address unfulfilled ex-ante conditionalities (e.g. Czech Republic).
Figure 2: Fulfilment of thematic conditionalities, February 2015

Source: Berkowitz et al. (2015), op. cit.

Significant efforts have been made to adopt measures to satisfy ex-ante conditionalities in IQ-Net Member States and regions. There are varied experiences among Member States in responding to ex-ante conditionality requirements. This is a result of differences in the scope and quality of existing frameworks, the quality of self-appraisal and the capacity to make the necessary arrangements to ensure compliance.

- In some countries there is concern that ex-ante conditionalities strengthen a *top down* orientation in Cohesion policy governance, incorporating requirements regardless of how appropriate they are in specific contexts. The perception in some Member States is that the breadth of the sectoral policy strategies produced to comply with ex-ante conditionality goes beyond the scope of Cohesion policy. For instance, in Poland and Slovenia, fulfilling ex-ante conditionality 9.3 requiring the existence of a national or regional strategic policy framework for health, would entail significant changes to the health system. A compromise is the creation of policy papers that focus on Cohesion policy-related issues.

- A further issue is the danger of strategic fragmentation. In order to fulfil ex-ante conditionalities a range of strategies are being prepared in Member States in different departments and by different consultants. These have varying perspectives and qualities, limiting overall strategic coherence. Moreover, these strategies have often been prepared in parallel with OPs, meaning that the OP could not be based on mature or tested strategic frameworks.

- The level of detail and the action plans requested by the Commission have meant that the process has been administratively challenging in many instances.

- A longer-term issue is the utility of conditionalities as instruments to support strategic impact. Legally, once they have been approved their role is over and there are no guarantees
that these frameworks will play an active role in guaranteeing strategic impact. However, it is important to note that despite these administrative challenges, the value of the process of addressing ex-ante conditionalities as a coordinating exercise has been identified in several Member States.

Concerning specific thematic objectives, as can be seen from Figure 3, there are three headings where fulfilling ex-ante conditionalities has been particularly challenging.

- **Transport networks and the environment.** These conditionalities are often related to major domestic investment plans or reforms and countries have left ex-ante conditionalities open where activities are expanding or national updates are needed (e.g. in Wales, the conditionality has been left open in order to wait for an update to the national transport plan in 2015).

- **Research and innovation.** In accordance with the key criteria, a national or regional smart specialisation strategy and a budgetary framework need to be in place. However, in several cases the Commission has regarded smart specialisation strategies as inadequate. In more developed countries and regions, domestic approaches to innovation support have often been in place over the long-term and it has been challenging to adapt these systems to Commission requirements. In some instances, this concerns the content of smart specialisation strategies, tensions between annual and multi-annual budgetary perspectives (e.g. DE), or the coordination of national and regional strategies (e.g. FI, GR).

**Figure 3: Ex-ante conditionalities, fulfilment per TO (February 2015)**

![Table showing assessment of thematic ex-ante conditionalities per thematic objective at EU level.](image)

Source: Berkowitz et al. (2015), op. cit.
(iii) Territorial approaches

A further challenge faced by authorities in developing programmes has been uncertainty over territorial governance and instruments. According to the Commission, the potential for utilising Integrated Territorial Investments (ITIs) in the programmes has not been fully exploited. Figure 4 illustrates the uptake of ITIs in the programmes as of February 2015.

IQ-Net programme managers have experienced several difficulties in the process of including the territorial dimension into the drafting of programmes. The deadline regarding the completion of the ITI strategy and incorporating it into OPs was a significant issue in several Member States. Negotiations with the Commission on the number and size of ITIs and the integration of ESF-funded projects were often lengthy.

Figure 4: Relative financial allocation to ITI from Cohesion policy, February 2015

![Graph showing relative financial allocation to ITI from Cohesion policy, February 2015]

Source: Berkowitz et al. (2015), op cit.

It has proven particularly challenging to map integrated territorial approaches onto OP Priorities in accordance with regulations (e.g. in DK, AT, NRW). For instance, in Austria an initial Priority on the ‘Urban and Territorial dimension for the development of endogenous potential’ had to be split into two Priorities to meet the requirements of the regulations. In NRW, the EU requirement that every ITI strategy must cover two TOs is seen as problematical, as the local and Land authorities would have preferred to focus solely on social inclusion, where there are serious challenges. The fact that ITIs will contribute to more than one specific objective will make it challenging to monitor the contribution of ITIs to the specific objectives (e.g. SI).

