GETTING OFF THE GROUND - LAUNCH OF THE NEW PROGRAMMES

Review of Programme Developments: Summer-Autumn 2007

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Tobias Gross and Heidi Vironen

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PREFACE

The research for this paper was undertaken in preparation for the 23rd IQ-Net meeting in Vilamoura, Algarve, Portugal, on 14-16 November 2007. The paper was written by Tobias Gross and Heidi Vironen.

This paper is the product of desk research and fieldwork visits during autumn 2007 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium) and to the European Commission’s DG Regional Policy. The field research team comprised:

- Tobias Gross (Austria)
- Frederike Gross (Belgium, France)
- Prof. Henrik Halkier (Denmark)
- Rona Michie, Dr. Martin Ferry (United Kingdom)
- Dr. Sara Davies (Germany)
- Laura Polverari (Italy)
- Carlos Méndez (Portugal, Spain)
- Heidi Vironen (Finland, Sweden)
- Dr. Martin Ferry (Poland)
- Maria-Amalia Vergoula (Greece)
- Marie Macešková (Czech Republic)

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

Belgium
- Agency for the Economy of Vlaanderen, Europe Economy

Czech Republic
- Ministry for Regional Development

Denmark
- Danish Enterprise and Construction Authority
Finland
- Regional Council of Keski-Suomi
- Ministry of the Interior

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

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

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

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

Poland
- Śląskie Voivodeship (Marshal’s Office)

Portugal
- Financial Institute for Regional Development (IFDR)

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

Sweden
- NUTEK, Swedish Agency for Economic and Regional Growth

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

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

The past six months have, in many ways, been a period of ‘getting off the ground’. The 2007-2013 programming period has gradually moved beyond the National Strategic Reference Framework (NSRF) and programme negotiation stages, with many partners taking concrete steps towards launching the new programmes. In addition to these operational issues, more strategic debates have also surrounded the future of the Budget and Cohesion policy.

All the NSRFs, and a large part of the Operational Programmes (OPs) have now been approved by the European Commission, with the remaining programmes expecting approval soon. Although some partners characterised the negotiations as long and extensive, they have generally been found to be constructive. In most cases, significant changes were rare, and strategic decisions were agreed at informal meetings prior to the official submission of the documents.

The programmes have gradually moved towards their official launch. In many instances, this has involved the organisation of publicity campaigns to inform on the funding opportunities, and to generate projects as early as possible. Most partners did not progress with financial commitments at this stage, but are waiting until the OPs have become legally binding. Some have made informal commitments through so called ‘shadow rounds’ of funding before the formal programme adoption. However, even in those programmes which have already committed funds and where project generation activities are underway, first payments are generally not expected until the first half of 2008. In some instances, this has caused challenges in meeting the n+2 rule.

Against the background of the launch activities, a number of specific challenges remain, particularly concerning the set-up of the new management and control system. An important, related task is the submission of the description of the system to the Commission within twelve months after programme approval.

While the 2007-2013 programmes are dominating the agenda, programme managers and implementing agencies continue to implement the closure of the 2000-06 programmes. Recent challenges are mostly reported on the payment side, not least due to n+2. Hence, many managers are resorting to activities, such as increased monitoring and awareness-raising or reallocation of funds in order to increase financial absorption. Also, a key issue for many partners is dual management of the 2007-2013 and 2000-2006 programmes, which is causing workload and human resources concerns.
GETTING OFF THE GROUND -
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1. INTRODUCTION

Since the last IQ-Net conference in June 2007, all National Strategic Reference Frameworks (NSRFs) have been adopted by the European Commission. In addition, most of the new Operational Programmes (OPs) have received approval or have reached the final negotiation stage. Most programmes are therefore now ready officially to ‘get off the ground’. Consequently, many IQ-Net partners have started to generate projects, and some have already made first commitments. However, few payments have been brought forward, resulting in some concern with respect to meeting n+2 targets. In order to avoid losing funds due to the automatic de-commitment rule, the key objective for most partners is to finalise the administrative structures, with a view to making payments as soon as possible.

While, the new programmes continue to be of main concern for the IQ-Net partners the 2000-2006 programmes also still require attention, as none of them has been formally closed. Although funds have been fully committed, the key issue is to ensure spending and to speed up project claims. In this respect, close monitoring is of particular importance. Hence the management and implementation of two sets of programmes continues to be challenging for most partners. Also, in cases where the programme administration has been subject to change, ensuring effective programme closure has been demanding for a variety of reasons. Finally, although the new programming period has just started, increasing attention is being devoted at the EU level to the future of EU Cohesion policy, including the next financial perspective.

The objective of this paper is to review the most recent issues of the two programming periods and to provide an update on important developments at the European level. Section two outlines IQ-Net partner progress with respect to the start of the new programmes and covers issues such as the negotiations with the Commission on the NSRFs and the OPs, as well as the formal launch of the programmes. Recent administrative challenges and developments related to programme starts are outlined.

Section three provides an update on the 2000-2006 period. Based on Commission analyses, it begins with a general overview of the previous programming period. IQ-Net partners experiences with respect to the absorption of EU funds follows. Recent operational issues related to the dual programme management will also be highlighted.

Section four briefly outlines the latest developments at the EU level, notably the debates on the future budget and on the reviews of Cohesion and Agricultural policies.

Section five concludes the review and raises points for discussion.
2. THE 2007-2013 PROGRAMMING PERIOD

The last six months have been characterised by the finalisation of the new programmes. The following sections examine progress with respect to the approval of the NSRFs and the OPs of IQ-Net partners. Recent issues involve the interventions, earmarking of funds, ESF cross-financing and various technical issues. Most partners have started their programmes already, or are in the final stages of their preparations. The main issues and challenges with respect to launching the programmes will be addressed in the subsequent sections.

2.1 Progress with the NSRFs

Since the IQ-Net conference in June 2007, all NSRFs have been adopted by the European Commission. Approval dates range from December 2006 (Malta) to early October 2007 (Luxembourg). The general view by partners is that the formal negotiations were relatively straightforward, and that the extensive informal bilateral meetings between the Commission and the responsible domestic authorities over the last two years have certainly been helpful.

Danish authorities mentioned, for instance, that specific issues on the socio-economic analysis had been clarified through informal exchanges. Similarly, in the case of Germany, the Commission provided extensive comments prior to the official submission of the final NSRF. The main issues raised in the formal negotiations were, therefore, largely of a strategic nature. The German authorities' views of the NSRF have become more positive over time. The NSRF process is seen to have been facilitated by the decision of the German authorities to take a bottom-up approach to developing the NSRF, which helped to ensure coherence between the NSRF and the OPs.

Other partners have perceived the NSRF exercise as useful for coordinating the Operational Programmes. Austria, for example, plans to continue the NSRF process over the next seven years and to use it as a communication, co-ordination and discussion platform on strategic aspects of Structural Funds implementation. Despite these mostly positive experiences with the drafting and negotiating the NSRFs, some partners have criticised the lack of strategic focus from the Commission whose comments and observations were seen to be overly detailed and technical, unnecessarily delaying the drafting process. Other partners observed inconsistencies between different hierarchical levels within the Commission. In particular, the following specific issues had to be resolved in recent negotiations.

Given the emphasis on the renewed Lisbon agenda, the thematic allocation of funds has been debated. In particular, the Commission made several demands for further information, such as requests for firmer guarantees about what the programmes will do to ensure that they meet earmarking targets, additionality and added value. The most substantive point in this respect was noted in the UK, where the Commission wanted the UK to go further regarding the Lisbon targets than they were obliged to under the regulations. In the end, the Commission accepted supporting documents stressing the UK’s commitment to the Lisbon goals, rather than demanding a change to the NSRF.
In other cases, such as Germany, the Commission argued in favour of the introduction of the **new financial instruments** especially JEREMIE and JESSICA. Although in principle the German authorities do not oppose their use, they feel that a number of open legal questions in relation to such instruments remain, both in terms of EU rules and procedures, and also on the implications of using such instruments, from the perspective of EU regional State aid rules. In addition, the federal authorities have some questions over whether such instruments are needed; for example, the European Investment Fund (EIF) recently undertook a gap analysis of business financing instruments in Brandenburg and found that there were no gaps. The federal authorities subsequently held a meeting with the European Investment Bank (EIB) and EIF, where they were unable to resolve the outstanding legal issues; EIB and EIF staff stated that these issues instead needed to be clarified by the Commission.

As reported in previous IQ-Net reviews\(^1\), the Commission requested further clarifications from Italy about the **interaction of EU and domestic intervention**. The Italian authorities argued that, in order to maximise the effects of EU Cohesion policy, certain pre-conditions in the south of Italy needed to be met. The Italian view is that the approach adopted in the NSRF of a unitary regional policy (funded by Structural Funds and domestic resources) delivers a substantial leverage effect, adding a significant amount of national resources to those of EU Cohesion policy. Particularly, regions falling under the new Competitiveness and Employment objective are rather heterogeneous and thus need differentiated treatment. In order to convince the Commission of this approach, extensive explanations of the rationale of the proposed interventions became necessary. Yet, the substance of the NSRF remained largely unaltered.

Finally, the **implementation structures** were discussed. In Poland, the Commission had reservations about provisions under the Polish Law on the principles of development policy of 2006. This law gave the centrally appointed regional governor the right to call and lead programme monitoring committees and supervise and potentially veto project selections made by the regionally elected self-governments. There was also a provision for projects developed by the Marshal’s Office under the Regional Operational Programme to first be passed to the national Ministry of Regional Development. These moves were seen as a threat to the independence of the programming process. Following pressure from the Commission and regional governments, subsequent amendments to the legislation halted these reforms.

### 2.2 Negotiating the Operational Programmes

Although the negotiations of the Operational Programmes have still not been fully completed, a large number of IQ-Net programmes have been approved by the Commission (see Table 1). Other partners are in a late negotiation stage and expect the adoption of their programmes soon. Despite this progress, it can be seen from Table 1 that no programme was formally ready to get off the ground by the start of the new budget period. This is not least due to the fact, that in some cases, the preparations took longer than

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anticipated for domestic reasons. In Italy, for instance, the new NOP Research and Competitiveness involved quite extensive discussions between domestic actors due to the fact that programme management will be shared between the Ministry of Economic Development and the Ministry of University and Research. Also, in Sachsen-Anhalt, some delays have arisen in the context of ongoing negotiations with Commission staff.

