THE PROMISE AND PERILS OF THE PERFORMANCE TURN IN EU COHESION POLICY

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

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THE PROMISE AND PERILS OF THE PERFORMANCE TURN IN EU COHESION POLICY

EXECUTIVE SUMMARY

The aim of this report is to review the new performance orientation for Cohesion policy in 2014-20 and the potential for change in practice, based on the views and initial plans of IQ-Net programme authorities. A general observation is that the reaction to the new performance requirements is less than might have been expected. Many managing authorities are not anticipating major changes to their programming and programme management procedures as yet. Refinement and relatively minor adaptation of systems seem to be the watchwords, driven as much by administrative experience in the current period as the new regulatory obligations.

PROGRAMMING

The main Commission proposals for increasing the performance focus in the programming of the Funds are to provide clearly specified objectives, results and intervention logics. There is widespread recognition of the benefits in terms of understanding, monitoring and comparison of planned achievements, and a stronger emphasis on the effectiveness and efficiency of interventions. Yet, many IQ-Net authorities do not anticipate major changes in the approach to the programming of objectives and targets. Where change is envisaged, the emphasis will be on improving the coherence of programme objectives with indicators and targets. Fewer indicators and better comparability across regions/programmes are anticipated in some cases, building on the trend in the previous period. Better comparability across Member States will in turn be facilitated through the use of a common set of EU indicators, although there is some criticism about the different approaches across the Funds.

In defining objectives, indicators and corresponding targets, a range of challenges and issues need to be carefully considered: keeping administrative burden within acceptable bounds; avoiding too ambitious or easily achievable targets; developing coherent and relevant indicators, including in relation to the quality of interventions; flexibility to project needs and the uncertainty of the economic climate; and the availability of data at appropriate geographical or sectoral levels. Efforts to articulate the logic of programmes and interventions more explicitly and clearly are expected, but there are challenges here too: uncertainty about the Commission’s expectations; the multi-faceted nature of interventions, which often address multiple objectives; the complexity of regional development and key role of external factors; and the limited knowledge about what has worked well in the past and the causal mechanisms involved.

Ex-ante conditionality requirements aim to ensure that the strategic, regulatory and administrative preconditions for the effective use of the Funds are in place from the outset. Most programme authorities do not foresee significant difficulties in complying with the provisions, although considerable work is needed to ensure full compliance in some
cases. There are nonetheless concerns about the appropriateness of some of the conditionalities, the dependence on national authorities for their fulfilment and a perceived intrusion into domestic policymaking competences. Having well-designed strategies in place to underpin the use and targeting of the Funds is widely supported, but the approach to strategic conditionality is considered to be partial, to give insufficient emphasis to quality and to create programme alignment challenges.

PERFORMANCE MANAGEMENT MECHANISMS

A new requirement for 2014-20 is the performance review in 2019, based on the performance framework of targets identified in the programmes and providing for the allocation of a financial bonus to those programmes achieving their targets. Some form of review during the period is deemed useful, although there are concerns about the additional administrative burden that comes with setting targets and monitoring. There is less enthusiasm for the performance reserve, partly reflecting prior experiences in 2000-06 which were not felt to be useful for many IQ-Net programme authorities; targets were often set at low levels to make sure they were achievable, an approach that may prevail in 2014-20. There are also risks of priority bending and concerns about the damaging political and economic consequences of failing to achieve targets. There are mixed views about the most appropriate types of indicators to use, the timing of review and the spatial application of the reserve.

Only a limited number of IQ-Net programme authorities intend to make use of the new Joint Actions Plan instrument linking financial management to results, while a number of others are still considering the feasibility of doing so. The main risk identified is the expected complexity of administrative procedures involved.

There are other experiences with performance contracting at the level of projects and intervention, contractual arrangements alongside the Structural Funds programmes or that are not directly linked to Structural Funds. But most IQ-Net programme authorities do not foresee new performance arrangements with their intermediate bodies, partly due to the difficulties in linking outcomes to the behaviour of the bodies.

Beyond these new provisions, the increased performance orientation may have implications for the approach to project selection. Changes being considered across a number of IQ-Net programmes include: stricter project selection criteria; requiring more ambitious targets; greater focus on efficiency analysis and explanation of the causal links between inputs, output and results; ensuring a strong link between projects and specific objectives; giving priority to cooperative and complex projects as part of broader innovation strategies; the use of non-competitive selection procedures, especially key projects and sub-regional development programmes; and reviews of project selection mechanisms.

MONITORING & EVALUATION

The general expectation with respect to monitoring systems is one of limited change. The current systems are considered to be sufficient and do not require any major changes, although minor changes and adaptations are likely. Several programme authorities plan to:
introduce more flexibility and project-specific monitoring and remedial action; organise closer cooperation with national statistical agencies; incorporate new indicators; develop better linkages to OP targets; and place more emphasis on identifying the results of the projects.

The need for monitoring across several CSF Funds may require changes in several countries and regions. Some are exploring the feasibility and desirability of unifying electronic systems across Funds. The risks are of increasing the complexity of monitoring systems and administrative workloads. There is also some resistance to obligatory E-cohesion for data exchange with beneficiaries.

Monitoring committees may be reorganised by creating joint committees or reduced in number where fewer programmes are being considered. Stronger synergies between programmes and administrative savings would be expected. Proposals to raise the level of strategic debate include more discussion of results and impacts, better flow of information to committee members, more frequent meetings, and reorganisation of tasks and the range of actors involved. A widening of membership may occur where new Funds are being integrated.

There is widespread interest in carrying out more impact evaluations, which would require significant change compared to present practice, although evaluation of implementation procedures is still considered important. Facilitating measures include improved cooperation with national statistical bodies to make use of the available data and building evaluation capacities. Impact evaluation is not new and several IQ-Net programme authorities note that improvements have already been made in this period. More attention could be given to the impact of impact evaluations in terms of the generation of policy relevant recommendations and follow-up systems. Factors hindering the ability to do robust impact evaluations include the types of projects being assessed, the size of programmes, the availability of data and the complexity of projects/programmes. Counter-factual methods have received mixed reactions. There are positive experiences in assessing SF impacts on firms, but also challenges relating to the availability of data (including data privacy issues), finding meaningful control groups, and the limited applicability to infrastructure projects. The Commission and IQ-Net managing authorities recognise that a mix of methods is necessary to underpin rigorous evaluation.

**INSTITUTIONAL CAPACITY AND TRAINING**

Institutional capacity is commonly identified as a precondition for effectiveness, although it is not clear that IQ-Net programme authorities feel the need to develop capacity further. The authorities’ own teams are considered to be experienced and have the required skills and knowledge to prepare and mange programmes. Specific training on performance issues is not planned in most IQ-Net countries and regions. Routine staff development, training and seminars take place on an ad-hoc basis or under more structured programmes. The development of guidance and manuals and the organisation of seminars and exchange of experience events are also routinely held. A challenge in the current context of fiscal consolidation is the availability of funding for capacity-building and training initiatives.
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1. INTRODUCTION

The state of the empirical evidence on the performance of cohesion policy is very unsatisfactory. ...[due to] ...the lack of any systematic attempt at EU and national/regional levels to assess whether specific interventions “work” through the use of advanced methods of impact evaluation, and a very poor use of the system of outcome indicators and targets formally built by the policy.

Barca Report, xv, 2009

Public resources cannot be spent without setting in a transparent and clear way what we want to achieve with those resources. ...we should not hesitate about the need to respond clearly to the EU taxpayer if asked: “What is this money for?” “What do you want to achieve?” “How will things improve thanks to cohesion programmes?”

Johannes Hahn, 2011

Over the past decade, the performance of Cohesion policy has come under increasing scrutiny. In part, this is associated with the debate on the EU budget: following the 2005 negotiations, it was clear that continuing to allocate a substantial part of the EU budgetary resources to Structural and Cohesion Funds would need more robust evidence on what the policy was achieving. This was reinforced by the conclusions to emerge from the Barca Report, which itself was synthesising the results of a range of academic and policy research that were frequently critical of the lack of evidence at national and EU levels on the efficiency and effectiveness of the policy. The Barca Report also criticised the lack of public accountability, notably the absence of a public debate on the results of the policy in Council or Parliament, other than the annual discussion (and criticism) of the error rate by the European Parliament’s budget committee.

To a certain extent these deficiencies in demonstrating the performance of Cohesion policy could be attributed to the methodological difficulties of analysing the effects of a policy implemented in different national and regional contexts, through thousands of different interventions, co-financed with other funding and whose outcomes may not be readily measurable. However, as the conclusions of the most extensive ex-post evaluation exercise conducted to date observed, relating to the 2000-06 period, there is a more fundamental

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problem: the nature of the policy framework meant that programmes were not being
designed or implemented with achievements in mind. Specifically, at programme level:3

There was ... a lack, in many cases, of a clear indication in concrete terms of the
objectives of the policy implemented in a form which would enable the success or
failure of the measures taken to be properly assessed. Often the aims of the policy
were expressed in terms so general (e.g. an improvement in regional
competitiveness) to make it difficult, if not impossible, to judge after the event
whether they were achieved or not. Though quantitative targets were often set
and an indicator system established, as required by the Structural Fund
regulations, in many cases neither were linked in a meaningful way to ultimate
policy objectives.

Where targets were set, they were often not taken seriously in the sense of being
carefully determined in relation to the funding made available and what it could
plausibly achieve.... In most cases, they did not play a central role either in the
design or in the monitoring of policy and rarely featured in the policy debate. No
authorities were held accountable for not meeting the targets set and few
questions were asked when the targets were easily achieved.... Though systems for
monitoring expenditure were established over the period in all Member States
together with a set of indicators for assessing the outcome of spending, they were
not a central part of the decision-making process.

This concern about the performance of the policy prompted a political commitment to
place a stronger focus on results and to move towards evidence based policy making to
improve the impact and value added of the policy, as well as a stronger monitoring and
evaluation culture, a commitment to learning within partnerships and incentives and
conditionality to encourage quality.4 This was subsequently developed first in the Fifth
Cohesion Report and then in the draft legislative package on the future of the policy.

The Cohesion policy regulations for 2014-20, therefore, propose a range of new measures to
strengthen the strategic orientation of programming and incentivise better performance.
Programmes should have more clearly specified objectives, intervention logics and results
targets. Conditionality provisions aim to ensure that the pre-conditions for effective
implementation of the Funds are put into place. The new performance framework, review
and reserve would provide incentives to reward the achievement of targets and sanctions
for serious under-achievement. Simplified financial management geared towards results
would be encouraged through so-called Joint Action Plans for parts of programmes. Finally,
monitoring and evaluation should place more emphasis on achievements and impact.

3 Applica et al. (2009) Ex Post Evaluation of Cohesion Policy Programmes 2000-2006 financed by the
European Regional Development Fund in Objective 1 and 2 Regions: Synthesis Report, Report to the
European Commission (DG Regio), Applica, ISMERI Europa, WIIW, March 2010.
Regional Policy, Mariánské Lázné - 22-24 April 2009.
This ‘performance turn’ provides a promising opportunity to enhance the quality of strategic thinking and management of the Funds and programmes. It also poses important challenges for the Commission, Member States and regions in terms of methodological design, management capacity and cultural change.

The objective of this report is to provide a review of the new performance requirements for 2014-20 and how, at this stage, managing authorities across the EU are considering or planning to put them into practice. It draws on the views and plans of IQ-Net programme authorities from 15 Member States. For the purposes of this paper, the term ‘performance’ is defined broadly, encompassing a range of measures being put in place to improve the achievements of the policy in line with objectives. It should be noted at the outset that the thinking of many Managing Authorities on aspects of performance is still at an early stage, given that the regulatory framework is not yet finally agreed - and indeed the scale of funding is still subject to agreement on the Multi-annual Financial framework.

The report begins with a review of the context for the new emphasis on performance. The next section explores programme authorities’ reactions to, and initial experiences with, the programming of objectives, indicators, targets and conditionalities. The subsequent section turns to results-based management issues, including views on the performance review and reserve and the consequences for project selection and monitoring. The implications for programme monitoring and evaluation are examined in the penultimate section. The conclusion sets out the main findings.
2. PERFORMANCE AND COHESION POLICY

How to improve the performance of public sector administration, services and policies has been a long-standing concern for governments. A strong impetus in the 1980s was provided by the spread of the ‘New Public Management’ doctrine and related reforms emphasising the need to link public sector inputs to outputs, to measure performance and to produce results. Performance management has been commonly presented as a way to promote market-based dynamism and entrepreneurial behaviour in the public sector, to improve the evidence base for policy design and to reconcile experimentation with public accountability. The timing and implementation of performance management measures varies widely across European countries and evidence of beneficial effects is mixed at best. Nevertheless, the on-going fallout from the crisis and the pressures of fiscal consolidation suggests that value-for-money and performance are likely to remain high on national and EU policy agendas.

In the current negotiations of the 2014-20 EU budget, the effectiveness of EU expenditure is under particular scrutiny. A ‘better spending’ coalition of net payer Member States are calling for more effectively targeted spending; most of them are also looking for cuts in the overall EU budget proposed by the Commission and across all policy headings. Accounting for the second biggest area of expenditure, Cohesion policy has come under strong pressure. Successive ‘negotiation boxes’ on the proposed budget for 2014-20, issued by the Cyprus Presidency and more recently by the Council President Van Rompuy, have seen the Commission’s proposed budget for Cohesion policy downsized in an attempt to broker a deal. In parallel to the budget debate, the latest Council of Ministers meeting on the substantive content of the Cohesion policy reform has called for ‘a more effective and efficient use of available resources and to maximise the added value of Cohesion Policy’.