Several Member States have found it difficult to combine the incorporation of the territorial dimension with efforts to improve the efficiency or transparency of programme implementation. Article 7.4 of the regulations sets out that urban authorities developing strategies for integrated territorial development and sustainable urban development will be responsible for tasks relating, at least, to the selection of operations and this should be reflected in their designation as intermediate bodies. This has been challenging for programme authorities seeking to improve
efficiency and transparency by reducing the number of IBs in the 2014-20 period in accordance with Commission requirements (e.g. Czech Republic and NRW).

Mapping the territorial dimension onto domestic administrative and policy frameworks has proven difficult. Besides the complexity of their implementation, ITIs do not always fit in the pre-existing administrative or policy background. For instance, in France, ITIs geographical coverage does not necessarily meet territorial administrative structures and the key urban policies are already addressed through other programmes and instruments, creating overlaps.

In a number of cases, the establishment of ITIs has created legal problems. If an ITI implements integrated actions for sustainable urban development (Article 7 of the ERDF regulation) delegation to urban authorities of tasks relating, at least, to the selection of operations is obligatory. This has raised problems in some countries where proposed ITI governance bodies do not have the legal status to make resource allocation decisions (e.g. NRW, CZ, PL, SI, Eng, Vla). There is uncertainty concerning how projects will be selected (e.g. public calls at municipality level, projects prepared by the municipalities and then approved by the managing authority, local bodies with key advisory role in the programme monitoring committee etc.). Managing authorities have sought to reach formal agreements on the division of responsibilities with local authorities where the latter will take on some of the intermediate body tasks but not others. For instance, the delegation of tasks relating to sustainable urban development to local authorities in NRW would have meant a dramatic increase in the number of IBs at a time when the managing authority is looking to simplify implementation. Moreover, most of the domestic co-funding for the urban development strategies will be provided by the Land government. If the local authorities were IBs, they would have the power to decide on how Land funding would be used – but under domestic law, local authorities do not have the power to decide how Land funding should be used. The solution is that, once a Land-level committee has selected the strategies, the relevant local authorities will be able to select projects – but the final formal decision will be taken by the Land’s five de-concentrated offices in NRW’s regions (Bezirksregierungen).

This work is seen to have been burdensome on both managing authority and local authority sides and there are concerns that the division of labour could now mean that the local authorities may be subject to audit visits by the ERDF Audit Authority, the European Commission or the European Court of Auditors. In England, the issue has been a significant stumbling block in negotiations with the Commission and it has been left open, as the Government have stated that they will review the position in the next 12 months and use that time to work with the Local Enterprise Partnerships (LEPs) to develop proposals for greater local responsibility.

(iv) Financial instruments

There is still uncertainty about future plans for the incorporation of financial instruments (FIs) in IQ-Net countries and regions as many ex ante assessments are still underway (or have not yet been launched).

In the meantime, Member States and regions have left room in their OPs for FIs by making general provisions, but not being too specific. Options have been left open for new FIs, FIs for new TOs, and for a review of the situation part-way through the period.
Continuity and adjustment of existing FIs being favoured, building on hard-won experience in 2007-13. There is also evidence of adjustment of FIs where needed, and a move of some FIs to domestic funding only, where co-funding is considered not to have worked well.

There is concern about the implications of the Commission’s February 2015 letter to Member States in the context of the new ‘Investment Plan for Europe’ (the Juncker plan). The letter urged an overall doubling of the use of FIs in programmes, and recommended specific percentages of ERDF financial allocations be in the form of FIs (50 percent for SME support, 20 percent for CO₂ reduction measures, 10 percent for ICT, 10 percent for sustainable transport, five percent for R&D&I and five percent for environmental and resource efficiency).

No IQ-Net programme managers have yet reported that they are considering using the ‘Off-the-Shelf’ models for FIs provided for in the new Regulations. EU-level instruments only potentially of interest so far in GR, ES and maybe PT.