Table 1: Submission and approval of NSRFs and OPs of IQ-Net partners

<table>
<thead>
<tr>
<th>IQ-Net partner</th>
<th>NSRF approval</th>
<th>Number of OPs presented to the COM / Number of OPs expected</th>
<th>Submission of OP</th>
<th>Approved OPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>04.04.2007</td>
<td>9/9 2/2</td>
<td>31.10.2006</td>
<td>9 ERDF, 1ESF</td>
</tr>
<tr>
<td>Niederösterreich</td>
<td>1 na</td>
<td>31.10.2006</td>
<td>04.05.2007</td>
<td></td>
</tr>
<tr>
<td>Steiermark</td>
<td>1 na</td>
<td>31.10.2006</td>
<td>04.05.2007</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>02.10.2007</td>
<td>4/4 6/6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vlaanders</td>
<td>1 na</td>
<td>05.2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>16.04.2007</td>
<td>1/1 1/1</td>
<td>11.2006</td>
<td>16.04.2007 (ESF) and 05.07.2007 (ERDF)</td>
</tr>
<tr>
<td>Finland</td>
<td>12.09.2007</td>
<td>5/5 2/2</td>
<td>02.2007</td>
<td>5 ERDF by 03.2007</td>
</tr>
<tr>
<td>France</td>
<td>04.06.2007</td>
<td>31/31 5/5</td>
<td>02-06.2007</td>
<td>12 ERDF by 01.10.2007, 1 ESF</td>
</tr>
<tr>
<td>Germany</td>
<td>02.05.2007</td>
<td>18/18 18/18</td>
<td></td>
<td>12 ERDF, 8 ESF</td>
</tr>
<tr>
<td>Sachsax-Anhalt</td>
<td>1 1</td>
<td>01.2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nordrhein-Westfalen</td>
<td>1 1</td>
<td>12.2006</td>
<td>19.07.2007</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>28.03.2007</td>
<td>10/10 4/4</td>
<td>03.2007</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>13.07.2007</td>
<td>26/28 24/24</td>
<td></td>
<td>17 ERDF</td>
</tr>
<tr>
<td>Lombardia</td>
<td>1 1</td>
<td>03.2007</td>
<td>01.08.2007 ERDF</td>
<td></td>
</tr>
<tr>
<td>Italian Ministry of Economic Development</td>
<td></td>
<td>03.08.2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>07.05.2007</td>
<td>20/20 1/1</td>
<td></td>
<td>18 ERDF, 1 ESF</td>
</tr>
<tr>
<td>Slaskie</td>
<td></td>
<td></td>
<td>03.2007</td>
<td>09.2007</td>
</tr>
<tr>
<td>Portugal</td>
<td>28.06.2007</td>
<td>10/10 4/4</td>
<td>03.2007</td>
<td>9 ERDF, 1 ESF</td>
</tr>
<tr>
<td>Spain</td>
<td>07.05.2007</td>
<td>23/23 22/22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pais Vasco</td>
<td></td>
<td></td>
<td>02.2007</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>20.07.2007</td>
<td>8/8 1/1</td>
<td>02.2007</td>
<td>8 ERDF and 1 ESF by 08.2007</td>
</tr>
<tr>
<td>UK</td>
<td>30.07.2007</td>
<td>16/16 6/6</td>
<td></td>
<td>4 ERDF, 3 ESF</td>
</tr>
<tr>
<td>North East England</td>
<td></td>
<td></td>
<td>04.2007</td>
<td>expected in 12.2007</td>
</tr>
<tr>
<td>Wales</td>
<td></td>
<td></td>
<td>01.2007</td>
<td>08 and 09.2007</td>
</tr>
<tr>
<td>Scotland</td>
<td></td>
<td></td>
<td>03.2007</td>
<td>expected by early November</td>
</tr>
</tbody>
</table>

Source: European Commission (31.10.2007); EPRC research.

Informal negotiations with the Commission have been extensive, and partners noted that this has been useful in speeding up the approval process. Significant changes resulting from formal comments were, as a result, relatively rare. In most cases strategic decisions were agreed prior to official submission. With regard to formal and informal discussions, a number of partners found them useful and were generally pleased with the outcomes. Others felt that different standards of programme appraisal were applied and that comments were often dependent on the respective desk officers. Niederösterreich, for instance, criticised DG Regional Policy interlocutors for focussing too much on technicalities...
rather than on strategic aspects, and they do not think that the debates led to significant programme improvements. Finnish authorities mentioned that the delay with the approval of the OPs was partly due to the fact that the NSRF had to be approved beforehand. Hence, the Finnish OPs could not be approved until September 2007. Recent discussions with the Commission have focussed specifically on the following main themes: interventions; earmarking; cross financing; and administration.

### 2.2.1 Planned interventions

One of the most contentious issues relates to the planned interventions where the Commission asked for clarifications and argued, in some cases, for restructuring between the priorities. The specific experiences of some partners are as follows.

- **Austria**: The two Austrian partners, Niederösterreich and Steiermark, were advised to relocate tourism measures from the first to the second priority. The Commission argued that the measures lacked innovative character and thus did not fit under the first priority.

- **Finland**: Finland was requested to outline better the links between Structural Funds and domestic interventions.

- **France**: France was asked to focus more strongly on the regional innovation strategies. As a result, almost all regions have now introduced a specific measure to support these strategies.

- **Italian NOP Research and Competitiveness**: For the Italian NOP Research and Competitiveness, the Commission proposed to introduce a third priority on the so-called ‘linking measures’ (*misure di raccordo*) which aim to better coordinate the respective programme actions. The *misure di raccordo* were considered particularly problematic by the Commission, as it deemed that, while some of these are Technical Assistance-type interventions, others overlap with the Regional OPs. Negotiations on this issue are ongoing.

- **Lombardia**: The main strategic change resulting from the negotiations was the creation of a fourth priority on the full exploitation of cultural and natural assets and the related territorialisation (c. €37 million). This is a priority that deals with the more marginal and weakest parts of the regional territory.

- **Sachsen-Anhalt**: In Sachsen-Anhalt, DG Employment is insisting that two percent of ESF funds should be earmarked for socio-economic partners (SEP). Although the SEP received comparable funding from the ESF in 2000-2006, the Managing Authority would prefer not to make such a definite commitment up-front, particularly as the DG is emphasising that the funding should be allocated for cooperation projects between different SEPs (an approach not adopted in 2000-06). In the ERDF OP, the main issue has been that the *Land* had planned to allocate funding for social infrastructure (e.g. hospitals, crèches, schools) which was questioned by the Commission. In the end, it was agreed that a limited amount of funding should be used for this.
Spain: The main points of discussion on OPs have been based around the thematic allocation of funding, such as increasing R&D in some regions and decreasing spending on water and infrastructure in phasing-in and RCE.

Portugal: Specific points raised in relation to the NOP for Competitiveness centred on the need to ensure a greater focus on joint initiatives with businesses when funding public R&D. With regard to the NOP for territorial development, the Commission advised against the inclusion of certain specific major projects which were not considered to have important economic or social benefits. A greater prioritisation of urban interventions was also requested, in order to avoid the shopping-list nature of the package of interventions proposed.

Vlaanderen: The Commission advocated the exclusion of actions where the economic impact is less visible, especially with respect to road infrastructure. Hence, some actions have been merged or deleted in response to these demands.

2.2.2 Lisbon earmarking

A recurring theme relates to Lisbon earmarking of funds, an issue which has clearly gained significant attention from the Commission. In fact, some partners were critical that reaching these targets seemed to be the main concern for the Commission. Others, such as Niederösterreich, perceived tensions between efficiency and equity considerations of Structural Funds interventions and generally applied a broad interpretation of the term ‘innovation’. This view was not always shared by the Commission’s desk officers.

France noted that interlocutors pushed the regions to over-fulfil the requirements, even though the regulations foresee that the targets will need to be met only at the Member State level. The Commission also pushed for a maximum of urban interventions to be included in the earmarking categories. This has been rather difficult for certain regions. In the Ile-de-France region, large amounts of funding are allocated via a priority on urban development. Yet, the OP’s earmarking rate is only at 50 percent as it is difficult to stimulate innovation in disadvantaged districts. In Bretagne, major parts of funding will be allocated to transport interventions (e.g. TGV) which means that 60 percent of earmarking cannot be reached. Challenges on earmarking occurred also with multi-regional OPs on river basins which mainly focus on risk prevention. Meeting Lisbon targets is rather difficult for these kinds of intervention.

In the Welsh programmes, Lisbon earmarking was one of the main issues in the negotiations. The authorities had proposed targets by Objective (70 percent for Convergence). However, given that the UK does not provide information on earmarking at the national level, DG Regional Policy wanted the targets by programme (i.e. ERDF and ESF) - although this is in principle not required under the Regulations. The Welsh authorities eventually conceded on this issue and agreed to have separate Lisbon earmarking targets by programme.


2.2.3 Cross-financing

According to the general Structural Funds regulation “the ERDF and the ESF may finance, in a complementary manner and subject to a limit of 10% ..., actions falling within the scope of assistance from the other Fund”. Steiermark and Italy have made use of this provision. While the Styrian ERDF programme received approval in May 2007, negotiations between the Commission and the Italian authorities are continuing. Cross-financing has caused some delays for the NOP Research and Competitiveness because it is not fully clear how to circumscribe the interventions to show that they do not overlap with those contained in the ESF programme. Also in other Italian OPs the Commission is requesting further details on the issue of ESF-related qualification measures.

In the case of Steiermark the interlocutors argued that ESF-related actions need to be more closely linked to other interventions and cannot be funded as ‘stand-alone’. This caused changes to the OP. For example, qualification and training must now only be financed after counselling/consultancy has taken place. The aim is to encourage SME to assess systematically the qualification needs of human resources, and to trigger learning processes within firms. Once identified, this can then be supported by the ERDF. Moreover, ESF-related qualification activities have to be linked to ERDF investments which are being supported by other measures (hence complementarity). This implies that beneficiaries have to prove that qualification and training is essential for a successful investment.

2.2.4 Administrative and technical issues

Of particular importance for successful programme management are well-functioning implementation systems. As noted in detail in past IQ-Net papers, in some countries these systems have been subject to significant changes. In Sweden, for instance, NUTEK has become the central Managing Authority for the ERDF programmes, as opposed to the six County Administration Boards. This shift of responsibility was questioned by the Commission, and the Swedish authorities had to provide detailed explanations of their plans. Equally, the new role of the English Regional Development Agencies (RDAs) which in the new period will be responsible for the day-to-day management has been debated. The Commission was concerned that the RDAs would be given too much responsibility. Agreement has been reached that the Government Office will continue to chair the Monitoring Committee meetings and to oversee the programme progress more generally.