Performance considerations underpin the Commission’s post-2013 proposals for Cohesion policy; indeed, they have arguably always been embedded in the policy’s design. Since 1988 in particular, the programming principle has required the setting of multi-annual objectives and targets informed by strategic analysis, debate and negotiations with key partners and stakeholders. Monitoring, reporting and evaluation are well-institutionalised, providing accountability over the use of the Funds and supporting programme decision-making processes. Disciplined financial management has been encouraged since the late

7 Talbot, C (2005) op. cit.
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1990s, as has the use of programme-level incentives to reward performance. Throughout the policy’s history ‘added value’ of Cohesion policy expenditure has been high on the agenda of policy debates and reviews. In its explanatory memorandum to the 2004 reform proposals, the Commission stated that ‘a stronger accent on performance and quality’ would be a hallmark of the 2007-13 policy regime and called for:

‘a greater focus on impact and performance, and for a better definition of the results to be achieved. Overall, the efficiency of cohesion policy would be improved by the establishment of an annual dialogue with the European Institutions to discuss...the progress and results of national and regional programmes, so to enhance transparency and accountability towards the institutions and the citizens.

Evaluation before, during and after the end of the programmes would remain essential to the overall effort to maintain quality. In addition, the Commission proposes to set up a Community performance reserve whose main objective would be to reward the Member States and regions which show the most significant progress towards the agreed objectives.’

Nevertheless, the experience of the present period suggests that a number of systemic weaknesses remain. At the programming stage, strategies often have very broad priorities covering a wide range of interventions and have been found to lack clear-cut objectives and a justification of how planned interventions should achieve them. Outcome indicators and targets often play a marginal role in programming and do not sufficiently incentivise good performance at the implementation stage.

Monitoring and reporting of programme delivery in annual implementation reports is considered to be ‘wholly inadequate to enable progress to be meaningfully assessed’ due to excessive focus on inputs (financial resources spent), a failure to link indicators to intervention or policy objectives, and inconsistent definitions which do not allow comparisons over time or across regions. The reports often do not explain why outcomes

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have fallen short of targets or exceeded them, nor do they put outcomes into context or relate the co-financed interventions/projects to national and regional policies.\textsuperscript{17}

A further criticism is that performance conditionality is weak.\textsuperscript{18} Programmes are often designed and delivered to prioritise financial absorption and meet spending deadlines rather than policy objectives, and they do not provide adequate incentives to use resources effectively; it is of note that only two Italy and Poland used the voluntary option to create an ERDF performance reserve in the 2007-13 period. Commitments to address institutional and strategic pre-requisites and conditions for effective use of the Funds are also inadequate.

Lastly, EU institutions place too little emphasis on performance considerations. The Commission has been criticised for focussing on administrative issues and a perceived ‘mechanistic’ enforcement of rules, particularly concerning financial management, audit and control. High-level political debate in the Council of Ministers and the European Parliament gives insufficient attention to the policy’s achievements.

In response to these weaknesses and pressures, the Commission has proposed a range of new measures to strengthen the strategic content of programming and incentivise better performance.

- programmes should have more clearly specified objectives, intervention logics and results targets
- conditionality provisions aim to ensure that the pre-conditions for effective implementation of the Funds are put into place;
- the new performance framework, review and reserve would encourage better measurement, provide incentives to reward the achievement of targets and sanctions for serious under-achievement;
- simplified financial management geared towards results would be encouraged through so-called Joint Action Plans for parts of programmes; and
- monitoring and evaluation should place more emphasis on achievements and impact.

The following sections explore how these new regulatory requirements are being translated into practice, drawing on fieldwork interviews with IQ-Net programme authorities. It is important to note at the start that performance and results-oriented management are complex and multi-dimensional concepts, with cultural and linguistic differences in the way that they are interpreted. For instance, there is no straightforward translation of the word ‘performance’ in many languages (such as Finnish, German and Spanish) where the term ‘effectiveness’ is often used instead. The different dimensions of ‘performance’ can

\textsuperscript{17} Ibid.

\textsuperscript{18} Barca (2009) op.cit.
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encompass: the capacity of the programme/projects to attain objectives expressed in targets; impact on wider macroeconomic variables (GDP, competitiveness); timely spending and absorption as a result of sound financial management; and the capacity to comply with procedural requirements to minimise irregularities. Notwithstanding its multidimensional nature, there is wide recognition among managing authorities that the outcome dimension of performance is most important in the contemporary debates on Cohesion policy. This implies placing more emphasis on the targeted outputs and results, instead of financial absorption, legality and regularity; to the extent that financial management is a routine part of programme implementation, it is a pre-requisite for good performance rather than a performance goal in and of itself.

3. PROGRAMMING FOR PERFORMANCE

The programme design stage is of crucial significance for the performance orientation. To increase the emphasis on outcomes and effectiveness, the main requirements for 2014-2020 are to provide more clearly specified objectives and results, formulated with attention to the intervention logics; and ex-ante conditionality commitments to ensure that the preconditions for effective implementation of the Funds are in place before the launch of the programmes or within an appropriate time-scale.

3.1 Objectives, Results and the Intervention Logic

At the most general level, the starting point for the identification of strategic objectives is the Europe 2020 strategy, which has been translated into 11 thematic objectives that provide the basic framework for the programming of the Funds. Moving down the hierarchy of objectives, ‘specific’ objectives should be selected and clearly specified at the ‘investment priority’ level, i.e. for each measure/sub-priority within a Priority axis. An illustration of this is provided in the Commission’s draft template (Table 1). However, it should be noted that Commission thinking on this is evolving - for instance, on the number of specific objectives and investment priorities - and the template has not been finalised.

Table 1: Overview of the programme intervention logic and investment strategy

<table>
<thead>
<tr>
<th>Thematic objective</th>
<th>Justification of the choice of the thematic objective and of investment priorities, and the share the of support allocated to the thematic objectives</th>
<th>Priority axis</th>
<th>Investment priorities</th>
<th>Specific objectives</th>
<th>Union support - EUR</th>
<th>Union contribution - share of the total to OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>TO1</td>
<td>Priority axis 1: Investment priority 1: Specific objective 1</td>
<td>Specific objective 2</td>
<td>X EUR (ERDF)</td>
<td>% of total ERDF</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Priority axis 2: Investment priority 1</td>
<td>X EUR (ESF)</td>
<td>X EUR (ESF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Priority axis 3: Investment priority 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thematic objective 2</td>
<td>Priority axis 4: Investment priority 1</td>
<td>X EUR (ESF)</td>
<td>% of total ESF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thematic objective 3:</td>
<td>Priority axis 5: Investment priority 1</td>
<td>X EUR (ERDF)</td>
<td>% of total ERDF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Priority axis 6: Investment priority 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A stronger focus should be placed on ‘result’ indicators and targets. Each investment priority should identify one or a limited number of result indicators that best express the intended change, the direction of the desired change, a quantified target or a range, and a baseline. For ESF this includes common (EU-wide) result indicators for which a target value has been set and programme-specific result indicators. For ERDF this includes common and programme-specific result indicators. Indicators can be set at the level of the priority axis or the investment priority (sub-priority) level as appropriate. Output indicator baselines will be zero.

Underpinning this shift in emphasis towards outcomes is a new ‘intervention logic’ for programming, monitoring and evaluation (Figure 1). The key difference from the past is that the distinction between result and impact indicators has been dropped. Impact is now understood as the contribution of the policy to changes in the result indicator, thus placing less emphasis on longer-term effects on the wider economy (such as GDP). The aim is also to focus attention on the identification of needs, objectives, results and corresponding indicators at the start of the programming process - rather than the allocation of resources.

Figure 1: The new intervention logic


The Commission is also encouraging the Member States to apply this intervention logic within programmes at the priority or sub-priority level:\textsuperscript{21}

\begin{quote}
‘it is good practice to use a logical framework to clarify the intervention logic under each investment priority or priority axis. Such a stylised representation demonstrates the causal links between the different actions, the planned outputs and the intended results. It also helps to build a shared vision of the programme objectives and type of interventions to achieve them within the partnership. It can be developed by the programmer, by the evaluator or in close collaboration.’
\end{quote}

Beyond issuing guidance on programming and evaluation,\textsuperscript{22} DG Regio has made a concerted effort in its evaluation network meetings with Member States and in other fora to explain the rationale and key aims of the proposed changes in advance of the preparation of Partnership Agreement and programmes. It also conducted a pilot study to explore the extent to which the planned results orientation fitted with current practice in 2007-13 (Box 1).

**Box 1: DG Regio Pilot Study on Results Indicators 2014+**

The main objective of the pilot study was to explore what the results orientation proposed for the future would look like in current programmes based on a survey of 12 managing authorities in eight Member States. The key questions asked for each priority of the programmes were: what change is planned? What indicator can capture this change? Is the baseline for 2007 or now (data sources) known? Will the output indicators contribute to change in the result indicator? How?

The key findings were:

- The new approach is feasible but not without a significant change in the practice of those designing programmes.
- None of the pilot regions currently use result indicators in the manner proposed by the Commission. The objectives of the priorities examined were expressed in very general terms and in most cases current indicators do not capture the intended effects of the programmes.
- The results focus must become part of the development of the programme, which need a stronger and more explicit intervention logic; this cannot be added afterwards.
- The main change required is concentration. But concentration has to be the outcome of a process of deliberation and policy choice. This emphasises the importance of political debate on the choices which drive programme design.
- If there is concentration, this means that there will be fewer indicators. Some pilot regions had very many indicators - but none captured the motivations for policy action.
- Whatever result indicator is selected, baselines and targets are essential.


The process of programming the Partnership Agreements and programmes is reviewed in detail in the accompanying IQ-Net Review Paper. Of particular relevance here is the mix of activities being undertaken or planned to support the process of elaborating indicators, including the following examples from IQ-Net programme authorities.

- **Guidance on programming and indicators.** The Czech Republic is preparing guidance for the MAs to set up a unified approach for all programmes on the definition of specific objectives, output/results indicators and targets. In Greece, the National Coordination Authority has prepared a detailed guidance note for the actors involved in the preparation of the new period, emphasising the need for ‘programmes monitoring and evaluation based on measurable objectives and milestones and focused on the results’.

- **Working groups on indicators.** In Spain, it likely that a national working group on indicators would be established to develop indicators in the Ministry of Finance and Public Administration and involving sectoral experts from other Ministries.

- **Evaluations and studies.** In Greece, the National Coordination Unit intends to launch a number of thematic studies to support the overall design process and provide an input for the definition of result indicators. In the Czech Republic, the ex-post evaluation 2004-06 and the mid-term evaluation 2007-13 revealed the main challenges that need to be addressed. The Sachsen-Anhalt authorities are taking steps to consider how to develop indicators that can measure quality, for example in relation to environmental interventions. The monitoring committee’s environmental working group has commissioned a study on possible environmental indicators (e.g. in relation to impact on reductions in CO₂ emissions). The study listed a wide range of indicators and then assessed their practicability in terms of data availability and meaningfulness.

- **Pilot exercises:** The Portuguese authorities are developing a pilot test exercise with the Commission on the future result indicators. Other countries/regions are also reported to be engaged in collaborative tests with the Commission of the new approach, extending the first round of pilots undertaken in early 2012 to around 25 Managing Authorities.

There is **widespread recognition of the need for improvements to objectives, indicators and targets** and of the benefits in terms of allowing achievements to be monitored over time, facilitating comparisons with other regions, moving towards a result-oriented approach, greater effectiveness and efficiency, measurability of actions, and also supporting decision-making (Greece, Poland, Sachsen-Anhalt, Scotland, United Kingdom, Wales).

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While programming is at an early stage in many cases, the vast majority of IQ-Net partners do not anticipate radical changes in the approach to the programming of objectives and targets (Box 2). This is perhaps surprising in the light of the above findings of the Commission pilot study, given that none of the regional cases complied with the new requirements and expectations for the next period.

**Box 2: Objectives and targets in IQ-Net partner countries: continuity rather than radical change**

**Austria (Niederösterreich, Steiermark):** Both states consider their current approach to indicators sufficient. Steiermark is planning to maintain the approach adopted in the current period. They consider the focus on result indicators at investment priority level feasible and in line with current practice. Nevertheless, in a few cases, some indicators could be refined in the forthcoming programme. For instance, the number of firms created could be split into sectors.

**Belgium (Vlaanderen):** the approach for formulating so-called ‘specific objectives’ at the priority and sub-priority level will not differ from that taken in the 2007-13 period. The definitions of priorities and the underlying specific objectives are already considered to be clear.

**Germany (Nordrhein-Westfalen, Sachsen-Anhalt):** The ERDF authorities in Nordrhein-Westfalen are not planning significant changes to the approach to the definition of the programme-specific output and result indicators and target setting. For both periods, the approach involved / is involving extensive discussions on indicators and targets between the managing authority and the various Land Ministries involved in programme implementation, as well as with the ex-ante evaluators. These discussions for the 2007-13 OP already considered the intervention logic connecting funding allocations, outputs and results, in line with regulatory proposals for 2014-20. Similarly, the discussions for 2007-13 already included details assessments of which indicators and targets were realistic and pragmatic e.g. where the appropriate data were readily available. Similarly, the ERDF/ESF authorities in Sachsen-Anhalt are not making major changes in the approach to objective/target setting in 2014-20. In 2007-13, for example, the Land invested considerable effort in developing programme objectives (both strategic and specific) as well as targets, and also in developing comprehensive electronic data monitoring systems that have allowed the managing authority to measure progress towards targets and to endeavour to intervene to address any problems with financial absorption and broader implementation.

**Greece:** the current period the programme design was based to a certain degree on a ‘specific objectives’ approach, at Priority axis and investment priority level (as reflected in the thematic priority codes), although not strictly followed by all operational programmes. The correlation between the specific objectives and the thematic priority codes was stricter in ESF funded programmes and less in the other OPs. This approach will be used more systematically in the forthcoming period. Currently, only some general objectives have been defined at national level, while more specification is expected in the next programming stages.

**Italy (Umbria):** Continuity with past experience will be pursued in the Italian region of Umbria. In 2011, the region made substantial revisions to the ROP indicators, partly to realign them with the core indicators (which are broadly in line with the Commission’s proposed common indicators for 2014-20) and also to define a stable set from both a qualitative and quantitative perspective (measurability and targets). It is likely that these indicators will be retained using the same definitions and units of measurement.