3. IMPLEMENTATION OF THE 2014-20 PROGRAMMES

3.1 Programme launch

All IQ-Net programme managers have taken steps to launch their programmes over the past six months. Launch events have taken place across Member States over the past six to 12 months, although some programmes are more advanced than others in the process of implementation (see Figure 5).

- Some programmes were formally launched in 2014, in two cases (Finland and Nordrhein-Westfalen), prior to official programme approval. In Finland, programmes were opened for funding and initial project calls were organised in 2014 in cases where the eligibility of spending was certain and measures were being extended from the 2007-13 period. In NRW, preparatory work was undertaken but no calls were launched formally until the OP had been approved.

- Other programmes (e.g. Scotland, Wales) organised project calls following OP approval in conjunction with official launch events towards the end of 2014 or the beginning of 2015.

- In the remaining cases, the first programme monitoring committee meetings are taking place and the launch of first project calls is planned for later in 2015. In some Member States, important national documentation (concerning domestic eligibility and implementation rules) must be completed before programmes are opened for funding (e.g. Austria, Poland).
Figure 5: OP negotiation and implementation in IQ-Net countries, 2014-15

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PA approval
OP approval
First calls for applications
3.2 Project generation and selection

As programmes have been finalised, work among all IQ-Net programme managers on the construction of systems to generate, assess and select operations for the new programmes has intensified. This has included ‘demand side’ efforts to boost the capacity of project applicants alongside work on the ‘supply side’ to improve the efficiency and transparency of implementation systems (see Figure 6).

Figure 6: Building project pipelines, demand and supply side measures.

(i) Building capacity among project applicants

There has been a common emphasis on building the capacity of applicants to generate quality projects, with measures focused on both technical capacity and strategic capacity of applicants.

Building technical capacity. The technical capacity of potential beneficiaries to produce practical and strategic applications is a perennial concern, particularly in Member States with relatively limited experience of Cohesion policy. However, across countries, renewed capacity-building efforts have been driven by awareness of the demands placed on beneficiaries as part of the ESIF ‘results orientation’ in the current financial perspective, notably the requirement to clarify and make explicit expected project outcomes and results. Capacity-building in this context is taking a variety of forms, including general measures such as the organisation by the programme authorities of dedicated information and training events, workshops, the publication of handbooks and guidelines, and online resources.
Building strategic capacity. Strategic capacity concerns the ability of applicants to generate relevant and innovative project ideas. This is not automatically related to technical capacity: project ideas can be strategically sound but applicants may not be able to set out the intervention logic and break these down into outcomes and results in a provable and systematic way.

- In several cases, programme authorities are drawing on the sectoral expertise of regional bodies, such as business chambers or associations, experienced project leaders or key strategic organisations (e.g. development agencies) that can provide targeted information and advice to applicants under specific thematic headings. In Slovenia, implementing bodies have been tasked with producing implementation plans that link project ideas with OP measures.

- Other approaches include a multi-phased application round where project ideas can be considered before formal applications are submitted (e.g. South Finland).
  - In NRW, the pre-existing system, whereby the announcement of a call involves the organisation of communication events and the mobilisation of supporting agencies, is deemed to work well. However, in the current period, a more structured approach to the announcement of calls is being taken. One new competitive call is being launched each month and feedback indicates that this approach is appreciated by potential applicants.
  - In Portugal, the generation of ideas has been strengthened through the establishment of a single online portal for project applications (with FAQs and a support video). Moreover, an annual plan of calls was published for the ERDF, ESF and CF in February 2015 to raise awareness of funding opportunities and support applicants in planning project applications. For each call, the plan sets out the submission and closure deadlines along with the corresponding OP thematic objective, investment priority and intervention typology.

- Some IQ-Net programme managers are placing emphasis on generating ideas under specific headings, reflecting changes in the content of programmes. In Denmark, increased focus on social inclusion and sustainable urban cities is reflected in the organisation of meetings and events on these topics to mobilise the relevant actors.

- Lastly, it should also be noted that in specific cases, recent domestic administrative reforms have required renewed capacity-building efforts. For instance, current capacity building in Wales is responding to the newly emerging regional level.

(ii) Improving efficiency and transparency

At the same time, efforts are ongoing among programme authorities to strengthen efficiency and transparency in selecting and approving projects.