Issues on partnership arose in Vlaanderen, where the Commission argued for the inclusion of environmental partners at Monitoring Committee meetings, in addition to representatives from the Ministry of the Environment. However, the composition of the Committee had already been decided by the government in July and was felt to be difficult to rearrange. A recurring remark (raised also by Commission audits in two Flemish provinces), relates to the fact that the Certification Authority (and previously the Paying Authority) is not functionally independent from the Managing Authority. This has led to changes to the administration structures.

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2 Article 34, paragraph 2 of Council Regulation 1083/2006.
As outlined in more detail in the Thematic IQ-Net Paper, programme targets and indicators are of special importance for measuring the programme implementation and to quantify the added value of the interventions. However, defining indicators has not been an easy task and their utility is often disputed. This has led to debates between programme responsibilities and the Commission leading to changes to the OPs. In the case of Greece, the Commission noted that targets referring to one of the three regions of the ROP of Macedonia-Thrace were not very well laid out. The Greek authorities made changes and further decided that the expression of the other targets was not optimal. Thus a major revision took place which also led to the modification of related indicators.

One related issue should be noted concerning the preparation of the Śląskie ESF OP. The programme is based on data from 2004-5 which might already be out of date. At that time, unemployment rates were high, and labour market issues have been given particular prominence in the OP. Since then, however, the unemployment rate has dropped significantly and, according to the ESF unit, there is an argument for giving entrepreneurship support more prominence. Some Polish regions are forecasting a rise in demand for start-up support as some workers return from abroad over the next few years.

2.3 Launching the Operational Programmes

As can be seen in Table 1, a large number of partner programmes have received formal Commission approval and are now ready to officially get off the ground. In many cases the first Monitoring Committee meetings have already been held or are in preparation. Although formal commitments could have been made since January 2007, most partners have waited until the OPs have become legally binding. Some authorities, however, made informal commitments and arranged so-called ‘shadow rounds’ of funding before the programmes were adopted. More recently, many have implemented the publicity campaigns which are legally required under the implementing regulation, in order to advertise the new funding opportunities and to generate projects as early as possible. Also, first calls for tender have been made in a number of cases. Despite this progress, a range of additional administrative challenges, such as the set-up of the new management and control system, remain to be solved in order to ensure the continuing flow of funds. IQ-Net partner experiences with these issues will be outlined in more detail in the following sections.

2.3.1 Shadow rounds

Making commitments before the official programme approval entails certain financial risks. In the event that the Commission requests major changes, projects may have to be funded domestically. Also, legal and administrative structures such as the monitoring system need to be in place before EU payments can be brought forward. As a result, prior to approval, hardly any funds have been formally allocated to projects. However, in some cases unofficial commitments have taken place, in the sense that monitoring has been done internally at sub-priority level.

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As noted in previous IQ-Net reviews, the Scottish Government had already announced a round of funding in November 2006, with €14.7 million for Lowlands & Uplands Scotland, and €2.9 million for the Highlands & Islands. Although the OPs have not yet received the Commission’s approval, the Scottish programmes are open and accept applications through a two-stage process. Registration was launched on 15 August 2007; all prospective applicants had to register their interest with the Intermediate Administration Bodies, which would then conduct checks on the applicants’ capacity and legal status. The first stage of the application process, which involved a short summary of key aspects of the projects, was then launched across Scotland on 29 August 2007. Application form completion workshops were held in late September/early October, with a deadline for the first application stage under both programmes of 5 October 2007. The second stage, for those applications eligible to proceed with a full application, was then opened across Scotland on 15 October 2007. After the technical checks, the final decision on funding is expected at the start of 2008.

In Sachsen-Anhalt, funding has also already been committed under a number of budget lines, including infrastructure projects in preparation for the International Building Exhibition (Internationale Bauausstellung - IBA) which will take place in 2010. First payments have also already been made. However, no data have yet been input into the electronic data monitoring system because the financial plans have not yet been approved. Given the complexity of the financial plans, the Managing Authority has decided to wait for final agreement before inputting any data.

In France, shadow rounds have been carried out in some regions without, however, involving formal commitments. The rounds were aimed at preparing applications to be ready to be committed at the end of September or start of October 2007. After the adoption by the Monitoring Committee of the implementation document and the selection criteria, the programmes are ready to get started formally.

Lastly, some measures of both Italian partner programmes received funding from domestic resources and there might be the possibility of using these funds for overbooking. However, in the case of Lombardia, communication is important, as so far the tenders do not mention the use of Structural Funds.

### 2.3.2 Generating projects

The timely generation of projects is crucial, in order to ensure that funds can be absorbed as soon as the OPs have been approved, and the risk of automatic de-commitment avoided. Clearly the “degree to which action is necessary ... depends on the type of resource allocation system and funding arrangements in place.”4 Thus, the situation with respect to project generation varies in IQ-Net partner programmes. Overall it appears that, due to the abolition of micro-zoning, there is greater flexibility, making it easier to find suitable projects. Also, a number of partners have been confronted with a significant reduction of

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funds (e.g. Austria, Diputación Foral de Bizkaia, Finland and North East England). Thus, there is confidence that spending will be relatively straightforward.

(i) Specific challenges

A number of specific challenges in relation to project generation can be identified. First, the thematic shift of funds makes it necessary to address other beneficiaries in comparison to what was done in the 2000-2006 period. This clearly implies increased communication efforts from the implementing bodies. In this respect, France noted that local management plays a key role in generating new and innovative projects which focus increasingly on themes such as R&D. Support mechanisms, such as local networks, need to be further developed in order to increase awareness. Other partners such as Niederösterreich, find it rather difficult to predict a priori the demand for funding. This is due to the fact that absorption depends largely on business-cycle developments, which are difficult to predict.

A second challenge relates to the increasing focus on larger and more strategic projects. Denmark, for instance, aims to concentrate funds on relatively large networking and infrastructure projects involving many different partners, while direct subsidies to individual firms are only an option for peripheral islands. This may prolong the time it takes to put the application together, and require additional support from the regional programme secretariats. Equally, in Wales, the number of projects is expected to fall from approximately 3000 in the previous period to 500 in the current period. All projects are required to use public procurement processes. For smaller organisations, there may be domestic funding available to help prepare the ground.

Third, complex implementation structures and the scale of funding can complicate project generation. In Sachsen-Anhalt, the scale of funding (€3.5 billion in 2007-2013) involves 83 different measures and around 175 different instruments in the ERDF and ESF programmes. A large number of different Land Ministries and intermediary bodies administer the instruments co-financed by the OPs, and these actors take diverse approaches to project generation. EU funding is channelled into a range of different Land and federal domestic funding instruments, which have their own legal frameworks and rules. Therefore, any particular publicity or communication measures adopted by these different organisations are likely to be undertaken for each instrument rather than for the Structural Funds component of funding. In Poland, the new round of ‘regional contracts’, which is the main domestic policy instrument for allocating development funding to the regions, must be negotiated between central government and the regions. In Austria, legal contracts between the Managing Authorities and the implementing bodies need to be agreed before projects can be generated actively. Finally, in Greece implementation will need to wait for the parliament to vote on the ‘Law on the Management, Control and Implementation for the programming period of 2007-2013’.

(ii) Communication plans and guidelines

In order to generate good quality projects which are able to absorb EU funds efficiently, communication becomes particularly relevant for successful programme management. Moreover, ensuring visibility of EU funds is of vital interest to the Commission because it
aims to bring the EU closer to its citizens. As a result, publicity campaigns are a legal requirement under the implementing regulation. Article 1, for instance, requires the preparation of a comprehensive communication plan, which is seen as the main tool for efficient information and publicity activities on Cohesion policy. It should be prepared based on an evaluation of the specific information needs.

IQ-Net partners have taken different approaches to drafting this plan. In some cases, such as Finland, the plan will be prepared by an external consultant, in order to ensure that a standardised approach is applied for all ERDF and ESF programmes. In addition, programme-specific communication is the responsibility of the Finnish Regional Councils and the Regional Management Committees. Depending on the target group, communication mechanisms will vary. In general they involve digital web-based approaches, events and seminars, and publications. In France, a joint inter-ministerial communication plan is under preparation (see Box 1).

Box 1: Joint inter-ministerial communication plan in France

In France, evaluations on past communication activities identified a need for enhanced support to programme managers in order to improve the communication of Structural Funds. Evaluations noted: a lack of exchange of experience between funds and regions, deficiencies in staff expertise and training; communication not perceived as important; and difficulties in organising large-scale media actions at regional level. As a result of the findings, the Ministries for Economy, Finance and Employment and the Ministries for Agriculture and Fisheries as well as the Ministries for Internal Affairs, Overseas Regions and Local Authorities together with the DIACT are collaborating in a coordinated approach in order to set up an ‘inter-fund’ communication plan for 2007-2013. One of the aims is to support works carried out in the context of the French presidency in the second half of 2008 and to generally draw a more positive picture of the EU. The actions are designed jointly for ERDF and ESF, while the Ministry for Agriculture and Fisheries will collaborate on initiatives targeted at the wider public. The plan, which is complementary to the regional ERDF communication plans, focuses on issues such as the mobilisation of the regional network of communication staff, press coverage and the general public regarding all funds. The actions will be steered by the ministry in charge of the respective fund under which an intervention is financed.

In addition to the Communication plan, Article 5 requires that “the operational programme is disseminated widely, with details of the financial contributions from the Funds concerned, and that it is made available to all interested parties”. Specifically, “the managing authority shall ensure that the information and publicity measures are implemented in accordance with the communication plan and that they aim at the widest

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7 Ibid.
possible media coverage using various forms and methods of communication at the appropriate territorial level”. 8

Managing Authorities will be further responsible for organising the following information and publicity measures9:

(a) a major information activity publicising the launch of an Operational Programme, even in the absence of the final version of the communication plan;

(b) at least one major information activity a year, as set out in the communication plan, presenting the achievements of the Operational Programme(s), including, where relevant, major projects;

(c) flying the flag of the European Union for one week, starting 9 May, in front of the premises of each Managing Authority; and

(d) the publication, electronically or otherwise, of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations.