**Poland (Śląskie):** For the ERDF, the approach to the definition of specific objectives is generally the same as in the current programming period. To define the specific objectives the ERDF unit prepared in the first half of 2012 a strategic diagnosis - a description of the social and economic situation. Based on this, a strategic assessment (SWOT) was produced to inform the development of horizontal and area priorities and identify strategic and specific objectives in the context of 11 thematic objectives from the draft cohesion policy regulations.

**United Kingdom (England, Scotland, Wales):** no dramatic change in how programme objectives or targets are set is foreseen among United Kingdom IQ-Net partners. However, in Wales, for example, indicator definitions have been more rigidly enforced in 2007-13 than in previous periods. There is a much smaller number of projects (down from 2,500 in 2000-06 to c. 250 in 2007-13), so it has been possible to be much more focused in target setting with an expectation of stronger underlying evidence. However, targets are expected to be affected (reduced) by the economic climate. The process of target setting will start early in 2013 (once the budget is known).
Where change is envisaged, the main emphasis will be on improving the coherence of objectives, indicators and targets in line with the intervention logic of the programmes (e.g. Czech Republic, Denmark, Finland and Poland). For instance, in Finland it is acknowledged that the current indicators do not fully reflect the intervention goals, e.g. number of new jobs created does not reflect networking or investments in new technology. As noted, this is a common problem across the EU according to the Commission’s pilot study.

A more coherent focus on programme objectives often goes hand-in-hand with a reduction in the number of indicators. This trend was evident in the current period - relative to 2000-06 programmes - and is set to continue in some countries. In Poland (ESF), the overall aim is to have fewer indicators but with more direct links to specific objectives and intervention logics based on specific regional conditions. In the Czech Republic and Spain, a reduction in the number of indicators is anticipated although the indicator sets have not yet been drawn up.

Efforts to improve the comparability of indicators across regions are expected. This is standard practice in some Member States (particularly in smaller and politically centralised countries), at least for some indicators, but in others there are aspirations to be able to do this for the first time (as in the United Kingdom).

Aggregation and communication of achievements across Member States at EU level will be facilitated through the new common indicators, which are to be included in the Annex to the legislative texts. This represents an improvement compared to the past, building on and formalising the work undertaken on core indicators during the 2007-13 period, and should help to account for the use of Funds to EU institutions and the public. However, there are some concerns about the consistency and relevance of the selected indicators was identified.

- Inconsistency in the use of outputs and results indicators across different Funds (ERDF, EAFRD and ESF) was noted, thus hindering a unified approach in line with the goals of integration.

- The common indicators are considered to be a ‘lowest common denominator’ outcome with lower standards in terms of performance measurement than the programme-specific indicators. Some IQ-Net partners would like to see more outcome-focused indicators among the list. For example, the urban development indicators focus on office space, which is not considered to be particularly ambitious in Scotland, where there is a significant amount of experience in developing outcome-focused indicators (Box 3). That being said, it is unlikely that the Council of Ministers would agree to a common list of compulsory ERDF/CF result indicators.

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Box 3: Scotland’s National Performance Framework

Scotland’s outcome-based National Performance Framework sets out a Purpose for government, and progress towards this Purpose is tracked by seven Purpose Targets, supported by 16 National Outcomes and 50 National Indicators, covering the areas of health, justice, environment, economy, and education. The Purpose of the Scottish Government is to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The Government Economic Strategy (GES) sets out the measures that the government is taking to deliver the Purpose, accelerate recovery, and develop a more resilient and adaptable economy.

The seven ‘Purpose Targets’ are:

1. Economic Growth
   - To raise the GDP growth rate to the United Kingdom level by 2011
   - To match the GDP growth rate of the small independent EU countries by 2017
2. Productivity
   - To rank in the top quartile for productivity against our key trading partners in the OECD by 2017
3. Participation
   - To maintain our position on labour market participation as the top performing country in the United Kingdom
   - To close the gap with the top five OECD economies by 2017
4. Population
   - To match average European (EU15) population growth over the period from 2007 to 2017
   - Supported by increased healthy life expectancy in Scotland over the period from 2007 to 2017
5. Solidarity
   - To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017
6. Cohesion
   - To narrow the gap in participation between Scotland’s best and worst performing regions by 2017
7. Sustainability
   - To reduce emissions over the period to 2011
   - To reduce emissions by 80 percent by 2050

16 National Outcomes describe what the Government wants to achieve over the next ten years, articulating more fully the Government’s Purpose.

50 National Indicators have been selected wherever possible from existing datasets to allow an understanding of progress and trends over time; they are not intended to provide comprehensive measurement of every activity undertaken to achieve the Outcomes and Purpose, but are ‘a carefully chosen set which we believe most clearly shows progress towards the achievement of a more successful and prosperous Scotland’.

The ‘Scotland Performs’ website measures and reports on progress of government against the framework, for example, with ‘direction of travel’ arrows on a ‘Performance at a Glance’ page which indicate whether performance is improving, worsening or maintaining.
In defining objectives and indicators with corresponding targets, a range of challenges and issues need to be considered.

- **Administrative burden.** The Sachsen-Anhalt ERDF/ESF managing authority emphasises that the indicators must be realistic and that the additional administrative burden must be kept within bounds e.g. it is important that the data on targets can be (easily) collected.

- **Uncertainty/moral hazard.** There is a danger of setting too ambitious or easily achievable targets particularly if the targets are linked financially to a performance reserve (Poland ERDF, Spain). However, ex-ante evaluation and negotiations with the Commission are intended to support the setting of realistic targets.

- **Complexity.** The definition of OP objectives and quantitative targets is an inherently complex task (France, Spain). There is a degree of guesswork in setting targets, particularly during the economic crisis. That said, the Commission is not proposing to include result indicators in the performance framework of the programmes.

- **Unclear EU guidance.** There is some uncertainty over the level at which results indicators should be defined (Austria). While the regulations suggests that this should take place at the level of ‘Priority axis’, other Commission guidance suggests that result indicators should be defined at the lower ‘investment priority’ level. For EU common indicators, it is important to specify the units (e.g. square metres or square hectares) in some cases.

- **Sensitivity to the quality of interventions.** It is often hard to set indicators that genuinely reflect qualitative differences, particularly when it comes to result indicators (Niederösterreich, Sachsen-Anhalt). For example, if one type of intervention funds more participants than another, it is not necessarily better in terms of the quality of the intervention, but it may not be easy to assess quality.

- **Project flexibility.** Notwithstanding the importance of having coherent indicators that capture programme objectives, flexibility is desirable at the project level. In Denmark, for instance, changes were introduced in 2011 to provide project promoters with the possibility to use project specific indicators as a supplement to standard indicators. However, projects are generally reluctant to do so requiring programme managers to apply some pressure in order to secure these project specific indicators.

- **Data availability.** The assessment of result indicators (baseline, targets) could be restricted by the lack of the necessary statistical data, either at regional level or nationally regarding specific sectors (Austria, Greece). In Wales, it is difficult to break data down between the Welsh programme areas (Convergence and Competitiveness/West and East Wales).
Aside from these methodological and operational issues, there are further political considerations that have a bearing on the emphasis placed on performance indicators in programming. First, the current political focus on short-term growth and jobs in the context of the crisis may reduce the priority placed on longer-term results. Second, even though large amounts of data are routinely collected, there are concerns about a lack of interest in this information from politicians, stakeholders and EU institutions.

Turning to the proposed ‘intervention logic’ approach, many IQ-Net managing authorities do not foresee any particular additional difficulties or workload, the perception being that this does not differ significantly from practice in the 2007-13 period (Austria, Nordrhein-Westfalen, Sachsen-Anhalt, Slovenia, Vlaanderen, United Kingdom).

By contrast, the articulation of the logic of programmes and interventions is likely to be more explicit in Czech Republic, Greece and Poland. For instance, the Czech Republic is embracing the logic more clearly in its guidance for preparing operational programmes to ensure that all managing authorities follow this logic. All interventions at the level of specific objectives should be developed according to a ‘theory of change’ and objectives should be clearly lined to indicators. The logic incorporates the analysis of relevant socio-economic problems (with context indicators), identification of causes of these problems and selection of most important causes for solution. Positive interpretation of these causes for solution will represent objective (change that should be attained) and the objective will be implemented by measures and activities. Measures and activities will be linked to output indicators and the objective to results indicators.

Several challenges were noted with respect to the emphasis on the intervention logic of programmes.

- **Commission expectations.** The Commission’s guidance is not clear in terms of what is required in the programme to demonstrate the intervention logic (a graph or text explaining the intervention logic? Is it enough if it has been thought through during the process?)

- **Multiple objectives.** Programme priorities and interventions would need to be well-balanced in order to provide a clearly specified intervention logic, especially as some interventions may serve more than one objective (Greece). Indeed, the comprehensive nature of programmes makes it difficult to articulate narrow logics of intervention (Denmark).

- **Complexity.** The intervention logic is a useful simplification of reality, but managing authorities note the need to take account of ‘the complexity of the real world’ particularly the impact of external factors (Greece). In practice, it is challenging to define causal relations between complex interventions and results in a complex environment (Finland).

- **Evidence base.** Being able to explain the casual links between the various stages of the process must be preceded by learning about which projects went well and why they went well (Denmark).
3.2 Policy and institutional framework: Ex-ante conditionality

To ensure that the strategic, institutional and administrative conditions for effective Cohesion Policy investments are put into place, a structured system of ex-ante conditionality requirements is introduced for 2014-20. The regulation distinguishes two types.

- **Thematic conditionalities** are specific to each thematic objective and relate mainly to the pre-existence of domestic strategies (e.g. on smart specialisation), the transposition and implementation of EU Directives (e.g. on water or waste), addressing EU guidelines (e.g. employment and social policy) and capacity-building activities (e.g. sufficient project pipelines in the transport sector).

- **General conditionalities** mainly relate to compliance with EU law (e.g. strategic environmental assessment, State aid rules etc.) and capacity-building to support compliance as well as a conditionality to strengthen the statistical systems and data for programme monitoring and evaluation.

<table>
<thead>
<tr>
<th>Table 2: Ex-ante conditionality</th>
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<tbody>
<tr>
<td><strong>Type of conditionality</strong></td>
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<tr>
<td>Thematic</td>
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<tr>
<td>1. RTDI</td>
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<td>2. ICT</td>
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<td>3. SME competitiveness</td>
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<td>4. Low-carbon economy</td>
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<td>5. Climate change</td>
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<td>6. Sustainable resources</td>
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<td>7. Sustainable transport</td>
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<td>8. Employment &amp; labour mobility</td>
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<td>9. Skills, education, learning</td>
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<td>10. Poverty and inclusion</td>
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<td>11. Institutional capacity</td>
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<tr>
<td>General</td>
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<td>Anti-discrimination</td>
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<td>Gender equality</td>
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<td>Disability</td>
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<td>Public procurement</td>
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<td>State aid</td>
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<tr>
<td>Environment</td>
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<tr>
<td>Statistical systems &amp; indicators</td>
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</table>
The specific criteria that should be fulfilled under each of ‘thematic’ conditionality are listed in Table 3.

**Table 3: Thematic conditionality and criteria**

<table>
<thead>
<tr>
<th>Thematic Objective / Conditionality</th>
<th>Criteria for fulfilment</th>
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| 1. RTDI 1. Domestic R&I strategy for smart specialisation | • Strategy includes: (i) SWOT analysis to concentrate resources on limited priorities; (ii) measures to stimulate private RTD investment; and (iii) monitoring and review system.  
• National framework outlining available budget for R&I |
| 2. Multiannual plan for budgeting and prioritization | • Multi-annual plan, budgeting and prioritization linked to EU priorities |
| 2. ICT 1. Digital growth chapter in smart specialisation strategy | • Chapter based on: (i) budgeting and prioritisation through SWOT in alignment with EU Digital Agenda; (ii) analysis of demand and supply balance; (iii) measurable targets in key fields; and (iv) assessment of needs to reinforce ICT capacity-building. |
| 2. NGA (Next Generation Access Infrastructure) Plans which take account of regional actions | • NGA Plan contains: (i) plan of investments through demand aggregation and mapping of infrastructure and services updated regularly; (ii) sustainable investment models; and (iii) measures to stimulate private investment. |
| 3. SME competitiveness 1. Implementation of the Small Business Act (SBA) | • Measures to reduce cost and time to set up businesses.  
• Measures to reduce time to get licenses and permits; |
| 4. Low carbon economy 1. Transposition of Directives on (i) energy in buildings (ii) energy end-use efficiency and services | • Minimum requirements on energy performance of buildings (in line with Arts. 3, 4 and 5).  
• measures to establish system of certification of the energy performance of buildings (in line with Art. 11).  
• Final customers provided with individual meters. |
| 2. Transposition of Directive on cogeneration of heat and power | • useful heat demand and primary energy savings in order to encourage the design of co-generation units and reduce the regulatory and non-regulatory barriers |
| 3. Promotion of the production and distribution of renewable energy sources | • Transparent support schemes, priority in grid access and in dispatching, standard and public rules relating to bearing and sharing of costs of technical adaptations.  
• National renewable energy action plan in line with Directive (Art. 4). |
| 5. Climate adaptation/risk prevention 1. Risk assessments for disaster management | • National/regional risk assessment includes: (i) description of the process, methodology, methods and non-sensitive data used; (ii) description of single-risk and multi-risk scenarios; and (iii) taking into account national climate change adaptation strategies. |
| 6. Environment & sustainable resources 1. Water pricing policy in line with Directive on water policy | • Ensured contribution of the different water uses to services costs recovery in line with Directive (Art. 9 ).  
• Adoption of river basin management plan in line with Directive (Art. 13) in water policy. |
• Establish waste management plans (in line with relevant articles)  
• Establish waste prevention programmes (Art. 29) by 2013.  
• Measures to achieve 2020 target on re-use and recycling (Art.11). |
### 7. Sustainable transport and removing bottlenecks

1. **Domestic transport plan with appropriate prioritisation of TEN-T**
   - Prioritisation of core TEN-T network, comprehensive network and secondary connectivity taking account of mobility, sustainability, greenhouse gas emissions and European transport area.
   - Realistic and mature project pipeline.
   - Capacity measures to deliver project pipeline.