- Several programme authorities have been engaged in intensive preparatory work to develop project proposals while waiting for approval of the PAs and OPs, meaning that a healthy pipeline exists of new projects at different stages of development. In Wales, for instance, early publication of draft OPs, eligibility rules etc. has allowed project sponsors to develop project proposals with limited risks from uncertainty, and also to undertake project
activity where they have a good degree of confidence that a successful funding bid can be achieved in due course (with retrospection).

- Improving efficiency has also involved moves to **strengthen coordination between the bodies involved in decision-making procedures**. In some cases, the number of intermediate bodies involved in project selection and approval has been reduced with these aims in mind (e.g. Czech Republic). In NRW, the number of intermediate bodies has been reduced significantly from 108 in 2007-13 to seven major ones plus two small ones in 2014-20. Elsewhere, initiatives have been launched to resolve coordination issues between different bodies involved in the approval process. In the Danish system, applications are first approved by the growth fora and then by the Danish Business Authority. A collaborative initiative has been launched between the two in order to limit the circulation of applications between the two and reduce the time spent on case management. An external consultant has been engaged for the work, which was initiated with a start-up meeting in April 2015.

- Other initiatives under this heading aim to **coordinate or integrate EU and domestic regulations that condition project selection and approval**. In NRW, a *Land* law now introduces all EU requirements into the domestic context, so that ERDF co-financed projects will only have to meet EU rules (e.g. in relation to monitoring and control), rather than both EU and domestic rules. In this context, it has been possible also to introduce the used of flat rate costs, which are administratively difficult under domestic law. In Greece, expert teams have been established to work on legal issues that have caused delays in the project approval process in the past (e.g. domestic licensing arrangements).

- In some cases, there is an increased **emphasis on risk assessment** during the approval stage to improve efficiency. In Scotland, a new approach involves Scrutiny and Risk Panels that will assess where the risks are with the proposed Strategic Interventions, and either address them before approval or build them in to the risk management plan. This will mean that compliance checks can be more proportionate and focused and also reduce unnecessary checking.

- **Capacity-building among bodies involved in selections and approval**. On the one hand this relates to Member States where related funding is high and there is comparatively implementation experience. However, capacity-building is also a concern in some Member States where associated funding is low and where ESIF has a smaller share in overall operations. For instance, in Denmark efforts to strengthen the capacity of the regional growth forum secretariats to fulfil ESIF tasks, particularly given other responsibilities that may have higher priority. A system is in place for monitoring and annual revision of the case management process of the regional secretariats. There are also initiatives for competence development which includes a specialist support network for the secretariats.

### 3.3 Project generation and selection: initial indications

Given the early days of implementation, information on project generation and selection is limited. However, as noted some programmes were opened for funding in 2014 (Denmark, Finland and
Nordrhein-Westfalen) and others have been launched since the start of this year (UK). Thus, information is emerging on the uptake, type and quality of projects:

Project demand so far been rated as either high or satisfactory by programme authorities. In countries yet to launch calls, insights gained from communication events on project demand and quality are generally positive (e.g. Vlaanderen). In some cases, current levels in demand are being influenced by the state of implementation of programmes from the 2007-13 period. For instance, in NRW, early indications are that there is a great deal of interest from potential project applicants. The managing authority feels that this may be because the ERDF OP 2007-13 stopped making calls in 2010 and so a lot of demand has built up since then. In Denmark, by way of contrast, project demand is rated as satisfactory, taking into consideration that operations under the previous programme period are still running. In Slovenia, the focus remains on absorption of 2007-13 funding and project calls will not be launched until later in 2015.

IQ-Net programme managers have raised some issues in terms of the quality and type of project applications that are emerging. In specific cases, concerns with the quality of project applications coming through are related to capacity issues either among programme authorities (or applicants (e.g. Denmark, Poland). Elsewhere, an increased focus on scrutiny and risk and moves away from competitive project calls is having some impact in the level of detail and justification included in applications (e.g. Scotland).

A general concern is the challenge arising from beneficiaries’ adjustment to the requirements of the new results-orientation. In several cases the new demands have been problematic to many applicants, reflected in some instances in a higher rate of rejections than in previous periods (e.g. Finland). This applies even to larger, more experienced applicants, although in some cases there is some variation in applicants’ understanding of the results-focus: some businesses and universities are accustomed to setting out the expected results of the project in ways appropriate to programmes while local authorities and other local bodies have less experience. It should be noted that although these challenges are prolonging the selection and approval process, the longer-term benefit of adapting to the results orientation is that the quality of the applications is expected to improve in comparison to the past. In Finland, there has been a clear improvement in this respect in the second round of applications in comparison to the first.