In larger Convergence programmes, such as in Śląskie, there already is a significant level of interest and demand amongst potential beneficiaries, and a process of dissemination has begun. The Regional Development Unit has issued guidelines for the development of projects, and presentations on procedures for specific types of project are available on the region’s web-site. The number of ‘hits’ on the unit’s web-site has increased in recent months. This is important, given plans to use ‘online’ application forms. A targeted series of training events around the region is in progress, and broader conferences and publicity events are being rolled out over the autumn. The region is finalising its own programming manual for beneficiaries, giving guidance on the basic procedures, selection criteria, indicators etc. Moreover, the ESF unit is currently setting-up a database for projects that will include a PARTNER platform for beneficiaries.

(iii) Roadshows and publicity campaigns

In addition to formal programme launch events, most IQ-Net partners have started roadshows designed to actively generate projects and to fulfil the above mentioned legal requirements. The coordination of such campaigns varies. In Sweden, for example, a national kick-off conference was organised centrally on 13 August 2007 by NUTEK which is the Managing Authority for the ERDF. This event saw the launch of the first call for project applications under all priorities. It is planned that there will be four such calls each year.

A mixed approach is being applied in France, where each Managing Authority will organise an individual programme launch event after the official approval of the programmes. In addition, also a joint seminar was organised at the end of October in Bordeaux. The events which have been arranged by the regions have been ambitious and were not always

9 Ibid.
restricted to the Structural Funds, but were set in a general context of the European integration process (e.g. by embedding the programme launch in celebrations of the 50th anniversary of the Treaty of Rome). This is felt to have given greater visibility for the OPs. A mobile stand has been commissioned by DIACT displaying information on Cohesion policy in France. This can be used by the Managing Authorities.

In federal countries such as Austria and Germany, major publicity events have been launched separately for each programme. In Sachsen-Anhalt, a major event will be held on 27 November 2007 which will involve the Managing Authority and all implementing bodies. In addition, some individual Land ministries will use Technical Assistance funds to organise thematic events such as an Education Summit arranged by the Culture Ministry. There are also media offensives on specific themes (e.g. innovative start-ups), as well as the use of other usual publicity channels (e.g. web sites, and mailings by funding ministries / intermediate bodies to their usual ‘clients’). In the two Austrian partner programmes, next to the official programme launch, regional information campaigns have been held in cooperation with regional managers. The main aim is to increase awareness but also to balance funding applications spatially. The latter point seems to be rather relevant given that the concept of micro-zoning was abandoned, and it is likely that, in many cases, the central areas will be the main beneficiaries.

(iv) Launch of calls for tender

After the formal programme approval, a number of partners have launched first calls for tender, or are planning to do so shortly. In Sweden, the first call closed on 28 September and commitments were expected to be made shortly afterwards. In Poland, the Ministry for Regional Development has plans to launch the first round of competitive calls for projects as soon as ‘regional contracts’ have been agreed. Calls under the Energy, Environment and Education priority will be among the first to be launched. There were also plans to include the Transport priority in the first round of calls but the Regional Development Unit in Śląskie is awaiting advice from the Commission on preparing indicators in this field (e.g. relating to journey ‘time-saving’) and the launch may be delayed to January. Nordrhein-Westfalen is planning to launch 17 competitive calls for tender on different themes by the end of 2007. Information on these is provided on the Land’s Objective 2 website, as well as in the press and other media. At the time of writing, six calls have been launched (see Box 2) and 11 others are planned before the end of 2007.

Box 2: First calls for tender in Nordrhein-Westfalen

1. Stabilisation and enhancement of urban problem areas. This call was launched on 12 June 2007 by the Land Ministry for Construction and Transport, and is targeted at local authorities to produce proposals aimed at enhancing urban areas with concentrations of economic, social, physical and cultural problems. It aims in particular to finance the implementation of integrating strategies in the following themes: new urbanity/image; local economy/employment; social and ethnic integration; ecological and energy-based improvements; urban area management and exchange of experience. Five sub-regional information events were held by the Land Ministry for Construction and Transport in June and July 2007.
2. CheK.NRW. This call was launched on 13 August 2007 (date of OP official approval by COM) in cooperation by four Land Ministries (Economics, SMEs and Energy; Innovation, Science, Research and Technology; Labour, Health and Social Affairs; and Environment, Nature Protection, Agriculture and Consumer Protection). It will provide funding for R&D projects focused on plastics and surfacing, undertaken by firms (especially medium-sized firms) in the chemicals and plastics industries. The deadline for submissions is 30 November 2007. Five sub-regional information events are being held in September 2007.

3. Creative.NRW was also launched on 13 August 2007 by the Land Ministry for Economics, SMEs and Energy, together with the State Chancellery and the Ministry for Innovation, Science, Research and Technology. It targets the creative industries, including music, publishing, literature, art, theatre, film and television, design, fashion, advertising, software and games, and architecture. Three sub-regional information events are being held in August-September 2007.

4. Gründung.NRW was launched on 14 September 2007 by the Land Ministry for Economics, SMEs and Energy, together with the Ministry for Generations, Family, Women and Integration. It will provide funding to start-ups and SMEs which are run by women. The call was launched at the START Trade Fair in Essen, with an open invitation to interested participants.

5. Energie.NRW was launched on 18 September 2007 by the Ministry for Economics, SMEs and Energy. It aims to finance excellent and innovative ideas for efficient energy generation and use, particularly those which reduce CO\textsubscript{2} emissions. The aim is to ensure that NRW retains its position as a location for environmentally-friendly energy generation, particularly by focusing on projects which strengthen value chains and clusters in this sector. Applications are invited from firms, universities, research institutes, local authorities, churches, schools and hospitals - and especially from collaborations between different types of actor. The call can allocate up to €32 million (of which 50 percent is provided by the ERDF) in 2007-2013.

6. Erlebnis.NRW aims to fund the best ideas for tourism and nature related experiences, and will be launched in early November 2007 but five sub-regional information workshops have been organised for the second half of October 2007. The call has two parts. The first focuses on tourism and is led by the Ministry for Economics, SMEs and Energy. It will finance innovative products, infrastructure projects, new networks, and marketing activities, with the aim of strengthening the tourism sector and the attractiveness of NRW. The second part focuses on nature experiences and is led by the Ministry for the Environment, Nature Protection, Agriculture and Consumer Protection. The aim is to improve prospects for nature tourism, particularly in the Natura 2000 areas, focusing in particular on innovative solutions which positively link ecological and economic goals together.

### 2.3.3 Spending issues

While a number of partners have committed funds, and project generation activities are underway, in only a few cases are payments expected to be made in 2007. In Śląskie, some limited ERDF funding will go to the Regional Development Unit under the Technical
Assistance priority (available at 100 percent co-financing), and project selection procedures will begin by the end of 2007. Most partners envisage making first payments to beneficiaries in the first half of 2008. The main reasons for this are delays with programme approval (France, Greece), changes of the strategic or geographical focus (Denmark), or new implementation and project selection mechanisms (North East England). Some partners therefore expect meeting n+2 to be challenging and are taking steps in order to ensure that no funds will be lost.

- **France** has noted that, due to the late approval of the programmes, ensuring timely spending will be a challenge. Consequently, efforts are being made to prepare large project applications that are ready to absorb funds quickly. Also awareness-raising activities are planned in order to advise relevant actors to speed up payment as soon as the programmes have been approved.

- In **Vlaanderen**, approximately 30 percent of the ERDF budget will be allocated in the first call for projects, in order to meet the n+2 target. Efforts will be made to allocate maximum funding under the first call which will not be too specific in purpose. Other measures concern the fact that projects only run for two years, with generally no extensions foreseen. More complex projects will be implemented in a phased approach. Project performance data will be requested quarterly from the project promoters.

- In **Greece** it has been observed that the first year has essentially been lost due to the late approval and domestic delays. Thus changes to the financial tables might become necessary.

- In **Denmark**, n+2 is likely to become a challenge for administrators and applicants partly because of the greater emphasis on larger and more complex projects and the requirement to target specific parts of expenditure to nationally designated peripheral areas. The Danish Enterprise and Construction Authority (DEACA) has therefore introduced 6-month budget break-downs in the application process in order to be able to follow projects more closely. Administrators at NAEC are now much better equipped to take corrective action if a project falls significantly behind schedule.

- In **North East England**, spending should theoretically be less challenging during this period because domestic and EU Cohesion policy have become more closely aligned. There are also plans to make use of the new financial instruments under the JEREMIE and JESSICA initiatives, which may be helpful for meeting the n+2 rule. However, the capital spend elements of the programme (e.g. on innovation connectors) will still present a challenge, whereas on the revenue side of the programme there are domestic vehicles in place that are expected to help facilitate spending (e.g. LEGI, Business Link North East). Contextual changes during the programme period may also have implications. For example, if sub-national authorities are given a stronger role in regional economic development as a result of the recent Sub-National Review, the architecture of governance/economic development in the English regions may change during the programme period.
the other hand, the recently launched UK Technology Strategy Board may have positive implications for the match-funding of relevant activities in the region.

Some partners have mixed expectations with respect to absorption and find it rather difficult to predict a priori how the new programmes will perform. Clearly, one factor relates to the overall economic performance and the target group of beneficiaries.

- The Austrian partners mentioned that, in case of an economic downturn, absorption problems could arise because the programmes focus rather strongly on entrepreneurship, innovation and R&D.

- In Nordrhein-Westfalen, one favourable issue is that the aim under the new OP is not to allocate funds for infrastructure projects (which have been slow to absorb funds in 2000-06) but instead to focus on funding for firms, clusters and innovation. As long as this proves possible, the authorities believe that the OP should see fewer problems in relation to n+2 in 2007-2013 than in 2000–2006.

- Other partners, such as Finland, Italy and Sweden, do not expect that meeting the n+2 rule will be more challenging than in the 2000-2006 period, and consequently have not made any special arrangements. In the Italian national OP Research and Competitiveness this is seen in the fact that some measures have already been funded with domestic money prior to the official programme start. In Lombardia all efforts are being concentrated on the maximisation of the expenditure during the first year.

2.4 Recent programme implementation and administration issues

Since the last IQ-Net meeting, a number of administrative issues have emerged in the partner programmes. These relate to the set-up of the new management and control systems that are a legal requirement, and to the implementation structures which are being completed or refined. Views and experiences on these issues vary to some extent.