2. **Chapter on railway in plan with prioritisation of TEN-T**
   - Realistic and mature project pipeline.
   - Capacity measures to deliver project pipeline.

### 8. Employment & labour mobility

1. **Active labour market policies in line with EU employment and economic guidelines**
   - Employment services have capacity to deliver: (i) personalised services and active and preventive measures at an early stage open to all jobseekers; and (ii) anticipating and counselling on long-term employment opportunities created by structural shifts in the labour market such as the shift to a low carbon economy.
   - Transparent and systematic information on new job vacancies.
   - Employment services have set up networks with employers and education institutes.

2. **Domestic strategy for inclusive start-up support in line with the Small Business Act and EU employment and economic guidelines**
   - Measures to reduce set up time to 3 days and cost to €100.
   - Measures to reduce time to get licenses and permits to 3 months.
   - Actions linking business services and financial services, including outreach to disadvantaged groups and areas.

3. **Modernised & strengthened labour market institutions in line with EU employment guidelines, preceded by strategy and ex-ante assessment**
   - Reform employment services to deliver: (i) personalised services and active, preventive measures at early stage and open to jobseekers; (ii) counselling on l-term employment opportunities created by structural shifts; and (iii) transparent/systematic information on new job openings at EU level.
   - Reform of employment services includes creation of networks with employers and education institutes.

4. **Active ageing policies in line with EU employment guidelines**
   - Actions to deliver on active and healthy ageing challenges.
   - Stakeholders involved in active ageing policies.
   - Measures to promote active ageing to reduce early retirement.

5. **Policies for anticipation and management of change and restructuring at all levels**
   - Effective support to social partners and public bodies to develop change and restructuring.

### 9. Skills, education and life-long learning

1. **Domestic strategy to reduce early school leaving in line with Council Recommendation**
   - System for collecting and analysing data at different levels that provides sufficient evidence-base and is systematically used
   - ESL strategy: (i) based on evidence (ii) is comprehensive and adequately addresses prevention, intervention and compensation; (iii) sets out objectives in line with Council Recommendation on policies to reduce early school leaving; and (iv) cuts across sectors and involves stakeholders.

2. **Domestic strategies for tertiary education in line with Commission Communication**
   - Strategy includes: (i) participation and attainment measures (ii) quality measures; (iii) employability and entrepreneurship measures.

3. **Domestic framework for lifelong learning in line with EU guidance**
   - Policy framework contains measures: (i) to support lifelong learning and skills upgrading and involvement of stakeholders; (ii) for skills development for different groups; (iii) to widen access and the development of lifelong learning services; and (iv) to improve the relevance of education and training and to adapt it to needs.

### 10. Poverty and inclusion

1. **Strategy for poverty in line with COM Recommendation on inclusion and Employment**
   - Strategy: (i) based on evidence; (ii) in line with poverty and social exclusion target; (iii) contains mapping of territorial concentration; (iv) involves stakeholders; (v) includes measures for community based care; and (vi) to address segregation
   - Stakeholders support for project applications, implementing and managing projects.
2. Roma inclusion strategy and support for stakeholders in accessing funds
- Roma inclusion strategy with achievable goals and targets, is coherent with NRP, identifies micro-regions, allocates sufficient funding, includes strong monitoring, based on partnership with Roma community and identifies national contact.
- Stakeholders support for project applications, implementing and managing projects.

3. Strategy for health ensuring access and sustainability
- Strategy with: (i) coordinated measures to improve access; and (ii) to stimulate efficiency (iii) monitoring and review system.
- Framework outlining available budgetary resources.

11. Institutional capacity
- Domestic strategy for administrative efficiency including public administration reform
- Strategy includes: (i) an analysis and strategic planning of legal, organisational and/or procedural reform actions; (ii) quality management systems development; (iii) procedures’ simplification and rationalisation actions; (iv) human resources strategies and policies; (v) skills development; and (vi) monitoring & evaluation tools.

The specific criteria that should be fulfilled under each of ‘general’ conditionality are listed in Table 4

**Table 4: General conditionalities and criteria**

<table>
<thead>
<tr>
<th>General conditionality</th>
<th>Criteria for fulfilment</th>
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<tbody>
<tr>
<td><strong>Anti-discrimination</strong> Directives on equal treatment</td>
<td>Effective implementation through: (i) institutional arrangements for the implementation, application and supervision of the EU directives on non-discrimination; (ii) a strategy for training and dissemination of information for staff involved in the implementation of the funds; and (iii) measures to strengthen administrative capacity for implementation and application of the EU directives on non-discrimination.</td>
</tr>
<tr>
<td><strong>Gender equality</strong> Domestic Strategy for the promotion of gender equality</td>
<td>Effective strategy implementation through: (i) a system for collecting and analysing data and indicators broken down by sex and to develop evidence-based gender policies; (ii) a plan and ex-ante criteria for the integration of gender equality objectives through gender standards and guidelines; and (iii) involvement of gender body and experts to draft, monitor and evaluate interventions.</td>
</tr>
<tr>
<td><strong>Disability</strong> UN Convention on the rights of persons with disabilities</td>
<td>Effective implementation through: (i) measures to prevent, identify and eliminate accessibility barriers (Art 9); (ii) institutional arrangements for the implementation and supervision (Art. 33); (iii) plan for training and dissemination of information for Funds’ implementation staff; and (iv) measures to strengthen administrative capacity for implementation and application of UN Convention including monitoring compliance.</td>
</tr>
<tr>
<td><strong>Public Procurement</strong> EU Directives on public contracts and procurement in energy, water, transport</td>
<td>Full transposition, including: (i) institutional arrangements for the implementation, application and supervision of public procurement law; (ii) adequate supervision, surveillance of transparent contract award procedures and adequate information; (iii) strategy for training and dissemination of information for staff involved in implementation of the funds; and (iv) measures to strengthen capacity for implementation of public procurement law.</td>
</tr>
<tr>
<td><strong>State Aid</strong> EU State aid law</td>
<td>Effective implementation through: (i) institutional arrangements for the implementation, application and supervision of EU State aid law; (ii) strategy for training and information dissemination of information for staff involved funds’ implementation; and (iii) measures to strengthen administrative capacity for implementation and application of State aid rules.</td>
</tr>
<tr>
<td><strong>Environment</strong> EU Directives on EIA and SEA</td>
<td>Effective implementation through: (i) full transposition of EIA and SEA directives; (ii) strategy for training and dissemination of information for staff involved in implementation Directives; and (iii) administrative capacity measures.</td>
</tr>
<tr>
<td>Statistical systems and indicators</td>
<td>Arrangements for timely collection and aggregation of data including: (i) identification of sources/mechanisms to ensure statistical validation; (ii) arrangements for publication and public availability; (iii) effective system of results indicators including: (a) result indicators for each OP on aspects that motivate policy actions; (b) targets; (c) respect of key principles (robustness, clarity, responsiveness, timely collection and public availability); and (d) procedures to ensure operations adopt an effective system of indicators.</td>
</tr>
</tbody>
</table>

The implementation of ex-ante conditionality requirements would take place at two stages. At the programming stage, Member States would provide an assessment of whether the applicable ex-ante conditionalities are fulfilled. Where they are not fulfilled at the date of submission of the Partnership Agreement (PA), a summary of the actions to be taken and the timetable for implementation would be included in the PA, while the detailed actions would be set out in the OPs. Then, during the programme implementation stage, failure to complete the actions by the set deadlines would provide a basis for the suspension of all or part of interim payments.

There is widespread agreement on the principles and underlying philosophy of ex-ante conditionality among IQ-Net managing authorities. Among the main benefits cited are

- improving the effectiveness of interventions (Czech Republic, Poland, Portugal);
- providing incentives to ensure the necessary framework is in place or is being put in place, including appropriate legislation (Czech Republic, Poland);
- feeding into the initial assessment of the ex-ante socio-economic situation and SWOT analysis and supporting target-setting (Sachsen-Anhalt);
- facilitating the contextualization of the strategies (Umbria);
- highlighting particular strategic priorities for the EU, such as smart specialisation (Denmark);
- encouraging programme managers to focus more on what the programmes can achieve and the risk of failure (Poland ESF); and
- encouraging early contacts with implementing bodies and facilitating discussion about the key changes for 2014-20 (Spain).

A final and comprehensive assessment of compliance with the conditionality provisions has not yet been undertaken in many countries. Nevertheless, most programme authorities do not foresee significant difficulties in complying with the conditionalities by the launch of the programmes (Austria, Denmark, Finland, Nordrhein-Westfalen, Portugal, Sachsen-Anhalt, Spain, United Kingdom, Vlaanderen).

There is, however, an expectation of considerable work to be done in some countries to ensure full compliance with the conditionality provisions (e.g. Czech Republic, Poland). In the case of Poland, by August 2012, seven of the 40 ex-ante conditions were fulfilled (including two general and three thematic conditions concerning ERDF and ESF), 19 were
partially met and 14 had not been met. For thematic objectives 1, 3, 5, 6, 8 and 10 it was expected that the process would be completed by the end of the first quarter of 2013. One of the most problematic issues for the Czech Republic is the Civil Service Act, as it has not yet come into force. Issues may also arise in RTDI, risk prevention, low carbon economy, waste management, water management, power energy, e-health and system of health care funding, employment services. However, these are mainly issues of partial non-compliance, i.e. the required law or implementing guidelines have not yet been approved.

There are important financial implications if the conditionalities are not fulfilled by programme launch. In Greece, the suspension of all or part of the interim payments pending the completion of actions for the fulfilment of an ex-ante conditionality, is considered problematic and would hinder the effective and efficient implementation of the programmes. In this context, the ambiguity on the applicability of the ‘general’ conditionalities creates additional concerns due to the serious negative impacts that the possible suspension of interim payments could have on programme implementation (see also the reactions to other specific criteria in Box 4).

There are also concerns about the appropriateness of some of the conditionalities, the divisions of competences and the lack of procedural clarity.

First, it is considered important to ensure that the conditionalities are directly linked to Cohesion policy and the effectiveness of interventions (Czech Republic, Greece, Slovenia). In this respect, Greece objects to the ‘general conditionalities’ because it considers that the link to the effectiveness of interventions is tenuous, but also because it is not clear how these conditionalities will be assessed, enforced and impact on the programmes.

Second, there is a concern about perceived intrusion into domestic policymaking. Some of the proposed conditionalities are considered to be demanding (e.g. the development of an innovation strategy and of a poverty strategy) and go beyond the sphere of the Structural Fund programmes (Sachsen-Anhalt). For example, the regional innovation strategy is supposed to cover broader Land policies i.e. not only those co-financed by the Structural Funds - and so is seen as very demanding and as interfering in Land domestic policy-making. In Greece, the main issue of concern relates to the general conditionality on statistical systems and indicators, which they consider to be a national competence (Box 4).

Third, there are related concerns about the internal division of responsibility for the fulfilment of conditionalities, particularly in federal countries where regional development competences are devolved. The IQ-Net programme authorities in Austria and Belgium have concerns about the fact that some ex-ante conditionalities need to be fulfilled at the national level and that they may be penalised for non-fulfilment of conditions that are not under their responsibility even though they are fully responsible for regional policy. In Germany, it is not always clear whether the federal or Land authorities are responsible for addressing some of the conditionalities, particularly as the draft regulations often simply refer to ‘national’ responsibility. This is not the case for the innovation strategy where the regulations define it as ‘regional’ and so it is clear that it should be developed at Land level. In the case of the ‘poverty strategy’ for the ESF programmes, however, this has not
yet been undertaken in Germany because it has not yet been decided whether the federal or Land authorities should be responsible for the strategy (or multiple strategies, if the Länder are finally to be responsible).

Fourth, there is some procedural uncertainty. For instance, the regulation does not clarify whether the Commission requires a separate document assessing the fulfilment of the requirements or whether it is sufficient to include the information in the partnership agreement and programmes (Finland). In addition, the fulfilment of the conditions should only be assessed on the basis of objective and clear-cut criteria.

**Box 4: Reactions to specific ex-ante conditionality criteria in Greece**

<table>
<thead>
<tr>
<th>Most of the general conditionalities are already in place or will be in place. The main issue of concern is on statistical systems and indicators. The national authorities consider that Statistical systems are a national statistical services’ competence. This conditionality implies setting up new statistical systems and mechanisms beyond the national statistical services and Eurostat’s measurement systems for monitoring, reporting progress and evaluating result indicators, leading to additional administrative burden for beneficiaries and managing authorities. However, the operational programmes will include result indicators which - like previous programme periods - will be monitored using specific methodologies and available data. If the removal of the specific ex-ante is not possible, it is proposed to redraft it in order to make reference only to the existence of a system of result indicators and not to the statistical systems that will support their implementation, which, as mentioned above, is considered extremely demanding in terms of costs and administrative burden.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The thematic conditionalities are in general accepted by the Greek authorities, in particular those concerning environmental or transport issues. Their main concerns are the following:</td>
</tr>
<tr>
<td>• 1.1: Research and Innovation: the competent national authorities estimate that the description of the criterion should include a clear reference not only to the National Reform Programme, but also to the endogenous potential of regions.</td>
</tr>
<tr>
<td>• 1.2: The existence of a multi annual plan for budgeting and prioritisation of investment: This conditionality is a subset of ex-ante conditionality 1.1., and specifically of the overall strategy for research and innovation. Therefore, it should be reintroduced into the criteria of conditionality 1.1. In addition, the selection of competence centres is ‘imposed’ on Member States, but the value added to the development of Greek regions is not guaranteed. Investment priorities must be determined by the Member States.</td>
</tr>
<tr>
<td>• 5: Promoting climate change adaptation and risk prevention: The Greek authorities propose the deletion of the 3rd bullet: ‘Taking into account, where appropriate, national climate change adaptation strategies’, as the Council conclusions - that constitute the basis for this conditionality- do not refer to any national strategy for climate change. Furthermore, the action plan to meet the requested criteria is still pending due to a lack of clear responsibilities amongst the relevant bodies.</td>
</tr>
<tr>
<td>• 7.1 ‘Road’ and 7.2 ‘Railway’: The competent authorities consider that the requested list of transport projects (project pipeline) should include indicative (including timetable and budgetary framework) and in line with the priorities of the national strategies.</td>
</tr>
</tbody>
</table>
Finally, the strategic conditionalities are criticised for being partial, not giving due emphasis to quality and because of challenges in aligning the development of strategies with the programmes.