3.4 Next steps

With the vast majority of IQ-Net programmes approved, programme authorities have intensified work on other key arrangements to ensure a successful start to the 2014-20 period:

(i) Programme management arrangements

Programme management arrangements are still being developed and IQ-Net programme managers are completing detailed descriptions of their management and control systems. The focus on programme management arrangements is particularly clear where changes to the structures are being introduced:

- Reallocation of responsibilities between bodies. In several cases, programme management arrangements are being changed for the 2014-20 period. This is responding to different factors. There are efforts to improve the efficiency and transparency of
implementation, for example through the reduction of intermediate bodies in NRW and Czech Republic. In France, regions are taking over the management of ERDF and a part of ESF as part of broader regionalisation processes, prompting the transfer of personnel from State services to regional services. Elsewhere, new management and implementation bodies are being established for the delivery of specific instruments in the 2014-20 period (e.g. in Wales, setting up intermediate bodies to deliver aid schemes to businesses).

- **Coordination arrangements.** The importance of coordination to successful management and implementation is emphasised in the 2014-20 period, with emphasis on territorial integration, exploiting synergies between funds and programmes and between ESIF and domestic operations. This emphasis is reflected in emerging coordination arrangements.

  - Finland: dedicated regional councils have been established to coordinate funding decisions by councils, although their specific functions in different regional contexts are still evolving.
  - Greece: an outstanding issue is how coordination structures will be established/merged in the Ministries to reflect changes in programme architecture.

Efforts to take a more coordinated approach are reflected in the establishment of multi-Fund programmes.

  - Slovenia: one multi-Fund OP will replace the previous mono-fund programmes with a single MA for both Slovenian regions as well as a single audit authority and a single certifying authority.
  - Poland: multi-Fund ERDF/ESF regional OPs are being launched for the first time and this has prompted substantial reorganisation in managing authority units in the regional governments.
  - United Kingdom (Scotland): a new Joint PMC (Structural Funds, rural development and fisheries) has been meeting in shadow form; the first formal meeting was on 1 May 2015. Programme managers have noted the challenging nature of taking a 'joined up' approach is challenging: despite structural reorganisation it is difficult to bring very different programmes, funds and sets of regulations.
Box 1: New Coordination arrangements in Austria

In response to regulatory issues in 2007-13, Austria has increased its focus on coordination. ÖROK’s programme management work is now supported by a number of coordinating platforms/bodies that have been set up recently or will be in the near future:

- **Working group of intermediate bodies (ZwiSt):** Since mid-2014, the MA and all intermediate bodies meet regularly every two months (so-called ZwiSt Jour Fix). It should be noted that the number of intermediate bodies has decreased from 36 to 16, a reduction facilitated by the increasing reluctance of actors to deal with the administrative burden of managing EU funding.
- **A steering group of the Länder (Steuerungsgruppe):** consists of the so-called ‘Land bodies responsible for the programme’ (Programmverantwortliche Landesstellen, PVL), i.e. the former nine 2007-13 MAs. The steering group represents the interests of the Länder and supports the MA (ÖROK) in its management tasks. Each PVL steers the implementation of the ERDF resources allocated to its Land.
- **Special groups** around specific themes, such as financial control.

(ii) Monitoring and compliance with e-Cohesion

Changes to the monitoring systems and procedures are ongoing in many IQ-Net programmes. In a number of cases, substantial changes are planned or are being implemented to improve the quality of data, reflecting the new results orientation and supporting evaluation and communication activities. New monitoring systems and indicator sets are being developed to create more robust and functional information, capturing: programme-wide data (e.g. NRW); grouping together different ESIF funds in one system (Czech Republic); integrating ESIF monitoring with domestic systems (Poland, Slovenia).