2.4.1 Management and control systems

(i) Requirements

In the new period, management and control of the programmes are largely the responsibility of the Member States. They are therefore responsible for setting up the necessary procedures in order to ensure that the tasks can be carried out appropriately. Article 71 of the general regulation requires from the authorities before the submission of the first interim payment or at the latest within twelve months after programme approval to “submit to the Commission a description of the systems, covering in particular the organisation and procedures of: a) the managing and certifying authorities and intermediate bodies; b) the audit authority and any other bodies carrying out audits under its responsibility.” Moreover, the descriptions have to be accompanied by an assessment

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The Commission recommends that the Member States appoint a specific body, generally the managing authority, which will take the responsibility to submit formally the definitive complete description, including all authorities/bodies and all aspects of the systems.”11 The compliance assessment body will then confirm the completeness of the description, and this will be the starting point of its work. Section 3, accompanied by Annex XII of the implementing rules, defines the details of the description and the reports. As Box 3 highlights, a comprehensive list of points needs to be prepared by the respective authorities.

**Box 3: Information concerning the Managing Authority, the certifying authority and intermediate bodies according to Article 22 implementing regulation, 1828/2006**

As regards the managing authority, the certifying authority and each intermediate body, the Member State shall provide to the Commission the following information:

(a) a description of the tasks entrusted to them;

(b) the organisation chart of each of them, a description of the allocation of tasks between or within their departments, and the indicative number of posts allocated;

(c) the procedures for selecting and approving operations;

(d) the procedures by which beneficiaries' applications for reimbursement are received, verified and validated, and in particular the rules and procedures laid down for verification purposes in Article 13, and the procedures by which payments to beneficiaries are authorised, executed and entered in the accounts;

(e) the procedures by which statements of expenditure are drawn up, certified and submitted to the Commission;

(f) reference to the written procedures established for the purposes of points (c), (d) and (e);

(g) eligibility rules laid down by the Member State and applicable to the operational programme;

(h) the system for keeping the detailed accounting records of operations and data on implementation referred to in Article 14(1), under the operational programme.

A number of partners perceive these requirements as overly bureaucratic, in the sense that they involve a significant workload, which complicates the programme start. In particular,  

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11 European Commission, *Guidance Note on the Compliance Assessment exercise*, COCOF 07/0039/01-EN.
Niederösterreich mentioned that the preparations are extremely time-consuming. This could cause liquidity problems in the event that payments will be made before the systems have been approved by the Commission. Steiermark criticised the fact that the systems need to be updated annually which implies that programme management will not become easier. In Nordrhein-Westfalen, the EU requirements present some challenges because the Land took a political decision not to allocate funds ex-ante to the different Land Ministries, with the aim of raising the quality of interventions funded. It is therefore not possible to specify precisely at this time which departments will be responsible for which administrative tasks under each priority or for each call for tender. This makes it more difficult to describe the management and control tasks. Other partners, such as Sachsen-Anhalt and Denmark, acknowledge the workload but do not see the requirement as particularly problematic.

(ii) Preparations

While some partners (e.g. Greece) have not yet started with the management and control preparations, either due to the fact that programmes have not been approved or because of the priority given to getting the OPs running, others have already developed first drafts of the descriptions. Particularly advanced is Sweden, where Nutek has been in charge of setting up the new management and control system for all programmes centrally. The first draft report to the Commission has recently been finalised and only minor outstanding issues regarding domestic competences remain. The National Financial Management Authority (ESV) will be assessing the systems in place.

In other cases, national guidance is being provided and the systems are being prepared collaboratively. In France, the Audit Authority (CICC) has prepared standard descriptions and tables to be filled in by the relevant bodies. In order to retain sufficient flexibility, the information provided should be as flexible as possible. The CICC will start to comment on the control systems soon and may for this purpose also visit some of the regions. However, given the large number of OPs, the exercise needs to be completed rather quickly, in order to avoid liquidity problems. In Poland, the Ministry of Regional Development has issued guidelines to the regional governments on management and control systems for the OPs. This includes details on basic requirements and the type of data and information that should be provided, and on the contents of the annual reports. Preparations are ongoing in the Śląskie Regional Development Unit in response to this. As Coordinating Institution and Certifying Authority, the Ministry will play an important role with the regions in developing the control system, as will the Ministry of Finance as the Audit Authority. Particular attention will be paid to developing a close relationship with beneficiaries involved in key projects and major projects identified before the launch of the ROP.

In Austria and Germany, the managing authorities are in charge of preparing the management and control systems for their respective OPs. In Sachsen-Anhalt, the managing authority is writing the description of systems together with the funding ministries. Apart from the significant workload, no major difficulties are anticipated. However, some questions exist as to whether the Commission instructions have a regulatory or just indicative character.


**2.4.2 New management and implementation arrangements**

(i) **EU requirements**

To some extent, the EU regulations have become more flexible. The Commission is taking a more strategic role whereas programme implementation, audit and control are largely the responsibility of the Member States. The programmes are required to be less detailed than in the previous periods, as they for example, focus only on the priority level. Also a programme complement no longer needs to be prepared. Thus, at first glance it appears that the workload for the authorities is becoming smaller and that they have more flexibility with regard to spending the funds. However, partners have a rather different view on this and most do not see any real simplification, for the following reasons.

- **Programme complements and financial tables:** In nearly all cases, it was stressed that the programmes cannot be implemented without detailed programme complements. Despite this, the fact that these documents no longer require Commission approval has largely been welcomed. Nevertheless, Niederösterreich critically observed that, although the financial tables are less detailed due to the absence of measures, the thematic codes might change when funds are being reallocated within a priority. This could then lead to change to the overall financial table of the OP, which in turn requires Commission consent.

- **Spending categories:** With respect to spending categories foreseen by the EU rules, French partners noted that there is increasing focus on intangible investments and that infrastructure investments are largely being excluded from funding. This is seen as particularly problematic in the case of risk prevention measures, where it could become challenging to attract suitable projects. Denmark observed that the set-up of new national legislation, such as the drafting of the eligibility rules, was challenging given the (deliberate) absence of State aid notification.

- **EU and domestic budgetary rules:** In Sachsen-Anhalt, a key implementation problem is that EU and Land budgetary rules do not fit well together and as a result various blockages can arise. Also, the programme area is now divided into two areas (i.e. two NUTS II regions are covered by the Convergence Objective, and one is covered by Phasing-out). This makes all financial management tasks more complicated, as separate financial plans must be kept for the two zones.

(ii) **Centralisation**

As noted in previous IQ-Net papers, a number of partners have made major changes to the way the programmes are being implemented. However, before these mechanisms can work effectively adaptation issues can arise. In Vlaanderen, for instance, responsibilities were centralised, and the sub-regional secretariats now fulfil the role of the intermediary bodies. This new approach is challenging for all the actors involved as, in contrast to the previous period, the programme secretariat is now further away from the project promoters. Equally, in Lombardia some organisational challenges arise from the fact that the responsibility for tenders will be issued centrally by DG Industry.
In some cases ESF programmes will be managed centrally. In France, for example, only one national programme (excluding overseas territories) has been prepared for the ESF. This requires a number of new procedures for the implementation of the regional sections of the national OP. A management and monitoring contract has to be signed by each regional préfet. Furthermore, specifications need to be included in a joint document signed at the regional level by the Managing Authority and delegated bodies regarding eligibility rules and actions to be funded. Regional financial tables need to be finalised as a basis for monitoring and, finally, the information exchange between the central and the regional levels has to be formalised, based on a joint instrument for strategic monitoring.

A key challenge in Poland will be the complex system for coordinating central and regional components of the Polish Human Capital OP, where the Ministry of Regional Development will act as the Managing Authority and regional government units will be Intermediary Bodies. Initial plans gave the regional labour offices (formerly regional units of central government) the status of Intermediary Bodies, but they are now ‘second level’ Intermediary Bodies that are answerable to the regional government for the implementation of parts of the OP. Labour offices have maintained links with the central government. Therefore, ensuring an efficient administrative structure with a clear division of responsibilities and authority between central government, regional governments and regional labour offices will be a priority. Human resources will also be an issue, given the complexity of the OP and the levels of funding passing through the regional ESF unit. Maintaining staffing levels of appropriate size and quality will be difficult, particularly given wage levels in the public field for Structural Funds management.

(iii) Delegation of competences

In the UK, there has been a reshuffle of how government is organised. Responsibility for the performance of English Regional Development Agencies (RDAs), formerly split between two departments, will now be concentrated in the Department for Business, Enterprise and Regulatory Reform (BERR, formerly DTI). Previously, the Department for Communities and Local Government (CLG) funded the agencies, while the DTI (now BERR) administered them. Related, this shift is likely to have an impact on national-level responsibility for managing ERDF, though no details have emerged thus far. In addition, a number of important government reports and papers have been published that can be expected to have a far-reaching impact on the evolution of regional policy. This includes the recent ‘Review of sub-national economic development and regeneration in England’, which proposes an increased strategic role for RDAs, and a greater role for sub-national authorities in economic development.

As noted in the last IQ-Net Review Paper, the Śląskie ROP includes plans for sub-regional programme partnerships, based around the regions’ main agglomerations, which have been allocated bundles of ROP funding to develop projects. The sub-regional partnerships are currently preparing pre-feasibility studies for their programmes that will subsequently be assessed by the Regional Development Unit and a panel of experts. Developing and appraising the project fiches, feasibility studies and overall sub-regional programme could last well into 2008. Sub-regional partnerships are progressing although there are some challenges (e.g. there is potential overlap between the northern sub-regional plan and the
rural development programme). In the central area, a new NUTS division will be introduced in 2008, but this could facilitate the partnership-building process.

In Denmark 2007 has seen the introduction of the new Regional Growth Fora which are playing a central role in Danish regional policy. Unsurprisingly, this has resulted in certain difficulties in the early stages, with private sector representatives complaining about the often cumbersome and technical ways of public administration.

(iv) Financial arrangements

As elaborated in detail in the last thematic IQ-Net Paper\textsuperscript{12}, a number of partners have made changes to the way EU funds will be distributed to beneficiaries. Initially, this has caused some additional work and made the administration more complex. In Nordrhein-Westfalen, each call for tender is being overseen by staff in the Managing Authority or secretariat. This implies a lot of work in the start-up phase e.g. in formulating the calls and in advising the funding ministries on Structural Funds rules. Another set of tasks relates to the communication strategy for the calls for tender, as all aspects must be approved by the Managing Authority. In addition, staff from the Managing Authority and secretariat will be present when the selection committees meet and will examine the proposed projects before-hand. This means a lot of additional work compared to the 2000-2006 period, when there were only a few competitive calls for tender.