- **Partial approach.** The Sachsen-Anhalt ERDF/ESF managing authority argues that the strategic conditionalities are partial and do not facilitate holistic strategy development. For example, the regional innovation strategy relates only to certain components of the overall Structural Fund strategy for the Land. The Sachsen-Anhalt ERDF/ESF managing authority is also developing a comprehensive strategy for all three EU co-financed programmes (ERDF, ESF and EAFRD), and has already published a socio-economic analysis, which includes a SWOT analysis and a detailed assessment of which types of intervention should be supported by the three programmes in 2014-20.

- **Quality.** Slovenia argues that there is too much emphasis on having strategies in place, without sufficient consideration to the value or quality of the content. Some regions would like more detailed guidance about the contents of the strategies (e.g. on smart specialisation) (Umbria).

- **Timing.** Issues have arisen in Sachsen-Anhalt in relation to the timing of the preparation of the innovation strategy and the preparation of the Structural Fund programmes. The first draft of the innovation strategy study will not be available until the end of 2012 and the final version not until 2013. Thus the preparation of the regional innovation strategy and the ERDF/ESF programmes are running parallel, whereas ideally the regional innovation strategy would have been completed before work started on the ERDF/ESF programmes. It would, however, have been difficult to start the regional innovation strategy sooner because they had to take account of the European Commission’s very specific requirements for the regional innovation strategy, as well as launching an EU-wide call for tender for the study, and meeting domestic requirements and procedures e.g. on consulting all relevant Land ministries. The Sachsen-Anhalt Land authorities have had to take steps to ensure that there is no conflict between, on the one hand, the outcomes of the study for the regional innovation strategy and, on the other, the outcomes of the ERDF/ESF/EAFRD socio-economic and SWOT analysis. In order to ensure that the two processes do not conflict with each other, it was decided to treat the theme of innovation relatively briefly in the ERDF/ESF/EAFRD socio-economic and SWOT analysis, particularly as both the innovation strategy and the socio-economic/SWOT analysis are setting out specific and different recommendations on funding needs and priorities.
The Promise and Perils of the Performance Turn in EU Cohesion Policy
4. PERFORMANCE-BASED PROGRAMME MANAGEMENT

4.1 Performance framework, review and reserve

Building on the experiences of earlier programme cycles, the Commission and Member States will be required to undertake a performance review of programmes in 2019 with reference to the ‘performance framework’ set out in the PA and OPs. It would examine the achievement of the intermediate targets of programme priorities for the year 2018 (result indicators would not be taken into account), on the basis of the information and the assessments presented in the progress reports submitted by the Member States in 2019.

The starting point for this review is the ‘performance framework’ based on a set of intermediate targets (or ‘milestones’) for each Priority in the PA and programmes for the year 2018. This would include financial output and, ‘where appropriate’, result indicator targets. Milestones can be established for ‘key implementation steps’ such as the completion of feasibility studies for investment projects.

A performance reserve would be set aside at the start of the period (five percent of national allocations for each Fund and category of region) and allocated in 2019 following the performance review. The reserve would be obligatory - as in the 2000-06 programme period - contrary to the current voluntary arrangements. In an implementing act, the Commission would determine for each Fund and Member State the programmes and priorities that have attained their milestones. The Member States would propose the allocation of the reserve to these programmes and priorities.

In addition, the Commission may suspend all or part of an interim payment of a Priority if a programme fails to achieve its milestones. Furthermore, the Commission would be empowered apply financial corrections to Priorities at the end of the programme period where it finds a serious failure to achieve the targets set based on an examination of the final implementation reports. During the negotiations of the Regulations, the Member States have softened the text of the Commission’s proposals so that suspensions or corrections only apply where there are major implementation problems outside the control of Member States.

Although the introduction of a performance framework and review has been welcomed in principle by many IQ-Net programme authorities, there remain concerns about linking performance to additional payments. Some programme authorities acknowledge that such mechanisms have the potential to increase the focus on performance (Śląskie ESF) and the efficiency of Cohesion policy (Czech Republic). Sachsen-Anhalt notes that it is possible that the reserve could lead to more rapid financial absorption as programme authorities endeavour to ensure that they do not lose funds.

In 2007-13, only Poland and Italy set up a performance reserve mechanism. The Polish performance review took place in 2011 (see Box 5). Both the ERDF programme and the ESF unit in Śląskie, which have some the largest ERDF allocations in Poland, encountered difficulties fulfilling the conditions of the performance reserve. The Śląskie authorities felt that their scope of action was quite limited, as the criteria for the reserve were mainly
financial indicators and timely absorption. In the next programme period there will be
greater emphasis on the achievement of output/result indicators, which is expected to be
challenging especially in terms of ensuring acceptance of the indicators by the final
beneficiaries.

**Box 5: Experiences with the performance reserve in Poland**

In 2011, the national performance reserve was paid to managing authority in Poland. The
national performance reserve (NPR) amounted to over €1.3 billion, including sectoral, multi-
regional and regional programmes. Funding was allocated among regional OPs according to
criteria measuring levels of contracting and certification.

<table>
<thead>
<tr>
<th>Regional OP</th>
<th>Criterion 1*</th>
<th>Criterion 2**</th>
<th>Criteria 1 + 2</th>
<th>Criterion 3*** (%)</th>
<th>Final ranking</th>
<th>NPR allocation (€ EU funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dolnośląskie</td>
<td>7.0</td>
<td>7.5</td>
<td>14.5</td>
<td>25.8</td>
<td>14</td>
<td>15,754,748</td>
</tr>
<tr>
<td>Kujawsko-Pomorskie</td>
<td>4.5</td>
<td>2.5</td>
<td>7.0</td>
<td>25.8</td>
<td>7</td>
<td>36,432,854</td>
</tr>
<tr>
<td>Lubelskie</td>
<td>6.5</td>
<td>6.0</td>
<td>12.5</td>
<td>23.6</td>
<td>12</td>
<td>21,662,778</td>
</tr>
<tr>
<td>Lubuskie</td>
<td>1.0</td>
<td>1.5</td>
<td>2.5</td>
<td>35.8</td>
<td>2</td>
<td>51,202,931</td>
</tr>
<tr>
<td>Łódzkie</td>
<td>5.0</td>
<td>3.0</td>
<td>8.0</td>
<td>26.5</td>
<td>9</td>
<td>30,524,824</td>
</tr>
<tr>
<td>Małopolskie</td>
<td>1.5</td>
<td>5.0</td>
<td>6.5</td>
<td>27.4</td>
<td>6</td>
<td>39,386,870</td>
</tr>
<tr>
<td>Mazowieckie</td>
<td>5.5</td>
<td>8.0</td>
<td>13.5</td>
<td>22.0</td>
<td>13</td>
<td>18,708,763</td>
</tr>
<tr>
<td>Opolskie</td>
<td>0.5</td>
<td>0.5</td>
<td>1.0</td>
<td>45.8</td>
<td>1</td>
<td>54,156,945</td>
</tr>
<tr>
<td>Podkarpackie</td>
<td>2.5</td>
<td>3.5</td>
<td>6.0</td>
<td>26.1</td>
<td>5</td>
<td>42,340,885</td>
</tr>
<tr>
<td>Podlaskie</td>
<td>4.0</td>
<td>4.5</td>
<td>8.5</td>
<td>28.1</td>
<td>10</td>
<td>27,570,809</td>
</tr>
<tr>
<td>Pomorskie</td>
<td>3.0</td>
<td>2.0</td>
<td>5.0</td>
<td>31.5</td>
<td>4</td>
<td>45,294,900</td>
</tr>
<tr>
<td>Śląskie</td>
<td>7.5</td>
<td>7.0</td>
<td>14.5</td>
<td>21.8</td>
<td>16</td>
<td>9,846,717</td>
</tr>
<tr>
<td>Świętokrzyskie</td>
<td>2.0</td>
<td>5.5</td>
<td>7.5</td>
<td>29.7</td>
<td>8</td>
<td>33,478,839</td>
</tr>
<tr>
<td>Warmińsko-Mazurskie</td>
<td>6.0</td>
<td>4.0</td>
<td>10.0</td>
<td>22.0</td>
<td>11</td>
<td>24,616,794</td>
</tr>
<tr>
<td>Wielkopolskie</td>
<td>3.5</td>
<td>0.5</td>
<td>4.0</td>
<td>33.1</td>
<td>3</td>
<td>48,248,915</td>
</tr>
<tr>
<td>Zachodniopomorskie</td>
<td>8.0</td>
<td>6.5</td>
<td>14.5</td>
<td>24.7</td>
<td>15</td>
<td>12,800,733</td>
</tr>
</tbody>
</table>

**Notes:** *Level of payment request relative to total available funding as of the end of 2010;** Level of contracting in relation to allocation earmarked for Lisbon categories; ***Level of certification.

According to the Śląskie ERDF managing authority the use of a national performance reserve
has had advantages in significantly accelerating implementation and reducing the risk of losing
EU funding under n+3. On the other hand, the drawbacks are that it has promoted

- concentration on the rate of spending but not on the results; it has increased
- political pressure; it has risked
- preference being given to simple projects, which might not the best for actual
development needs, rather than large and difficult projects with strategic importance,
but are more risky; and it takes insufficient account of the variation in conditions for
- programme implementation conditions between programmes and regions (e.g. Śląskie
has the largest number of projects, but with a low average value).
Most IQ-Net programme authorities have serious concerns, not least about the practical implications (Czech Republic, Denmark, Finland, France, Greece, Niederösterreich, Nordrhein-Westfalen, Sachsen-Anhalt, Scotland, Slovenia, Steiermark, Śląskie, Umbria). However, many programme authorities make a clear distinction between the performance review itself and extra funds linked to it.

As noted, there is widespread agreement on the utility of some form of review during the programme period. Yet, some programme authorities point to the additional administrative burden that comes with setting targets and monitoring (Bizkaia, Finland, Nordrhein-Westfalen, Sachsen-Anhalt). For the Diputación Foral de Bizkaia, there are other areas of Cohesion policy that should be given more priority (e.g. the complexity of EU rules and legal uncertainties relating to audit and control).

There are also critical views on the performance reserve (Austria, Greece, United Kingdom). Although there have been some positive experiences (Greece), the performance reserve in 2000-06 was not felt to be useful by many IQ-Net programme authorities (Austria, Finland, Nordrhein-Westfalen, United Kingdom). There was often a ‘lowest common denominator’ approach, with targets set very low to make sure they were achievable. There is felt to be a danger of a similar approach in 2014-20 (Czech Republic, Denmark, Niederösterreich, Spain, Umbria), hence it will be important to select targets that are both ambitious and realistic (England).

The performance reserve might also change the orientation of programme content. Umbria sees a risk that programmes focus on those interventions that are more relevant to the expected targets instead of interventions that might be more likely to create beneficial results for the region more generally.

Additionally, there is some concern about the sanctioning effect of not paying the reserve (Greece, Niederösterreich, Sachsen-Anhalt). Greece and Niederösterreich argue that a performance reserve could be counterproductive, making it more unlikely for punished programme to reach their targets. Sachsen-Anhalt feels that there is a need for care in deciding what types of sanction are appropriate and how they should be applied - and indeed whether sanctions should be applied if there are good reasons for targets not being met:

- Output and result data may not be available by the time of the performance review.
- Project financial and output/result data may not have been entered (correctly) into the electronic data monitoring system.
- A range of external conditions may affect targets e.g. if the economic situation deteriorates in the next few years, job creation may be lower than anticipated.

Further issues of concern to IQ-Net countries and regions relate to the performance reserve's indicators, timing, spatial application and the role of the Member State in deciding its distribution.
*Performance indicators.* Finland and Vlaanderen argue that the performance reserve should only be based on output indicators rather than result indicators, which are influence by many factors outside the control of programme managers. In the case of Vlaanderen this is because the budget is relatively small. By contrast, Scotland would prefer a system that rewards effective spending and not spending per se. In any case, there has to be full transparency and agreement on the rules of the game, i.e. on what measures of performance will be used (Śląskie ESF unit).

*Timing of review and payment.* There is a trade-off between measurability of effects and timely payment of the performance reserve. The Council of Ministers decision to postpone the performance review from 2018 to 2019 is viewed positively. In any case, the recent move to carry out the compulsory performance review just once instead of twice has been welcomed (Czech Republic, England, Slovenia, Vlaanderen, Wales), as it allows demonstrating meaningful results. Denmark considers the envisaged payment date of 2020 to leave a reasonable amount of time to implement the additional funds, while others felt that this may be too late to allow meaningful and timely use of the funds (Steiermark, Slovenia, Wales). Steiermark would prefer a review at mid-term of the programme period and Wales suggests some form of on-going review instead.

*Spatial level of application.* In the United Kingdom, the performance reserve may be paid at the level of Member State or at the level of its constituent parts, i.e. separately for England, Northern Ireland, Scotland and Wales. Scotland suggests an application at the level of programmes instead of Member State or nation. There are similar issues in France associated with the intention to decentralise programme management to the regions.

*Responsibility for distribution mechanism.* Greece suggests that the Member State should be fully responsible for distributing the reserve amongst its OPs.