Authorities are on course to ensure compliance with e-Cohesion. The development of electronic data exchange systems is ongoing in many IQ-Net countries. An important aspect of this is meeting the Commission’s e-Cohesion requirements, which foresee that all exchange of information takes place solely by means of electronic data exchange systems. More specifically, the European Commission envisages that such electronic exchange systems need to be established by the end of 2015. There are difficulties to be faced, particularly where institutions involved in programme delivery at different levels have their own established monitoring systems, in which ESIF plays only a minor role (e.g. Austria) and where there is limited demand for this service from applicants due to national legal requirements for physical written evidence (e.g. NRW). Despite the fact that e-Cohesion aims to reduce the administrative workload, the new functions and demands for careful documentation have, at times, resulted in increased administrative workload, not least where human resources are already constrained (Finland). Nevertheless, across IQ-Net countries and regions substantial progress has been made towards full electronic reporting in accordance with the regulations for e-Cohesion by the end of 2015.
Box 2: The new IT system in Scotland

A new IT system is currently being developed by the MA, called EUMIS. The main innovative features are that it:

- **is built around key strategic interventions** – EUMIS is being structured to fit with Scotland’s new principle of agreed Strategic Interventions. These are 13 large framework ‘projects’ providing an overarching framework for operations in the most important sectors and are led by key stakeholders. Strategic Interventions will only be put on the EUMIS system once agreement has been reached with the managing authority regarding the range and type of activities to be included, method of delivery and the agreed monitoring targets and budget.

- **facilitates partners’ monitoring of progress** – EUMIS allows partners to monitor progress based on their roles as either a Lead Partner responsible for an entire Strategic Intervention or as a delivery agent of an individual operation.

(iii) Communication activities

As communication strategies for the 2014-20 period must be adopted within six months of programme approval, there has been significant recent activity among IQ-Net programme managers under this heading, providing insights on the focus of future communication activities:

**Integrating communication activities.** As with other aspects of programme management and implementation, there are indications that forthcoming communication plans will reflect efforts to achieve a more integrated or ‘joined up’ approach. For instance, in Vlaanderen communication will be managed more centrally in comparison to 2007-13. There will be increased cooperation between funds which will be formalised in a communication plan. In practical terms this means that all funds will organise local events (*Europa in je Buurt*) in all five provinces but one province will take a lead (Oost-Vlaanderen). In Slovenia, there will be a general ESIF portal, with information on all three Structural Funds, as well as for EAFRD, EMFF and ETC programmes. Inter-Fund communication coordinated by National TA OP (managed by CGET).

**Balancing activities directed at the general public with project animation.** In drafting communication plans, authorities are conscious that different audiences are being targeted via different means. This includes social and other electronic media to make communication more interactive and accessible to different groups. Thus, finding the optimal balance between general publicity events that strengthen the visibility of ESIF activities among the public and more targeted events on specific themes for potential applicants is key. In Finland, a comprehensive programme of information and training events for applicants has been combined with a tour called ‘kasvun karavaani’, launched in March at a secondary school in Tampere, aimed at engaging the general public. PA says that communication in 2007-13 was too much directed towards the general public, instead of focusing on projects stimulation.
Box 3: The Communication Plan in Denmark

The development of Denmark’s Communication Plan has been informed by a number of aims, including:

- **working more strategically in line with the results orientation**, e.g. a conference about social inclusion has been organised for the purpose of mobilising actors and generating project ideas. It is the intention that communication tools can be used more efficiently to mobilise relevant stakeholders.

- **placing more emphasis on short-term actions and goals**. Another key change with the action plan is that more short-term annual goals are set. It is more action oriented, flexible and dynamic compared to previous programming periods where more long-term goals were established.

- **targeting the general public, as well as beneficiaries**: newspaper stories about individual projects and the programmes is deemed important and guidance on how to communicate about projects has been prepared. Previously information about the programmes has also been published as newspaper inserts and work is ongoing: identifying the most relevant newspapers to reach target groups and differentiating between ESF and ERDF (rather than the generic ‘Structural Funds’) in publicity information.
PROGRESS OF THE 2007-13 PROGRAMMES

Over the past six months, the focus for the 2007-13 programmes has continued to be on accelerating payment levels and preparing for programme closure.

4. FINANCIAL PROGRESS IN THE EU28

After a period of slower growth in the second half of 2014, the rate of financial absorption of Cohesion policy programmes has increased considerably in the EU28 over the past six months (see Table 1).