In Italy’s NOP R&C, the competitiveness part of the OP which is managed by the Ministry of Economic Development involves a range of new interventions, such as the Industrial Innovation Projects (\textit{Programmi di Innovazione Industriale} - PII). These relate to the concentration of investments in large, strategic projects in five industrial areas identified by law: sustainable mobility; energy efficiency; biotechnologies and life sciences; made in Italy; and cultural assets.\textsuperscript{13} Such complex interventions need to be tried and tested, and are likely to present delays both linked to the setting up of procedures and due to the fine-tuning of such procedures once they are established and operationalised. However, interest in this measure is strong and so far there is a large pool of potential applicants.

With regard to new financial instruments such as JEREMIE, a specific problem has arisen in France where it could be challenging to provide sufficient own-resources into a fund to reach the critical mass. Also, management rules imposed by the regulations are seen to be too rigid, and the mobilisation of co-financing is felt to be problematic if no financial basis exists in the first place. The problem in France is that large state investment instruments do not operate on a regionalised basis. This means that the local authorities are the only ones to provide match-funding. However, they do not have sufficient own-resources for getting such a fund started.


\textsuperscript{13} Cf. Ferry, M \textit{et al.}, \textit{op. cit.}, p. 75
Finally, the Managing Authority in Sachsen-Anhalt expects challenges because the *Land* has decided that there will be different co-financing rates for the range of different actions and budget lines to be financed under each priority. Thus, it will be difficult to ensure that the exact co-financing rates are met at priority level.
3. THE 2000-2006 PROGRAMMES

Although the new programmes have largely been approved by the Commission and are open for applications, the 2000-2006 programmes will continue to require attention until they are fully closed. Spending is still ongoing with closure due in 2009. The following sections outline the progress with the 2000-2006 programmes in the EU-25, with a focus on the particular challenges and issues experienced by the IQ-Net partners. The sections review the progress made in terms of financial performance and report on the specific challenges caused by the dual management of old and new programmes.

3.1 Programme performance in the EU25

Given that 2006 was the final year of the previous programming period, this section outlines the experiences of EU Member States in absorbing EU funds. The following sub-sections are based on DG Budget findings as well as on IQ-Net partner experiences. The first sub-section provides a general overview of the EU25 whereas the subsequent sub-sections will focus more specifically on IQ-Net partner experiences.

3.1.1 Commitment and payment execution between 2000 and 2006

With respect to commitments, virtually all (99.8 percent) of the available appropriations were used by the end of 2006. In 2007, new commitments have therefore been rare and only in very few cases will new commitments be awarded in the following months.

With respect to payments, €29.4 billion has been paid out in 2006 which represents 99.4 percent of the available appropriations. As in previous years, Spain was the largest recipient of EU structural actions in 2006. Italy, Germany, Greece, the United Kingdom, Portugal and France follow. Poland remains in eighth position, as in 2004 and 2005 but with a much higher share of total structural actions allocated expenditure (6.0 percent in 2006, as compared to 2.4 percent in 2005).

The Commission notes that “since the peak in 2001 the under-execution has been gradually and consistently reduced, also through the use of amending budgets late in the year. As a result, over the last three years, under-execution has become insignificant”. It observes further that “for the EU-15, the payments on account made at the beginning of the programming period, which represented 7% of the total 2000-2006 envelope of each programme, provided a relatively long term protection against N+2 de-commitments as advance payments reduce the level of reimbursements needed to avoid automatic de-commitments. Although this protection has weakened over time, so far the speed of

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15 Ibid.
execution has been fast enough to avoid large de-commitments. However, given that programme closure is drawing nearer, the outstanding funds by the end of 2007 are rather significant, particularly for certain countries. For EU-10 programmes the first possible de-commitments in relation to commitments made in 2004 will arise also at the end of 2007.

Between 2000 and 2006, “close to 2/3 of the 2000-2006 ("Berlin") allocation has ... been paid to the EU-15 Member States. Four Member States (Ireland, Austria, Sweden and Portugal) have ... been paid over 75% of their respective total allocations. The EU-10 payments made in 2004-2006 amounted to 39% of the "Copenhagen" envelope. The best execution in relative terms occurred in Estonia and in Slovenia with payments exceeding 50% of their respective envelopes”. Unsurprisingly, for a number of reasons such as institutional capacity and lacking past experiences with Structural Funds implementation, the new Member States are lagging behind the EU15 in terms of payment progress. Although performance strongly increased compared to 2005, DG Budget Commissioner Grybauskaite stressed that further significant improvements will be necessary in order to avoid losing funds under the n+2 rule.

3.1.2 Experiences with the automatic de-commitment rule

Obviously, spending EU funds is a key priority for Member States. However, this can be a demanding task due to the introduction of the automatic de-commitment rule (known as n+2 rule) which foresees that funds shall be withdrawn from programmes where the Commission has not received a payment claim after two years of commitment. As discussed in previous IQ-Net review papers, meeting the n+2 rule depends on a variety of external and internal factors, such as the overall economic situation, project appraisal and selection systems, project quality, programmes ability/flexibility to reallocate funds in the event of project failure, and management and implementation systems. All these factors vary considerably across the Member States and thus programme experiences in meeting the target have differed widely.

Figure 1 illustrates the share of total accumulated de-commitments in the EU15 relative to the value of all the commitment tranches (from 2000 to 2003) that have been so far subject to n+2 de-commitments. It can be seen that the Netherlands, Denmark, Luxembourg, Belgium, Ireland and Sweden all have de-commitments higher than the average of 0.68 percent. The Netherlands clearly stands out above the others, largely due to a slow start of ESF-funded programmes. On average, it appears that losses due to n+2 have been fairly limited, but the situation can only be fully assessed after the programmes have been formally closed.

18 Ibid.
Current financial situation of IQ-Net partner programmes

Financial absorption in the partner programmes is reported to be progressing generally well. Given that the programmes will be closed shortly, the main focus is on timely payments. However, commitments continue to be made in a small number of programmes in 2007 (Denmark, Länsi-Suomi, Norra, Western Scotland) and beyond (Sachsen-Anhalt, Poland).

(i) Commitments

Commitments have now generally reached 100 percent or above (Greece, Nordrhein-Westfalen, Bizkaia, East of Scotland, France Objective 1 ESF, Niederösterreich, Kempen sub-programme, Länsi-Suomi, Italy’s OP LED, Portugal, Norra). Even in the remaining programmes, rates are close to the 100 percent threshold (Denmark, Sachsen-Anhalt, France Objective 1 ERDF and Objective 2, Vlaanderen). Considerably lower rates are only observed in Poland, partially due to the later programme start in mid 2004. Nevertheless, financial absorption in Poland is reported to be improving rapidly. For instance, in the Integrated Regional Operational Programme (IROP), commitment levels are improving (at the time of writing at 61.8 percent), and the level of monthly payments has doubled between January and August 2007. The programme partner Śląskie is among the weaker...
regions in terms of financial performance under the IROP (with commitments in June 2007 at 58.4 percent in comparison with the 77.1 percent in the best performing region of Padlaskie). However, it is important to take into account the fact that the region was allocated one of the highest shares of IROP funding in the country. Moreover, the financial performance of Śląskie’s ERDF measures in the IROP has shown a marked improvement in recent months (61.8 percent compared to around 38 percent in early 2007), with ESF priorities similarly improving (commitments at 61.8 percent, with an average monthly increase in the rate of 5 percent from the beginning of the year).

Given the already high commitment rates in most partner programmes, new commitments are generally made under limited measures (Denmark, Norra, Länsi-Suomi, and Western Scotland). Commitments are mostly made if funds are returned unused by project sponsors (Denmark, Norra, Western Scotland), although a call for applications is considered necessary in Denmark to absorb at least half of the remaining €10 million. In Western Scotland, the programme is fully committed, but some funding has become available as a result of voluntary de-commitment of project grants and under-declaration in final claims. However, it is not expected that this funding will be sufficient to meet the further grant requests that Strathclyde European Partnership (SEP) has received. In other programmes, the performance differs more widely across the measures, and commitments continue to be made under a relatively wide range of measures (Sachsen-Anhalt, Poland).

(ii) Payments and n+2

The financial performance is more variable on the payment side. Currently, the highest payment rates can be seen in Bizkaia (close to 100 percent), Steiermark (90 percent), Portugal (90 percent in two ERDF OPs: Education and Azores), Norra (88 percent), Sachsen-Anhalt (84.5 percent), Nordrhein-Westfalen (80 percent), Länsi-Suomi (78 percent) and Niederösterreich (77.19 percent). Despite the recent improvements, lower levels continue to be observed in the Polish programmes. It is important to note that in some programmes the figures may vary depending on whether payment rates apply to EU funding only or to total programme costs, or whether the advance payment is taken into account. Concerning the latter, in Sachsen-Anhalt the payment rate including the advance was 91.2 percent, and excluding the advance 84.5 percent respectively.\(^{23}\) Expectations for the programmes’ final payments vary, with the earliest due by June 2008 (Länsi-Suomi), end of August 2008 (Austria), December 2008 (ESF in Portugal), April 2009 (Sachsen-Anhalt) and end of 2010 (France).

Although automatic de-commitment was largely avoided in 2006, the situation is generally considered to be more challenging as programme closure is drawing nearer. The reasons for this are as follows.

- **Focus on new period:** In France, spending challenges relate partly to the fact that programme managers have focussed on the preparation and negotiation of the 2007-2013 programmes. Payment levels differ considerably across the regions, and

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\(^{23}\) Data of 31 August 2007.
Expenditure is currently falling somewhat behind the levels reported in the first half of 2006. In 2007, 5-6 regions are expected to face considerable challenges as their expenditure figures are below 60 percent.

- **Project difficulties**: In Nordrhein-Westfalen, unforeseen delays have occurred with large infrastructure projects. In the past, payment problems were addressed by using the flexibility in the rules (i.e. by reallocating funds), but now there is less scope for this. In England, programmes have tended to over-commit at an early stage, and discover later that some projects either did not spend or achieve outputs up to the targets in the offer letter (a concern shared by the partners in Vlaanderen). As programmes come to an end, there is less potential to replace projects that are struggling. Sachsen-Anhalt, Wales and Steiermark have noted delays with absorption due to long preparatory phases of larger and strategic projects. Similarly, Greece has experienced problems with large transport infrastructure projects where the legal requirements are very complex.