Looking forwards, the specific modalities for implementing the performance reserve remain undecided in most IQ-Net programmes, but some thinking has started in the light of the 2000-06 experiences (England, Finland, Greece, Steiermark). Finland aims to build on the pragmatic approach used in 2000-06, when the reserve was shared evenly across its regions. It was difficult to assess whether a region had actually performed better than others and an even spread avoided regional tensions. In the future, the performance reserve might be used as a buffer in the case of an economic downturn, but only if it will be possible to decommit and re-allocate funds between Priorities. Steiermark also distributed its reserve evenly amongst Priorities and Intermediate Bodies, and a similar approach is likely in the future. England plans to prepare a series of projects 'ready to go' for the extra five percent, to ensure that the funds can be spent quickly.
4.2 Joint Action Plans

Combining performance and simplification aims, the new Regulations will provide for the introduction of Joint Action Plans (JAPs)\(^2\) for ERDF, ESF and the Cohesion Fund. These consist of a group of projects as part of an OP, where financial management is simplified and directly linked to the respect of specific objectives and outputs, agreed milestones and result indicators.

Only two programme authorities expressed their intentions to make use of JAPs in the future (Slovenia, Umbria). Slovenia will encourage the use of JAPs as their strong performance orientation will help to move the focus away from implementation procedures to effects. They would like to see Structural Funds payments more widely depending on the achievement of predefined targets. Umbria sees JAPs as useful mechanisms to implement a result-oriented approach. Yet, there are doubts about practical implications, mainly in terms of the definition of standard unit costs.

Others are currently considering whether the use of JAPs could be beneficial (Czech Republic, Denmark, Greece, Scotland). Greece and the Czech Republic might use JAPs in ESF programmes, although both will require further clarification. An important advantage of JAPs would be only limited controls at project level, a benefit that has also been pointed out by others (e.g. Niederösterreich). Scotland is looking at options to link JAPs with domestic mechanisms such as the Community Planning Partnerships.

Most IQ-Net programme authorities do not intend to make use of JAPs (Bizkaia, England, Finland, Niederösterreich, Nordrhein-Westfalen, Sachsen-Anhalt, Steiermark, Śląskie ERDF & ESF, Vlaanderen, Wales). The main reasons are the expected complex administrative procedures (e.g. England, Niederösterreich, Sachsen-Anhalt): a JAP might in practice become ‘an OP within an OP’ (Steiermark). For Vlaanderen, there are accountability issues to consider as one Fund would be accountable for the results of a variety of projects, including those that are implemented under other programmes.

4.3 Other Contractual Arrangements

A number of IQ-Net programmes have used different performance-oriented contractual arrangements within programmes and some also anticipate using similar arrangements in the future (e.g. England, Portugal, Scotland, Wales). For instance, in Portugal, there have been mid-term reviews of global grants for groups of municipalities in 2011 to determine funding reallocations. In Greece, the use of contractual arrangements at programme level was attempted in the past, although never realised in practice.

There are also experiences with performance contracting at project or intervention level (Portugal, Wales). In Portugal, there are performance-related bonuses in the Innovation Incentive Scheme. Projects can be rewarded with a performance premium to convert up to 75 percent of the loan into direct aid if certain objectives have been met.

Managing authorities in England and Scotland have experience of working with various contractual arrangements alongside the Structural Funds programmes.

- The English Regional Development Agencies (RDAs), which were in operation until 2011 and which delivered the ERDF programmes, operated an outcomes framework called a ‘Sponsorship Framework’, defined by a single overarching objective focused on regional economic performance, and supported by five outcome indicators and a limited set of underlying principles. Most RDA activities were expected to directly address the overarching growth objective in some way, but each RDA could formulate its own set of corporate objectives, with associated indicators and targets. The Sponsorship Framework was enforced through the corporate planning process. Although the RDAs have been abolished, the Programme Delivery Teams which were in the RDAs have transferred to continue working with the English ERDF managing authority, the Department for Communities and Local Government.

- In Scotland, the Scottish Government already uses an outcomes approach through the Single Outcome Agreements (SOA) with local authorities and Community Planning Partnerships (see Box 6). Community Planning Partnerships have a role in delivering Structural Funds, for example, through ESF Priority 1 (Progressing into Employment) and ERDF Priority 3 (Urban Regeneration) in the Lowlands and Uplands Scotland programmes.

**Box 6: Performance management at local level in Scotland: the Single Outcome Agreements (SOA)**

Scottish Councils are responsible for coordinating the planning and delivery of positive outcomes for local communities. They have the statutory lead role in the Community Planning process, through which public services in their local area can be planned. This work takes place in Community Planning Partnerships (CPPs); other statutory Community Planning partners include police forces, fire and rescue services and health boards. CPPs are also expected to involve local business and voluntary groups and to involve communities in their work. Councils are given a statutory broad general ‘Power to Advance Well Being’ which enables them to do anything they consider is likely to promote or improve the well-being of their area and/or people living there.

Community Planning Partnerships (CPPs) set out how they will deliver positive outcomes in their area in a Single Outcome Agreement (SOA) which sets out the priorities for action, how they will contribute to the Scottish Government’s wider National Outcomes, and detailed local targets to measure progress towards the local outcomes. CPPs are required to consult with their communities on the priorities they include in the SOA. CPPs report annually on their progress to their local communities. They also provide an annual report on
progress to Scottish Ministers.

Although using parts of the SOAs for Structural Funds might be an option for the future, one potential issue is that Structural Funds would only represent a small proportion of the total funding covered by the agreements.

Source: Scottish Government website.

There are also experience with performance-related contracts that are not directly linked Structural Funds. In Finland, for instance, there are growth agreements and so-called MALPE-agreements (land use, transportation, services and industries) between large city regions and the State.

Although future implementation frameworks have not been decided (e.g. Greece, Sachsen-Anhalt, Vlaanderen), IQ-Net programmes appear unlikely to introduce new performance-related arrangements to their intermediate bodies (e.g. Finland, Nordrhein-Westfalen, Slovenia, Steiermark). Finland does not plan any significant changes concerning their relationship with ELY-centres. Yet, result indicators will be included in ELY-centres Target Agreements. Steiermark is considering carrying out sample inspections of intermediate bodies, but these would rather look at whether the procedures set out in the management and control system are respected then at whether activities are in line with the set out objectives. In Nordrhein-Westfalen, the managing authority already has contractual relationships with relevant intermediate bodies (e.g. in relation to targets and procedures) and this will continue in 2014-20. Slovenia would like to introduce more performance-related arrangements with their intermediate bodies, but considers such a move to be too difficult outside of a JAP structure.

This is partly due to the difficulties in identifying causality or separating the role of external factors from poor management in performance outcomes. Nordrhein-Westfalen noted that the reasons for an unsatisfying performance might not be the fault of the intermediate body. For example, if the intermediate body is unable to recruit appropriate staff or if there are political delays in approving domestic legal frameworks, then the intermediate body will probably not be able to meet the targets set. Vlaanderen foresees difficulties in enforcing performance-based sanctions, as it can be difficult to find a link between the actions by intermediate bodies and an unsatisfying performance. Wales points out that a ‘payment on performance’ approach might have the contrary effect, i.e. quality could drop.
5. PROJECT SELECTION

The increased performance-focus may also have implications for the approach to project selection, even though there are no new regulatory requirements in this devolved decision-making function.

While many IQ-Net programmes envisage to broadly continue with their current approaches (e.g. Bizkaia, Niederösterreich, Nordrhein-Westfalen, Slovenia, Steiermark, Umbria, Vlaanderen), changes to project selection mechanisms are expected in several cases:

- stricter project selection criteria (Greece);
- requiring project applications to define ambitious targets (Scotland);
- greater focus on efficiency analysis and explanation of the causal links between input, output and effects (Denmark);
- ensuring a strong link between projects and specific objectives (Śląskie ESF unit);
- focusing on more complex projects presented by groups of firms, networks or industries that are part of innovation poles in the region instead of projects proposed by single companies (Umbria).

A stronger emphasis on results may be achieved through increased use of non-competitive procedures, especially key projects and sub-regional development programmes (Śląskie ERDF unit). Projects in non-competitive processes would be more complex and the ERDF unit hopes that there will be greater emphasis on the fundamental strategic objectives and assumptions of these projects (as in Denmark and Vlaanderen). In this process, the ERDF unit would aim to be closer to beneficiaries, working with them individually. However, it should be noted that a disadvantage of this approach is that in case of problems with a project the ERDF unit would not be able to replace it (as is the case in the competitive procedure where there is a larger list of projects and a list of reserve projects). In any case, the Śląskie ERDF programme plans to give more weight to the degree of project maturity and the likely contribution to programme targets.

Major reviews of project selection mechanisms are ongoing in the Czech Republic and Wales:

- In the Czech Republic, there are measures planned to make the project selection system more transparent as part of ongoing anti-corruption efforts. The process should be clearly separated into a strategic and an operational phase, with the latter avoiding any influence of the political level or other interest groups. There will be an external assessment process with two evaluators and a third opinion in case of two contradictory views. Also, the goal is to increase the importance of quantifiable selection criteria. The Czech NCA is currently preparing the methodological guidelines for project selection for all managing authorities. One of the proposals would require managing authorities to introduce quantified indicators in all calls and to review the call procedures once it has been closed.
In Wales, project selection is one of the issues being addressed by a major review. The so-called Guildford review has been commissioned to look at WEFO’s current Structural Funds delivery arrangements and the 2014-20 model integrating all CSF Funds. A more holistic approach to project development has been taken in 2007-13 than previously (large projects often being developed within the Welsh Government and using procurement for delivery), but there is consideration being given to the idea that this potentially missed out on the competitive elements of project selection that can drive up quality/drive down price.

Other adjustments to project selection mechanisms include simplification efforts (Finland, Śląskie ESF unit), a two-step application process to filter out applications of lower quality (Vlaanderen) and a more important role of applicants’ previous track record (Scotland, Wales). Umbria is planning to exclusively resort to open desk procedures (a sportello), since these allow a fast selection of projects in a first-come-first-serve way, avoiding the elaboration of classification lists. As noted, Vlaanderen aims to ensure that project selection must take into account the intervention logic of the programme to a larger extent.

The advantages of call systems are highlighted by a number of programmes (Finland, Nordrhein-Westfalen, Slovenia, Vlaanderen), as these allow the comparatively easy use of standardised selection criteria. In this way, it can be made sure that projects are linked to the specific objectives. Nordrhein-Westfalen and Slovenia will continue to use the mechanisms adopted in 2007-13, i.e. competitive calls and other competitive schemes. Also Vlaanderen will continue their thematic calls should there be a need for this. Yet, it should be noted that call systems may not work in all regions, as especially smaller or economically weaker regions have fewer potential applicants.
6. MONITORING AND EVALUATION

There are elements of continuity and change in the monitoring and evaluation requirements for 2014-2020. The starting point for monitoring is the programming of objectives and indicators. As noted, the OPs would contain for each Priority axis common (EU wide) and programme-specific output and result indicators, with a baseline value and a quantified target value ‘where appropriate’. The compulsory common EU indicators are set out in the Fund-specific Regulations for the first time (in the current period they were developed after the launch of the programmes for the ERDF, CF and ESF). The ESF Regulation makes a distinction between ‘output’ and ‘results’ indicators and between ‘immediate’ and ‘long-term’ results indicators. For the ERDF and the Cohesion Fund, the common indicators are ‘outputs’. As noted, targets have to be set and monitored. Reporting would be undertaken annually.

As at the moment, expenditure will be programmed, monitored and reported at the level of Priority axes and the more detailed level of categories of intervention. However, the Commission proposes that reporting should not only cover allocations to selected operations (as in 2007-13), but also the volume of contracts or other legal commitments entered into by beneficiaries; and the total eligible expenditure declared by beneficiaries to the Managing Authority.

New provisions are also proposed for the monitoring and reporting of support for measures to combat climate change. The Member States would be required to provide this information using a methodology adopted by the Commission.

Monitoring committees would continue to be set up to monitor and review programme progress. However, joint monitoring committees could be set up voluntarily for all CSF Funds.

Mirroring the current Annual Implementation Reports and periodic Strategic Reports, the key basis of information for assessing and reporting on performance would involve the following:

- **Progress Reports on the Partnership Agreement** would be submitted to the Commission in 2017 and 2019 (similar to the current Strategic Reports). These would cover: changes in development needs; progress towards Europe 2020 and programme milestones; assessment of ex-ante conditionalities; coordination between the CSF Funds and other policies; territorial cooperation priorities; capacity-building actions for Member State authorities and beneficiaries; reduction of administrative burden for beneficiaries; and implementation of the partnership principle. The Commission would summarise these reports in its own Strategic Reports (in 2018 and 2020) and submit these to other EU institutions for examination and debate.

- **Annual Implementation Reports for the programmes** of all CSF Funds would be submitted to the Commission, but from the third year of the period (2016) onwards (until 2022). The reports would review financial and physical progress on priority
axes, milestones, ex-ante conditionality actions, horizontal priorities (in 2017) and contribution to Europe 2020 objectives (in 2019). The second part of the Regulation sets out additional required content for the ERDF, CF and ESF. Annual review meetings would be held with the Commission from 2016 onwards at programme level and in 2017 and 2019 for all programmes in each country.

6.1 Monitoring Systems

Among IQ-Net programme authorities, the general expectation is one of limited changes to monitoring systems. The current systems are considered to be sufficient and do not require any major changes according to several IQ-Net countries and programmes (Austria, Czech Republic, Slovenia, Umbria, Vlaanderen). Minor changes are likely, but these are related to indicator systems which in turn depend on expenditure choices; hence, some programme managers consider it too early to think about modifications (Nordrhein-Westfalen, Sachsen-Anhalt, Śląskie ERDF).