Table 1: Average payment rate and increase

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU28 average (%)</td>
<td>51.4 (EU27)</td>
<td>59.4 (EU27)</td>
<td>68.2</td>
<td>73.2</td>
<td>81.9</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>7.3</td>
<td>7.8</td>
<td>8.8</td>
<td>5.0</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Source: EPRC calculations from European Commission data. Note that data for 2014 and 2015 include Croatia.

Figure 7 shows that there continue to be marked differences in the rate of absorption between Member States and Funds:

- The highest overall payment rates of over 90 percent are found in Estonia (95 percent), followed by Portugal (94.3 percent) and Lithuania (93.7 percent). Several Member States have surpassed the 90 percent payment rate in the past six months: Denmark, Greece, Poland, Finland and Sweden).
- The lowest overall payment rates were reported for Croatia (48.1 percent), Romania (61.4 percent) and Slovakia (62.2 percent) (positions unchanged from the previous six-month period).
- At EU28 level, the average payment rate for the ESF remains higher than for ERDF and the Cohesion Fund (at 83.7, 81.6 and 81.5 percent respectively), although there has been convergence in rates between funds over the past six months.
- A very high increase in overall payment rates, over 15 percent, has been recorded in three countries (BG, SI, DK).
Figure 7: Structural Funds payments in 2007-13 (18 May 2015)

Source: Commission data from 18 May 2015 on Commission disbursements to Member States.
5. FINANCIAL PROGRESS IN IQ-NET PROGRAMMES

Payment rates in IQ-Net countries and programmes have increased over the last six month period (see Table 2) Almost in all instances, the increase has been above the average rate reported for EU28 (five percent).

Table 2: Financial progress in IQ-Net programmes

<table>
<thead>
<tr>
<th>IQ-Net country/region</th>
<th>Programme</th>
<th>Payments (%)*</th>
<th>6 months ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>ERDF OPs, national average</td>
<td>80.4</td>
<td>60.0</td>
</tr>
<tr>
<td>Belgium: Vlaanderen</td>
<td>ERDF OP</td>
<td>81.5</td>
<td>76.0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>National average</td>
<td>73.4</td>
<td>60.7</td>
</tr>
<tr>
<td></td>
<td>Integrated OP</td>
<td>62.1</td>
<td>51.6</td>
</tr>
<tr>
<td>Denmark</td>
<td>ERDF OP</td>
<td>84.7</td>
<td>73.0</td>
</tr>
<tr>
<td></td>
<td>ESF OP</td>
<td>80.2</td>
<td>60.0</td>
</tr>
<tr>
<td>Finland:</td>
<td>ERDF OPs, national average</td>
<td>91.0</td>
<td>82.8</td>
</tr>
<tr>
<td>Länsi-Suomi and Etelä-Suomi</td>
<td>Länsi-Suomi ERDF OP</td>
<td>86.3</td>
<td>79.3</td>
</tr>
<tr>
<td></td>
<td>Etelä-Suomi ERDF OP</td>
<td>94.6</td>
<td>83.9</td>
</tr>
<tr>
<td>France</td>
<td>National average</td>
<td>65.9</td>
<td>57.0</td>
</tr>
<tr>
<td>Germany:</td>
<td>ERDF OP</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Nordrhein-Westfalen</td>
<td>National average</td>
<td>83.5</td>
<td>77.1</td>
</tr>
<tr>
<td>Greece</td>
<td>National average</td>
<td>90.0</td>
<td>84.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>National thematic OPs</td>
<td>91</td>
<td>85.0</td>
</tr>
<tr>
<td></td>
<td>Regional OPs (mainland)</td>
<td>84</td>
<td>80.0</td>
</tr>
<tr>
<td></td>
<td>Regional OPs (islands)</td>
<td>97</td>
<td>93.0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>National average</td>
<td>84.8</td>
<td>74.4</td>
</tr>
<tr>
<td></td>
<td>ERDF OP</td>
<td>90.4</td>
<td>87.0</td>
</tr>
<tr>
<td></td>
<td>ESF OP</td>
<td>93.1</td>
<td>83.3</td>
</tr>
<tr>
<td></td>
<td>Cohesion Fund OP</td>
<td>72.7</td>
<td>55.8</td>
</tr>
<tr>
<td>Spain: Bizkaia</td>
<td>ERDF</td>
<td>87.5</td>
<td>85.0</td>
</tr>
<tr>
<td>Spain: País Vasco</td>
<td>ERDF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>UK: England</td>
<td>National average ERDF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>UK: Scotland</td>
<td>National average</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>UK: Wales</td>
<td>National average</td>
<td>80.0</td>
<td>72.0</td>
</tr>
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Concerns in IQ-Net programmes continue to relate to payment interruptions, the level of payments and decommitment:

- The payment interruptions previously reported in Austria were lifted in March 2015. In England, a Commission audit visit to check the arrangements put in place to have previous interruptions lifted found issues with compliance in the West Midlands. In Scotland, the managing authority is anticipating a programme interruption due to high error rates. The main issues are a lack of audit trail and procurement.
• **Concerns over the level of payments** continue in Nordrhein-Westfalen due to slow submission of payment claims. The project holders have been slow to submit payment claims and the managing authority continues to monitor and encourage the project holders to submit claims. The OP has always met the commitment requirement but it is now becoming more difficult.

• **Decommitment remains an issue** in the Czech Republic, related in part to exchange rate issues. Concerns with programme closure

### 6. CONCERNS WITH PROGRAMME CLOSURE

**IQ-Net programme authorities are progressing with preparations for closure.** In line with the Commission’s closure guidelines, the final date for the eligibility of expenditure is 31 December 2015. In principle, this means that public contributions should be paid or due to be paid by the end of 2015, with a few exceptions (major projects, FIs). In April 2015, the Commission adapted these guidelines, simplifying some closure procedures concerning financial engineering instruments, streamlining ‘phasing’ – the process of starting a project under one programming period and finishing it in the next period; and, including a ‘10 percent flexibility’ aspect that allows a programme to overspend 10 percent in a particular priority, provided it is compensated by an equivalent reduction in another priority of the same programme.

The closure process itself is relatively straightforward, but programme managers are concerned with the amount of work involved and the capacities needed for this process. To mitigate some of these challenges, IQ-Net programme authorities have adopted different responses:

• **Proactive approach**: To avoid excessive closure tasks at the end of the period, some programme managers have taken a proactive approach to closure by closing projects throughout the programme period (Vlaanderen, Finland, Bizkaia). Internal deadlines have been set up (often well ahead of the Commission’s deadline) to allow some flexibility and leave enough time for audits.

• **Targeting projects at risk of non-completion.** Closure guidance is being developed across member States but there are examples of more targeted approaches emerging. In Wales, authorities use specific closure checklists to allow ongoing checks, and internal closure working groups have been set up. In NRW, the managing authority has established a working group responsible for identifying projects at risk of not being completed and for finding ways of accelerating payments, including ensuring that payment claims are submitted. In several Member States, information is also being disseminated on regulations and good practice so

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that authorities can comply with the timetable and the requirements imposed by the Commission. Some frequent questions that have arisen for instance in France concern the monitoring of invoices during closure as well as the closure of financial instruments.

- **Addressing capacity issues**: The most common area of concern relates to capacity issues. The problem is particularly acute where the same team is managing both 2007-13 and 2014-20 programmes simultaneously (Denmark), where management tasks are being transferred (Greece, France); or where the project closure schedule is weighted towards the back end of the allowable programme period, compressing closure work into a shorter timeframe, which coincides with the peak of the workload in approving operations in the new funding round. One of the main issues in the closure process in France is to keep enough staff in the State’s administration, despite the transfer of OPs management personnel as a consequence of the transfer of funds management to the Regional Councils. To alleviate the workload, some programme managers have chosen to externalise tasks.

### 7. CONCLUSIONS

Over the past six months, IQ-Net partners have been negotiating a difficult period of transition from negotiating and finalising programmes to the implementation of the OPs themselves. Having addressed the challenges of incorporating principles highlighted in the regulations (the results orientation, thematic concentration, ex-ante conditionalities, the territorial dimension etc.) into programme documents, the attention is now shifting to their practical implementation as programme funding is opened to applicants. In this context, programme authorities have intensified work to ensure a successful launch and there has been a strong focus on building the capacity of beneficiaries and in improving the efficiency of implementation systems. Nevertheless, the next six months will test these initiatives, particularly where issues related to the closure of 2007-13 programmes come to the fore.