- **Legal requirements**: The changed requirements with respect to the advance payments are causing some concerns in France. In 2000-2006, the advance of seven percent was charged to the first commitment, and did not have to be justified by payments affected by the final beneficiaries until the final balance of assistance was claimed. In 2007-2013, there is less room for manoeuvre, and any advance needs to be included in all claims. Also, it is perceived that the Commission is increasing its scrutiny of projects, with emphasis on issues such as eligible spend definitions and procurement processes. This in turn has led to greater controlling measures in the French programmes. In Länsi-Suomi, there were cases of ‘misinterpretations’ of ESF rules, which consequently freed some funds. In Scotland, 2007 is proving to be the greatest challenge yet, as claims submitted continue to fall short of projected expenditure (the aim was to have sufficient claims submitted to meet n+2 by the end of October 2007). This is primarily because several partners are not complying with the requirement to submit correct quarterly claims.

- **Complex project selection systems**: Problems have also been encountered concerning complicated projects based on partnership. In Poland, the Regional Innovation Strategy, which involves universities and research units, has encountered significant coordination challenges due to the different organisational outlooks and work timetables of the participating bodies.

- **Provision of match funding**: In England, difficulties were noted with respect to the provision of match funding in some areas (e.g. local authorities have tightened their budgets over time) and the availability of alternative sources of funding (e.g. the Regional Development Agencies ‘single pot’ of domestic funding does not require match funding to be found). Also, Portugal has been confronted with

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24 Communication from Mr. Barnier in agreement with Mrs. Schreyer, Mrs. Diamantopoulou and Mr. Fischler to the Commission: Application of the “n+2” rule under article 31.2 of Regulation 1260/1999.
budgetary constraints. In the Polish case, the delay of funds from the central Government to Voivoids Offices has had a direct impact on regional government’s ability to disburse finances to beneficiaries.

### 3.1.4 Steps to ensure absorption

Given these spending challenges, much attention is being given to increasing absorption. Specifically, *monitoring and awareness raising activities* are generally being intensified. In the Kempen sub-programme, project promoters will be reminded about the monthly amounts which require to be declared. In contrast to the past years, sanctions (i.e. withdrawal of funding from slow projects to faster projects) will be applied if actors do not comply. Similarly, in Nordrhein-Westfalen a list of the most problematic projects has been compiled for monitoring purposes and for possible re-allocations of funds. The difficulty is that any new projects would have to be investigated very carefully before any reallocation of funds, as such projects need to be completed quickly. In Western Scotland, SEP issued a letter to partners early in 2007 laying out all the key milestones for closure and steps to be taken to maintain maximum commitment. Partners are being urged to submit overdue and non-compliant claims without delay in order to ensure that the 2007 n+2 target is achieved, and to mitigate potential de-commitment.

As noted in previous IQ-Net Review Papers, on-going issues relate to the need for further *Article 4 controls*\(^{25}\) (Sachsen-Anhalt, Sweden, England) on project monitoring and auditing. Where challenges were identified, partners have taken steps to avoid losing funds. For instance in Sachsen-Anhalt, insufficient controls were undertaken in the early years, which prompted the Managing Authority to send a formal letter to the responsible ministries and departments with information on what needed to be done. This resolved the issue and the number of Article 4 controls increased. Nevertheless, a large number of checks are still to be completed by the end of 2008. In England, the Department of Communities and Local Government has, in cooperation with the regions, significantly tightened project audits and controls in the course of 2007, so that in four out of six English regions the Commission’s spending block was lifted and payments can be made again.

A standard measure for increasing absorption relates to the *reallocation of funds*. However, there is now only limited scope for using this management instrument for legal reasons. Despite this, some programmes are planning future reallocations at a measure level (Kempen sub-programme in Vlaanderen, Niederösterreich, Sachsen-Anhalt, Steiermark).

- In the Kempen sub-programme, a reallocation round is being prepared due to leftover funding which will be transferred to other measures. A mistake had been made earlier concerning the calculation of funding for projects which had not been fully finalised (financial controls had not been completed). This will be avoided in the future.

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• In Niederösterreich, there are plans to reallocate small amounts of funding from Measure 2.1 (Structural improvements of existing enterprises) to Measure 2.2 (Business start-ups) at the end of 2007 or at the beginning of 2008. Full absorption is expected, due to the two percent flexibility rule.

• In Sachsen-Anhalt, the Managing Authority is currently preparing changes in the OP at measure level. They would like to shift funds from under-committed to over-committed sub-measures. However, there is no political agreement on this, and it is not clear that sufficient changes will be agreed in the next round of changes to resolve all outstanding issues relating to financial absorption.

• In Steiermark, a reallocation of €760,000 is expected by the end of 2007 from Measure 1.4 (Improvements of SMEs business structure) to Measure 1.5 (Environmental Support). The shift is seen necessary due to technical reasons. The responsible implementing agency (AWS) had erroneously labelled payments as Phasing-out instead of Objective 2. This has consequently freed resources which now need to be absorbed by measures in the Objective 2 programme.

3.2 Recent operational issues

3.2.1 Strategic programme changes in Greece

Unsurprisingly, strategic programme changes have generally not taken place at this late stage of programming. However, a major incident in Greece has caused some strategic reallocations of financial resources. In summer 2007, fires in southern Europe and especially in Greece caused major destruction of public infrastructure and had significant negative impact on the regional economies. As a result, along with the provision of Solidarity Fund assistance, the Greek Structural Funds programmes are due to be reviewed in the course of November and December 2007. A strategic team will be established to review the programmes, with participants including the Central Managing Authority, as well as an external counsellor. This is a challenging exercise, not least due to the limited time available. The review is expected to involve €400-500 million to be directed to financing the ‘National Plan for Regrouping’ (a plan which deals with disastrous effects of fires in not only the local but also in the wider economic and social environment). The plan entails the support of reconstructing basic needs such as infrastructure and schools, mainly in rural areas. Negotiations with the Commission concerning the review are expected to start soon.

3.2.2 Dual programme management

With the closure of the 2000-2006 programmes approaching and the start of the new programming period underway, many partners continue to face challenges related to the dual management of the programmes.

(i) Organisational challenges

Where the same staff is largely responsible for the old and new programmes (Austria, France, Länsi-Suomi, OP LED in Italy, Poland), the increased workload has meant that the focus is often on one of the programmes. In some instances, the main priority is on getting
the new programmes started, as the real work concerning closure is not expected to start until the middle of 2008 (Niederösterreich, Steiermark). In other cases, the delay with the adoption of the new programmes has meant that partners have been able to concentrate on closure of the 2000-2006 programmes (Länsi-Suomi). Greater challenges are faced, for instance in France, where the focus is on both programmes, particularly in the face of expected staff losses (implied by the recent review of public policies being carried out).

However, also in cases where the responsibilities for the old and new programmes are divided, there have been challenges with the dual workload in this transitional phase. In Denmark, the regional authorities are concentrating on the new programmes and have handed over their old programme projects to the Danish Enterprise and Construction Authority (DEACA). Hence, the main pressures are currently at the national level, with DEACA responsible for both administering the old programme and also for taking the lead in developing national rules and procedures for the new programme. In England, at the national level, the Department for Communities and Local Government (CLG) has received financial support from the Treasury to help fund the transfer. A substantial amount of work has taken place at national level between CLG (who currently have responsibility for ERDF in England) and the Regional Development Agencies (RDA) Network to prepare for the transfer. At sub-national level, some regions (e.g. East of England) have established joint RDA and Government Office Steering Groups to lead on planning for the transfer. Furthermore, in North East England regular meetings take place and a knowledge transfer programme has been set up. This includes short term secondments ranging from several days to three months from the RDAs to the Government Offices (GOs) to gain experience in the GOs areas of expertise. However, much of the success in the transfer process depends on the relations between the GOs and RDAs within the region.

(ii) Human resources

In addition to general workload concerns, many partners have reported problems in their efforts to ensure sufficient staffing levels, particularly where there have been changes to programming responsibilities (England, Scotland, Sweden, Poland).

- In England, the general movement of staff from the GOs (responsible for the closure of the old programmes and negotiating the new programmes) to RDAs (responsible for new programmes) and from GOs to other public sector organisations, is largely underway. In the face of the reduced GO responsibilities, there is some concern regarding appropriate staffing levels for the closure of 2000-2006 programmes. For instance, in North East England, the GO has been faced with two rounds of voluntary early severance. Coupled with additional resignations, this is challenging for the closure activities which include, for instance, 180 monitoring visits by the middle of 2008 with a team that has dropped from 12 to seven. Some of these problems are being addressed by seconding back transferred staff from the RDAs to GOs (although the success of this varies widely across regions depending on the GO/RDA relations).

- In Scotland, the changes to programme administration (the number of Programme Management Executives has been reduced from five to two for the new period, and...
they have been renamed Intermediate Administration Bodies) have lead to a reduction of staff numbers. For instance in SEP, the PME for the Western Scotland Programme, this has resulted in the suspension of a central reception and telephone service.

- In Sweden, the changed management and implementation structure has created a situation where Nutek, as the new Managing Authority, has been largely successful in attracting new staff from the County Administration Boards (six County Administration Boards were acting as the Managing Authorities for the 2000-2006 programmes, and responsible for the drafting and negotiating the 2007-2013 programmes), but the latter have consequently faced a reduction of staff members. For instance, in the Country Administration Board of Gävleborg in the Norra programme, this became a real problem when there was basically no one left in charge of programme closure. The problem has now been solved through recruitment.

- In Poland, the Voivoid’s Offices (whose role in the new programmes will be reduced in comparison to the 2004-2006 period as regional government responsibilities increase) have recently raised the wages of staff involved in Structural Funds implementation in order to counter a move of personnel to regional government units. For regional governments, attracting new staff has become challenging. Most new staff will be recent university graduates who will have to develop skills and experience from scratch.

- In other programmes, loss of staff may be expected, due to the general reduction of Structural Funds (in the case of certain implementing authorities in Länsi-Suomi), due to changes in the number of programmes (Kempen sub-programme in Vlaanderen where leaving staff members will not be replaced), or due to recommendations of domestic policy reviews (France).