However, this is not universal: several IQ-Net programme authorities feel there is scope for improvement and plan to amend their systems (Czech Republic, Denmark, Finland, Greece, Śląskie ERDF, Vlaanderen, Wales). This includes reviews of systems or addition of new functions as part of continuous modernisation and adaptation, i.e. these are not necessarily linked to the new regulatory requirements (Czech Republic, Greece, Śląskie ERDF & ESF, Vlaanderen). In Greece, the review of the current monitoring system MIS will need look at two aspects: the information currently contained in parallel monitoring systems needs to be incorporated into a single MIS; and some MIS operations must be simplified in order to facilitate data retrieval. The Śląskie ESF unit aims to develop a more ‘holistic’ system following the example of the region’s ERDF unit. This would allow them to combine local-level data on specific territories and targeted groups with indicators relevant to the strategic area of intervention and results in one electronic application. Other examples for changes are the inclusion of the project selection process into the system (Vlaanderen), the addition of an evaluation module that allows downloading previous analyses (Czech Republic) and the establishment of a fully electronic system that allows an easier exchange of information (Śląskie ERDF).

A completely new monitoring system has been commission in Finland. The current EURA system was developed in the early 2000s and is made up of parallel sub-systems, which required rather complex and time-consuming information transfer procedures between different systems. At the same time, there are simplification efforts, e.g. by reducing the reporting needs for final beneficiaries. In addition, a still ongoing evaluation showed that the quality of projects’ final reports varies dramatically and the content of reports is not sufficiently connected to the indicators used in the monitoring system. In future, there needs to be a closer link between indicators and reporting.
Modifications to monitoring systems as a result of the stronger performance requirements are expected in the Czech Republic, Denmark, Greece, Śląskie ERDF, Wales.

- The Danish system will need to be more flexible and allow more project-specific monitoring and remedial action. The Danish Business Authority also initiating closer cooperation with Statistics Denmark for monitoring purposes.

- Greece considers that the monitoring of future outcomes with the current system may not be feasible.

- In Wales, the managing authority will be amending the current system to take into account the Commission’s core indicators as well as its own one where relevant. The inclusion of more information would be desirable, but this would be resisted by project applicants. Apps for data collection through smart phones may help in this area in the future, making it easier for project sponsors to contribute more detailed data. Other parts of the United Kingdom are also looking into the most suitable solutions for 2014-20.

- Other plans include better linking indicators to OP targets (Czech Republic) or putting more emphasis on identifying the results of the projects (Śląskie ERDF).

The need for monitoring across several CSF Funds might require changes in several countries and regions (England, Sachsen-Anhalt, Scotland). For instance, the Sachsen-Anhalt ERDF/ESF managing authority is discussing whether it would be possible and/or desirable to unify the electronic monitoring system of the EAFRD with the existing unified system for the ERDF and ESF, given that the EAFRD managing authority will move to the Land Finance Ministry alongside the ERDF/ESF managing authority in 2014-20.

Some programmes have experience with closer monitoring and reporting at project level in the current programme period (Denmark, Greece) and are looking to build on these for 2014-20.

- In Denmark, the region of Syddanmark developed a portfolio monitoring programme in order to ensure project progress. Consequently, projects which do not show sufficient progress will be asked to give an explanatory statement to the regional growth forum. Other regions are heading in the same direction with an increased focus on mid-term evaluations at project level and signing of performance contracts in relation to projects.

- Greece introduced separate reports for major projects and FEIs as part of their Annual Implementation Reports. The more systematic monitoring of FEI instruments is a more general trend for all Member States, partly due to pressure from the European Parliament.

There is, though, some concern about the need for changes among managing authorities (Slovenia, Steiermark, Wales). Slovenia sees a danger of too complex monitoring systems and the related disproportionate administrative workload. Wales has concerns about data security, which constrain making full use of the technical possibilities. In the light of efforts
for an EU-wide ‘e-cohesion’, i.e. reducing the administrative burden for beneficiaries by focusing on electronic exchange of information, Steiermark feels there is a risk of excluding some actors from being able to use European Funds. In particular, SMEs, which are important beneficiaries of their programme, do not always have a sufficiently good internet connection and need to be able to carry out Structural Funds application and reporting tasks also in other ways.

6.2 Monitoring Committees

A reduction of the number of monitoring committees is being considered in many Member States, either by creating joint committees (Czech Republic) or resulting from a potential reduction of the number of programmes (Austria, Finland, Poland, Scotland). The Czech Republic is considering establishing monitoring committees for groups of OPs with similar characteristics. This proposal, which is still under discussion, is expected to result in stronger synergies between programmes. In Poland, instead, there is a proposal that the new regional OPs might be funded jointly by ERDF and ESF. This would accordingly impact on the set up of monitoring committees, which would cover both Funds. This is already the case in Sachsen-Anhalt, where there is one joint monitoring committee for ERDF and ESF in 2007-13. In case Scotland chooses to have only one country-wide integrated programme covering all CSF Funds, there might be a ‘supra-committee’ which looks at high-level issues such as whether the programme is on target to deliver Europe 2020 goals. Finland already took the decision to have one joint ERDF OP in 2014-20, which means there will be one monitoring committee instead of currently five. This will also mean that the monitoring committees of the Finnish regional bodies, the Regional Management Committees, would take on more monitoring responsibilities.

With regard to the role of monitoring committees, it is expected that the level of strategic debate could be raised (Denmark, Greece, Slovenia, Spain, Vlaanderen). Vlaanderen considers that there is already enough opportunity for strategic discussions but this is not always exploited by the committee members. Strategic discussions tend to take place prior to the programme implementation phase. Yet, evaluations of programme implementation present a good starting point to have strategic discussions, but this is currently not used sufficiently. Denmark is experiencing an increased discussion on strategic issues in the current programme period, e.g. on crisis management and Europe 2020. However, especially in the light of the new focus on performance, more discussion of results and impacts are needed in monitoring committees. Slovenia feels that if monitoring committees would get the power to actually take decisions, the discussions might become more strategic and useful. In Greece, the level of strategic debate could be raised through the provision of specific information to the committee members on a regular basis and not only before the meetings. This would be especially helpful for social and economic partners not involved in Structural Funds implementation on a regular basis. Other Greek suggestions for improvement include:

- More frequent meetings instead of too many written procedures, where possible. In the 2007-13, monitoring committees meet only once a year.
• Thematic focus: meeting agendas instead of purely operational issues. At specific milestones during the programme period, strategic issues (i.e., strategic objectives and achievements of targets) could be reviewed.

• Decisions taken in the monitoring committee meeting should have a binding character for taking up future actions.

In order to raise the quality of discussion and the effectiveness of the meeting, some IQ-Net programme authorities are considering the reorganisation of tasks and the range of actors involved (Nordrhein-Westfalen, Śląskie ESF unit). The Śląskie ESF unit, which currently participates in a sub-committee for the national ESF OP, is considering dividing monitoring committee tasks in 2014-20. There could be a Steering Committee dealing with strategic issues, selection criteria etc., and another structure to oversee results, audit and control.

Vlaanderen had a two-tier system in the previous programme period. In the 2000-06 programme period it had a management committee which selected projects, and a monitoring committee which was a forum for more general discussions. The logic of having a management and monitoring committee in 2000-06 was derived from the programme structure itself. In the 2000-06 programme period there were OPs for each province and each had its own management committee. Additionally, Vlaanderen as a whole had an overarching monitoring committee. In 2007-13 period, there is one programme for the whole of Vlaanderen and hence there is only one committee (which also has representatives from the provincial level). In Nordrhein-Westfalen, there is currently a two-tier system, which includes:

• the monitoring committee itself, which is made up of politicians and quasi-political representatives from socio-economic partners and other actors (including e.g. representatives from each of the political party groupings in the Land parliament), and where discussions focus exclusively on political and strategic issues; and

• an associated working group of operational staff which deals with decisions relating to programme implementation.

The Nordrhein-Westfalen ERDF authorities feel that this system does not work well, i.e. that the monitoring committee focuses too strongly on political/strategic issues rather than also on operational issues, and that the working group is not always effective. One option would be to close down the working group, and instead to include more operationally-oriented participants and discussions in the monitoring committee. However, it would be difficult to introduce such a change into the established way of working in relation to the ERDF OP.

In cases where monitoring committees will be set up to include additional Funds, membership will need to be widened to include new stakeholders. In England, membership of the Local Monitoring Committees (LMCs), which have been created in 2011 to reflect the new local economic development architecture, could potentially widen to represent other Government Departments/Funds. In Austria, instead, where programmes are likely to remain funded by only one Fund, Steiermark finds it challenging to find...
suitable ways to integrate NGOs in a way that not only allows their interests to be represented, but also allows for an efficient operation of the monitoring committee.

However, the current system of monitoring committees is considered to be working well in several cases (Austria, Czech Republic, Sachsen-Anhalt) and changes will be limited. Also, planning for monitoring committees is at a very early stage in many Member States, (e.g. Denmark, Slovenia, United Kingdom), not least because arrangements will depend on the number of programmes in the next period (e.g. Austria, Poland, Scotland).

6.3 Evaluation

In the reform proposals for 2014-20, the draft Regulations states that evaluation would be carried out to improve the quality of programmes and to assess their effectiveness, efficiency and impact. Impact would relate to the mission of the respective Fund in relation to Europe 2020 targets, GDP and unemployment. A new requirement is for an evaluation plan to be drawn up by the managing authority or Member State (previously this was voluntary). The existing distinction between ex-ante, on-going and ex-post evaluations would be retained.

- **Ex-ante evaluations** would be carried out for each programme. An extensive list of required elements for ex-ante appraisal is specified in the draft Regulation.\(^{26}\)

- **During the programme period**, evaluations should be carried out for each programme on the basis of the evaluation plan. An important new requirement is that each Priority axis of a programme would be evaluated at least once during the period. Also, all evaluations would be made public.

- **Ex-post evaluation** would continue to be a Commission responsibility, in close cooperation with the Member States. A new requirement is for managing authorities to submit to the Commission by 31 December 2021 a report for each programme summarising the findings of evaluations carried out during the programming period, including an assessment of the main outputs and results.

During the Council negotiations of the draft Regulations, more flexibility in the evaluation planning has been proposed by specifying that a plan may cover more than one programme. Extensions have been added to the deadline for drafting an evaluation plan (one year following programme approval rather than by the first monitoring committee meeting) and for submitting a summary report of all the evaluations undertaken at the end of the period (by the end of December 2021 instead of 2020). To ensure that the Member States are kept informed of the Commission’s evaluation activity, a new provision has been added to

\(^{26}\) The contribution to Europe 2020 objectives, taking into account needs; the internal coherence and relations with other relevant instruments; the consistency of allocations with the objectives and of programmes with the CSF, Partnership Agreement and Council recommendations; the relevance and clarity of indicators; how the expected outputs will contribute to results; the realism of the quantified targets; the rationale for the form of support; the adequacy of human resources and administrative capacity for programme management; the suitability of procedures for monitoring and collecting data; the suitability of the milestones; and the adequacy of measures to promote equal opportunities, to prevent discrimination and to promote sustainable development.
require Commission programme evaluations to be sent to the relevant Managing Authority and presented at the Monitoring Committee.

There is widespread interest in carrying out more impact evaluations (Czech Republic, Denmark, Greece, Niederösterreich, Slovenia, Steiermark, Śląskie ERDF & ESF, Vlaanderen, Wales). Both Slovenia and the Śląskie ESF unit, for instance, will put their main emphasis on evaluations of impacts in 2014-20. In order to carry out more impact evaluations, Denmark will increase their cooperation with their national Statistics Office to make use of the available data. Steiermark prepared itself for future evaluation requirements by building up internal evaluation capacities. For Vlaanderen, future evaluations also provide an opportunity to test the intervention logic of a programme.

In many cases, useful experiences have been made with measuring impacts in the current programme period (e.g. Czech Republic, Denmark, Poland, Wales). In the context of the Polish ESF OP and of the Śląskie ERDF OP there are currently several evaluations focusing on impacts in Śląskie. Denmark started in 2007-13 to use data provided by the national Statistics Office to examine employment effects in relation to companies supported by Structural Funds. Synthesis Report: In Wales, a report on progress made during the 2000-06 period on objectives was written to assist with the reflections exercise that took place from December 2011 to February 2012 on the design of the 2014-20 programmes. The Czech Republic has recently concluded evaluations looking at impacts of Structural Funds. In the future, the Czech Republic plans to put more emphasis not only on impact evaluations but also on the impact of evaluations themselves. Each evaluation will need to include an action plan with practical recommendations and responsibilities for its fulfilment.

The Śląskie ERDF unit has experience of measuring impacts looking at selected case studies. In 2010, the Śląskie ERDF unit assessed the impact of cultural and tourist projects on the social and economic development of regional communities. It examined projects realised in the context of the 2004-06 programme, but as most projects were only finished in 2007 or 2008, it was too early to observe their impact.

The main factors hindering the ability to do robust impact evaluation include the following.

- **Type of projects** (Denmark). There are categories of projects, e.g. in tourism, which are less suitable for impact evaluation. The focus of evaluation for such projects should be placed on the ability of project managers to justify the chain of effects.

- **Size of OPs** (Vlaanderen). Smaller programmes do not have the critical mass to produce measurable impacts.

- **Data availability** (Greece, Spain). Experiences with the current impact evaluation of the Spanish Technology Fund show that data is sometimes not available yet. Also Greece expressed concerns about the long-term nature of long-term nature of impacts.
- **Complexity of programmes and projects** (Finland). Evaluating impacts of complex projects or programmes with wide and vague objectives is very challenging. Hence, it is important to have focused objectives and result indicators.

In spite of the focus on impact evaluations, the **evaluation of implementation procedures continues to be relevant** (Spain, Śląskie ESF unit). Spain highlights the importance to have process evaluations linked to management issues, i.e. to support programming decisions, to identify the logic of the interventions etc.

Looking at the **mix of evaluation methods** likely to be applied by IQ-Net programme authorities, many programmes are looking to make us of a diverse range of approaches (e.g. Greece, Slovenia, Śląskie ERDF unit). Yet, the Czech MRD prefers to avoid prescribing methods because there are no ‘one-fits-all’ approaches. All evaluations should be carried out adopting the most appropriate mix of methods. Concerns in Poland relate to the insufficient methodological experience in the country.

The **use of case studies** is preferred by Greece and the Śląskie ERDF unit, mainly on the basis of past experiences. The Śląskie ERDF unit, as mentioned above, has already been making use of case studies in the current programme period and is planning to continue doing so. However, the method has its limitations, as it can only be used in evaluating projects that have been concluded for some time.

The **increased emphasis on counterfactual analysis has received mixed reactions**. There have been positive experiences with counterfactual methods in Denmark and the Śląskie ERDF unit. In Denmark, a comparative study of supported firms with similar firms that did not receive funding was undertaken in cooperation with the regional programme administrators and is expected to be continued into the new programme period. The Śląskie ERDF unit used counterfactual methods in an evaluation of support to enterprises carried out in 2011. The evaluation attempted to assess the net effect by comparing investment with and without ERDF support in Śląskie.

A **feasibility study of experimental and quasi-experimental methods for evaluating the impact of the Structural Funds Programmes** has been carried out in Wales. The study finds that it is feasible to evaluate the impact of the Programmes on job creation, business growth and employment growth using quasi-experimental methods. This would involve using statistical matching techniques to match Structural Funds participants and assisted businesses to non-assisted individuals and businesses to create a control group.

Other IQ-Net programme authorities have encountered difficulties with using counterfactual methods or are expecting to do so in the future (Niederösterreich, Śląskie ERDF, Wales). The availability of data is an issue in Niederösterreich and Wales. The managing authority in Wales found it difficult to find a control group, i.e. firms or other beneficiaries which have not received any EU Funds. The Śląskie ERDF notes that counterfactual analysis is problematic for infrastructure projects, as it is difficult to find comparable projects. Niederösterreich expects challenges with finding the necessary data, not least because of legal concerns with regard to data protection.
A similar approach of comparing different units of analysis might be applied in Scotland, where the managing authority is interested in carrying out more evaluations at project level. This could be done, for example, by twinning comparable projects.

Finally, the managing authority in Wales would like to build more longitudinal data sets; this has been started in the current period for the ESF. It is found to be significantly easier for the ESF because timely data sets are available. For businesses, the data sets available are very different, making the use of longitudinal data sets more difficulty in the context of the ERDF.

Consideration is being given to introducing a more coordinated approach to evaluation in England, for example potentially developing a national-level (England-wide) framework to draw together sub-national evaluation work/programme results. This is already taking place to some extent, as an evaluation currently being tendered by the managing authority will include an overview of all the mid-term reviews that have recently been carried out for the English ERDF programmes. There is also thought being given to joining up evaluation with other Funds and the Devolved Administrations (Northern Ireland, Scotland and Wales), and how to evaluate separate and integrated elements of multi-fund programmes, then put these elements together to obtain a national evaluation perspective.

Overall, the suggested changes are seen mainly positively. The DGFC in Spain argue that the performance agenda should focus more on evaluation than on the performance review and reserve. This would be especially important in Member States with a less developed evaluation culture. Yet, it is still felt to be too early to take decisions on the future approach to evaluation in several cases (Greece, Nordrhein-Westfalen, Sachsen-Anhalt, Vlaanderen). The Sachsen-Anhalt ERDF/ESF managing authority, for instance, is still waiting for further advice from the Commission on this theme. In Greece, the evaluation plan will be prepared only once the number of the OPs is known.
7. INSTITUTIONAL CAPACITY AND TRAINING

Institutional capacity is commonly identified as a precondition for effectiveness, although it is not clear that IQ-Net managing authorities consider it necessary to develop capacity further. The authorities’ own perception is that their management teams are experienced and have the required skills and knowledge to prepare and manage programmes efficiently and effectively.

While training is offered across programmes, not least under the Technical Assistance budgets, specific training on performance issues are not planned in most IQ-Net countries and regions.

Routine staff development, training and seminars often take place on an ad-hoc basis (e.g. Bizkaia, Niederösterreich, Slovenia, Steiermark) although there are also more regular and structured programmes.

- Niederösterreich usually organises a training event every three months. Umbria will be running a series of seminars for its staff, but not necessarily connected to performance issues. For instance, there will be courses on smart specialisation and the territorial approach, mainly aimed at participants from outside of Structural Funds administration.

- Nordrhein-Westfalen has a well-developed own training programme for civil servants and other Land administrative staff, which includes high quality training on many EU issues (e.g. State aid and public procurement).

- Śląskie ERDF unit organise regular meetings with staff members. At least twice a year the directors meet with employees to discuss the goals of the programme, the progress towards these and the scope for adjustment. In addition to that, directors meet with managers to talk about current cases, achievements and challenges. Annual staff assessments are also considered very important.

Most programme authorities also develop guidance documents and manuals to support various programming tasks and functions. For instance, the Czech NCA will provide new guidelines on indicator systems and the DATAR in France is likely to provide methodological support on indicators.

Seminars and exchange of experience events are also routinely held. In the past, the DBA in Denmark organised seminars on evaluation and effectiveness analysis. In Greece, the National Coordination Authority will offer a variety of seminars and guidance documents, although focussing mainly on the new regulations more generally and future monitoring and control systems.

However, the economic crisis and the fiscal consolidation efforts is likely to put pressure on the amount of public funding for staff training (e.g. Spain, Slovenia). The crisis may also have beneficial effects on the pool of qualified staff, as in the Czech Republic where the availability of skilled staff form the private sector has increased in the context of the economic crisis.
8. CONCLUSIONS

The aim of this report has been to review the new performance orientation for Cohesion policy in 2014-20 and the potential for change in IQ-Net programmes. It has examined the main reform proposals and the opportunities and challenges that they provide, based on the views and initial plans of IQ-Net programme authorities. The aim of this final section is to review the key findings and draw out some of the key issues.

Before examining the individual stages of the programme cycle, a general observation is that the reaction to the new performance requirements is less than might have been expected. The fieldwork research has found that many managing authorities are not (hitherto) anticipating major changes to their programming and programme management procedures. Refinement and relatively minor adaptation of systems seem to be the watchwords, driven as much by administrative experience in the current period as the new regulatory obligations. It has to be acknowledged that programming for 2014-20 still has some way to go; the focus in many countries has been on the Partnership Agreements rather than OPs. Also, programme managers are understandably wary of making decisions before the legislative package is agreed, and there is clearly concern about minimising the impact of administrative changes on implementing bodies and beneficiaries. Nevertheless, it is striking that the high-minded statements made at the political level about the need to improve the quality of spending and improve the performance and results of Cohesion policy - as for example at the recent Informal Ministerial Meeting and Directors-General Meeting under the Cyprus Presidency - have not found an echo at the level of Managing Authorities.

PROGRAMMING

The main Commission proposals for increasing the performance focus in the programming of the Funds are to provide clearly-specified objectives, results and intervention logics. Among IQ-Net authorities, there is widespread recognition of the benefits in terms of understanding, monitoring and comparison of planned achievements, and a stronger emphasis on the effectiveness and efficiency of interventions. Yet many IQ-Net authorities do not anticipate major changes in the approach to the programming of objectives and targets. Where change is envisaged, the emphasis will be on improving the coherence of programme objectives with indicators and targets. Fewer indicators and better comparability across regions/programmes are anticipated in some cases, building on the trend in the previous period. Better comparability across Member States will in turn be facilitated through the use of a common set of EU indicators, although there is some criticism about the different approaches across the Funds and the focus on output indicators (for the ERDF/CF) rather than results.

In defining objectives, indicators and corresponding targets, a range of challenges and issues need to be carefully considered: keeping administrative burden within acceptable bounds; avoiding too ambitious or easily achievable targets; developing coherent and relevant indicators, including in relation to the quality of interventions; flexibility to project needs and the turbulent economic climate; and the availability of data at appropriate geographical or sectoral levels. Efforts to articulate the logic of programmes
and interventions more explicitly and clearly are expected in some cases, but there are challenges here too: uncertainty about the Commission’s expectations; the multi-faceted nature of interventions, which often address multiple objectives; the complexity of regional development and key role of external factors; and the limited knowledge about what has worked well in the past and the causal mechanisms involved.

Ex-ante conditionality requirements aim to ensure that the strategic, regulatory and administrative preconditions for the effective use of the funds are in place from the outset. Most programme authorities do not foresee significant difficulties in complying with the provisions, although considerable work is needed to ensure full compliance in some cases. There are nonetheless concerns about the appropriateness of some of the conditionalities, the dependence on national authorities for their fulfilment and a perceived intrusion into domestic policymaking competences. Having strategies in place to underpin the use and targeting of the Funds is widely supported, but the approach to strategic conditionality is considered to be partial, to give insufficient emphasis to quality and to create programme alignment challenges.

PERFORMANCE MANAGEMENT MECHANISMS

A new requirement for 2014-20 is the performance review in 2019, based on the performance framework of targets identified in the programmes and providing for the allocation of a financial bonus to those programmes achieving their targets. Some form of review during the period is deemed useful, although there are concerns about the additional administrative burden that comes with setting targets and monitoring. There is less enthusiasm for the performance reserve, partly reflecting prior experiences in 2000-06 which were not felt to be useful for many IQ-Net programme authorities; targets were often set at low levels to make sure they were achievable, an approach that may prevail in 2014-20. There are also risks of priority bending and concerns about the damaging political and economic consequences of failing to achieve targets. There are mixed views about the most appropriate types of indicators to use, the timing of review and the spatial application of the reserve.

Only a limited number of IQ-Net programme authorities intend to make use of the new Joint Action Plan instrument linking financial management to results, while a number of others are still considering the feasibility of doing so. The main risk identified is the expected complexity of administrative procedures involved.

There are other experiences with performance contracting at the level of projects and intervention, contractual arrangements alongside the Structural Funds programmes or that are not directly linked to Structural Funds. But most IQ-Net programme authorities do not foresee new performance arrangements with their intermediate bodies, partly due to the difficulties in linking outcomes to the behaviour of the bodies.

Beyond these new provisions, the increased performance orientation may have implications for the approach to project selection. Changes being considered across a number of IQ-Net programmes include: stricter project selection criteria; requiring more ambitious targets; greater focus on efficiency analysis and explanation of the causal links between inputs,
output and results; ensuring a strong link between projects and specific objectives; giving priority to cooperative and complex projects as part of broader innovation strategies; the use of non-competitive selection procedures, especially key projects and sub-regional development programmes; and reviews of project selection mechanisms.

**MONITORING & EVALUATION**

The general expectation with respect to monitoring systems is one of limited change. The current systems are considered to be sufficient and do not require any major changes, although minor changes are likely and adaptations are likely. Several countries and programmes plan to: introduce more flexibility and be more project-specific regarding monitoring and remedial action; organise closer cooperation with national statistical agencies; incorporate new indicators; develop better linkages to OP targets; and place more emphasis on identifying the results of the projects. Some programmes have experience with closer monitoring and reporting at project level in the current programme period and are looking to build on these for 2014-20.

The need for monitoring across several CSF Funds might require changes in several countries and regions. Some are exploring the feasibility and desirability of unifying electronic systems across Funds. The risks are of increasing the complexity of monitoring systems and administrative workloads. There is also some resistance to obligatory E-cohesion for data exchange with beneficiaries.

Monitoring committees may be reorganised by creating joint committees or reduced in number where fewer programmes are being considered. Stronger synergies between programmes and administrative savings would be expected. Proposals to raise the level of strategic debate include more discussion of results and impacts, better flow of information to committee members, more frequent meetings, and reorganisation of tasks and the range of actors involved. A widening of membership may occur where new Funds are being integrated.

There is widespread interest in carrying out more impact evaluations, which would require significant change compared to present practice, although evaluation of implementation procedures is still considered important. Facilitating measures include improved cooperation with national statistical bodies to make use of the available data and building evaluation capacities. Impact evaluation is not new and several IQ-Net programme authorities note that improvements have already been made in this period. More attention could be given to the impact of impact evaluations in terms of the generation of policy relevant recommendations and follow-up systems. Factors hindering the ability to do robust impact evaluations include the types of projects being assessed, the size of programmes, the availability of data and the complexity of projects/programmes. Counter-factual impact evaluation has received mixed reactions. There are positive experiences in assessing SF impacts on firms, but also challenges relating to the availability of data (including data privacy issues), finding meaningful control groups, and the limited applicability to infrastructure projects. The Commission and IQ-Net managing authorities recognise that a mix of methods is necessary to underpin rigorous evaluation.
INSTITUTIONAL CAPACITY AND TRAINING

Institutional capacity is commonly identified as a precondition for effectiveness, although it is not clear that IQ-Net programme authorities feel the need to develop capacity further. The authorities’ own teams are considered to be experienced and have the required skills and knowledge to prepare and manage programmes. Specific training on performance issues is not planned in most IQ-Net countries and regions. Routine staff development, training and seminars take place on an ad-hoc basis or under more structured programmes. The development of guidance and manuals and the organisation of seminars and exchange of experience events are also routinely held. A challenge in the current context of fiscal consolidation is the availability of funding for capacity-building and training initiatives.
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 four periods of operation: 1996-99, 1999-2002, 2002-07 and 2007-10. The fifth phase was launched on 1 January 2011 (Phase V, 2011-13).

IQ-Net Meetings

32 partners’ meetings and a special 10th anniversary conference have been held in 13 European countries during 16 years of operation of the network. Meetings are held at approximately six-month intervals and are open to IQ-Net partners and to observers interested in joining the network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.

IQ-Net Website

The IQ-Net Website is the network’s main vehicle of communication for partners and the public. The launch of Phase V has been accompanied by an extensive redesign of the site which comprises two sections:

*Partner Intranet Pages* available exclusively to IQ-Net members.

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

The Partners’ section of the website provides exclusive services to members of the network, including access to all materials prepared for the IQ-Net meetings, a list of EU27 links (programmes, institutions 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, 31 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. 16 issues have been published to date, over the period from 1996 to 2012. 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.

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 Dr Laura Polverari (laura.polverari@strath.ac.uk).