(iii) Progress with closure procedures

While the new programmes are clearly dominating the agenda, there have been considerably fewer developments on the closure side. As noted earlier, some programmes are currently focusing on getting the new programmes under way before focusing on closure (Austria). Elsewhere, closure continues to progress without major challenges (Vlaanderen, Sachsen-Anhalt, Länsi-Suomi, Sweden), although in some, closure groups or guidance are yet to be developed (Poland, Bizkaia). In other programmes, there has generally been a shift towards greater communication and training (Portugal, Austria, Sachsen-Anhalt, Nordrhein-Westfalen, France). The Portuguese management committee has set up a detailed training course for Managing Authorities’ staff on closure procedures, with practical overviews on the matters that are considered more difficult or problematic. The course has taken place in three different cities across Portugal (Lisboa, Evora and Oporto) and has employed specialised personnel from the paying and control authorities as trainers. Similarly in Austria, the ERP Fund is planning with ÖROK to organise a seminar on closure issues (the first such seminar was organised in Spring 2005) in Spring 2008 to increase awareness among all actors involved. Also, in Sachsen-Anhalt, additional training courses
are being held, which cover both the new programming period and the closure of the 2000-2006 programmes.

In France, closure issues are highly prioritised, partially due to difficulties experienced during the last round of programme closure. In early October 2007, the Ministry of the Interior organised a meeting for the Managing Authorities and clarified open points of the closure guidelines. Moreover, liaison personnel were appointed to provide advice for the individual programmes and help to coordinate the activities. The Ministry stressed the importance of setting clear deadlines for making the final commitments, in order to ensure that funds can be spent on time. It also made clear that close monitoring of projects in this late stage is essential for successful closure.

Finally, in Scotland, closure is currently occupying most of the Managing Authority’s time. Recent developments in Scotland include: the launch of a Closure and Compliance Group, composed of representatives of the Managing Authority and the PMEs; a plan to tackle closure by the Scottish Government; reorganisation of the division for closure at the Scottish Government; and preparation of guidance, allocation of resources to teams and a closure timetable. However, some concerns remain, particularly on the human resource side, as staff retention within the ‘old’ PMEs dealing solely with the 2000-06 programmes is becoming an issue.
4. LOOKING TO 2013 AND BEYOND

While much of the focus has been on programming resources for the 2007-2013 period and on winding up the 2000-2006 programmes, policymakers at EU and national levels are increasingly looking to the longer term. The following section provides a brief introduction to the future issues of budget review and Cohesion policy.

4.1 Budget review

The Inter-Institutional Agreement of April 2006 required the Commission to undertake “a full, wide-ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008/09...accompanied by an assessment of the application of the current IIA”.

This review was launched by the Commission President José Manuel Barroso on 12 September 2007 with a consultation paper, introduced with the statement: “This budget review is unique, a once in a generation opportunity to make a reform of the budget and in the way we work”. The paper reviews the evolution of the budget, the issues and principles for EU spending and the system for generating own resources. It also poses several questions for the consultation (see Box 4).

Box 4: Budget review - consultation questions

- Has the EU budget proved sufficiently responsive to changing needs?
- How should the right balance be found between the need for stability and the need for flexibility within multi-annual financial frameworks?
- Do the new policy challenges set out here effectively summarise the key issues facing Europe in the coming decades?
- What criteria should be used to ensure that the principle of European added value is applied effectively?
- How should policy objectives be properly reflected in spending priorities? What changes are needed?
- Over what time horizon should reorientations be made? How could the effectiveness and efficiency of budget delivery be improved? Could the transparency and accountability of the budget be further enhanced?
- Could enhanced flexibility help to maximise the return on EU spending and political responsiveness of the EU budget?
- What principles should underpin the revenue side of the budget and how should these be translated in the own resources system?
- Is there any justification for maintaining correction or compensatory mechanisms?
- What should be the relationship between citizens, policy priorities, and the financing of the EU budget?

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26 This section is based on Bachtler, J and Mendez C (2007) Renewing EU Cohesion Policy: recent progress and long term challenges, EoRPA paper 07/3, European Policies Research Centre, University of Strathclyde, Glasgow.


The public consultation is due run until Spring 2008. Based on the consultation, the Commission aims to present a proposal for budget reform in late 2008 or early 2009 for discussion and endorsement by the EU institutions. It will also provide a basis for the Commission’s proposal, in 2010/11, for the next financial framework.

The launch of the consultation paper was used to stress several important points. First, it was described as a ‘unique opportunity’, separate from the Financial Framework negotiations on the post-2013 period, and covering all policies (including agriculture) as well as the revenue side of the budget, including abatements/corrections. Second, the consultation was presented as being completely open. Third, the paper outlined several key principles for future policies, including subsidiarity, proportionality, efficiency and added value.

Notwithstanding these sentiments, it has been recognised that the scope and conduct of the budget review will be limited by several factors. Some Member States may be cautious about making proposals that go beyond general statements of principle or aspiration, in the absence of detailed figures that enable them to assess the likely impact of budgetary changes on their net balances. The Commission and Parliament are handicapped by the expiry of their mandate in the middle of the review and their unwillingness to make proposals that bind their successors.

More generally, while DG Budget envisions the budget review as being genuinely open, with the scope to make radical changes to the institutional and policy architecture, this view is not shared by the ‘spending DGs’ who are understandably keen to defend their policies, as are those Member States and interest groups who benefit from particular areas of spending. In the recent past, the EU budget has generally changed in incremental steps. The combination of institutional/policy inertia and the politically contentious nature of major change (with 27 Member States at the table) may make it difficult for a significant reorganisation of the budget on either the expenditure or income sides.

4.2 Reviews of the CAP and Cohesion policy

The budget review is complemented by preparatory action in the spending areas of the CAP and Cohesion policy. The CAP will be undergoing a ‘health check’ with a view to assessing whether rationalisation or reorganisation of some aspects is required for the period 2009-2013. With the publication of the 4th Cohesion Report, a review of Cohesion policy has also been launched. As with previous reports, the latest Cohesion report provides an update on the situation and outlook with regard to economic, social and territorial cohesion, and an analysis of the impact of national and Community policies on cohesion in the Union. Along with the report, the Commission published a Communication highlighting the added value of Cohesion policy, the progress made towards convergence and cohesion in recent years, and the contribution of the reformed Cohesion policy to the delivery of the EU’s new ‘growth and jobs’ strategy. The Communication also highlighted some questions concerning the

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29 CEC (2007a) op. cit.
future challenges for Cohesion policy and the scope for reforming the policy and its management (see Box 5).

It remains to be seen what the Member States positions on the future reviews are. As yet, many have not developed any firm positions on the future financing, at least publicly. However, internal discussion among government departments is certainly taking place, as well as statistical modelling of options, and informal consultations between Member States at official level.
Box 5: Cohesion policy review - key questions

- What lessons can be drawn from the experience of preparing the 2007-2013 programmes? In this context and in the light of the analysis provided by this report, how far is cohesion policy adapted to the new challenges European regions will face in the coming years? For example:
  - How can the regions react to restructuring pressures from dynamic competitors in low and medium tech sectors?
  - Given wide differences in birth rates, death rates and migratory flows at regional level, what is the role of cohesion policy in responding to demographic change?
  - To what extent is climate change a challenge for cohesion policy?

- How can cohesion policy further develop an integrated and more flexible approach to development/growth and jobs in this new context?
  - How can cohesion policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?
  - What are the impacts of the challenges identified in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?
  - What are the key future skills that are essential for our citizens in facing new challenges?
  - What are the critical competencies that should be developed at the regional level to make regions globally competitive?

- Following the appraisal of the previous questions, what is the assessment of the policy management system for the period 2007-2013?
  - Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?
  - How can cohesion policy become more effective in supporting public policies in Member states and regions? What mechanisms of delivery could make the policy more performance-based and more user-friendly?
  - How can we further strengthen the relationship between cohesion policy and other national and Community policies to achieve more and better synergies and complementarities?
  - What are the new opportunities for co-operation between regions, both within and outside the EU?
5. CONCLUSIONS AND POINTS FOR DISCUSSION

A number of developments have taken place since the last IQ-Net conference in June 2007. First, all NSRFs have been adopted by the Commission. Most partners viewed the negotiations as quite straightforward which is not least due to the fact that extensive informal debates between the Commission and the Member States had taken place. While most partners welcomed the co-operative nature, some criticised the lack of strategic focus from the side of the Commission. Similar observations have been made with respect to the negotiations of the OPs. The view of some partners is that Commission staff were overly concerned with technical issues and that the strategic focus was missing. Given that most programmes have been approved or have reached a final stage in the negotiations, spending the funds is of key importance for IQ-Net partners. Yet, in order to make regular payments some need to finalise domestic implementation structures or need to prepare the management and control systems. Information and publicity campaigns of the new funding opportunities are ongoing.

Second, the 2000-2006 programmes still require attention as none of them has been closed yet. While overall programmes performance is reported as satisfactory, it is seen as very important at this late stage to ensure that beneficiaries make timely payment claims in order to avoid automatic de-commitments. Increasing attention has been devoted to programme closure arrangements where information and communication activities are ongoing.

Third, at the European level, major reviews of the budget as well as of EU Cohesion and Agricultural policy have begun. These will become more intensive and clearly dominate the agenda for the coming months. However, the mid-term focus of programme managers will be on successfully getting the new programmes off the ground while ensuring the efficient and smooth closure of the old ones.

Finally, based on these findings, the following issues for debate can be identified:

• Did any new major issues come up in the negotiations with the Commission? How were outstanding issues (e.g. on foreseen interventions) solved?

• When do you expect to make the first payments under the new programmes? Do you envisage any challenges or delays? If yes, what are the implications from an administrative point of view?

• What are your views with regard to outstanding administrative issues such as the set up of the management and control system? Do you expect problems/delays?

• What challenges do you envisage with regard to programme closure? Do you perceive the need for further assistance (e.g. from the Commission)?
Improving the Quality of Structural Funds Programming through Exchange of Experience

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

IQ-Net Meetings

Twenty-two partners’ meetings and a special 10th anniversary conference have been held in nine European countries during 11 years of operation of the Network. Meetings are held at approximately six month intervals and are open to IQ-Net partners and to observers interested in joining the Network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.

IQ-Net Website

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

Partner Intranet Pages available exclusively to IQ-Net members.

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

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

IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, around 30 thematic papers have been produced on both ‘functional issues’ (e.g.
management arrangements, partnership, information and communication, monitoring systems) and ‘thematic issues’ (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network’s partner programmes.

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IQ-Net Bulletin

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

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