THE REFORM OF COHESION POLICY AFTER 2013:
MORE CONCENTRATION, GREATER PERFORMANCE AND BETTER GOVERNANCE?

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PREFACE

The research for this paper was undertaken by EPRC in preparation for the 28th IQ-Net meeting to be held in Brussels, Belgium, on 6-7 May 2010. The paper has been written by John Bachtler and Carlos Mendez. It should be noted that the paper was revised following the IQ-Net meeting on 6-7 May to take account of the discussions and conclusions drawn at the meeting.

This paper is the product of desk research and fieldwork visits during Spring 2010. Fieldwork research has entailed an extensive programme with IQ-Net managing authorities and implementing bodies. The research on individual countries was undertaken as follows:

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Austria

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

Belgium

- Enterprise Flanders

Czech Republic

- Ministry for Regional Development

Denmark

- Danish Enterprise and Construction Authority

Finland

- Alliance of Länsi-Suomi
- Ministry of Employment and the Economy

France

- Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale (DATAR)

Germany

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

Greece

- Management Organisation Unit of Development Programmes S.A.

Hungary

- Hungarian Enterprise Development Centre (MAG), in association with the National Development Agency (NDA)

Italy

- Lombardia Region, DG Industry, SMEs, Cooperation and Tourism
- Ministry of Economic Development
- Institute for Industrial Promotion (IPI)

Poland

- Śląskie Voivodeship (Marshal's Office)

Portugal

- Financial Institute for Regional Development (IFDR)

Spain

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

Slovenia

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

Sweden

- Tillväxtverket, Swedish Agency for Economic and Regional Growth

United Kingdom

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

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Disclaimer

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

THE REFORM OF COHESION POLICY AFTER 2013
MORE CONCENTRATION, GREATER PERFORMANCE AND BETTER GOVERNANCE?

TABLE OF CONTENTS

THE REFORM OF COHESION POLICY AFTER 2013:
MORE CONCENTRATION, GREATER PERFORMANCE AND BETTER GOVERNANCE?

EXECUTIVE SUMMARY

After two years of EU consultation and reflection, the debate on the reform of Cohesion policy has intensified. Several major contributions have appeared over the past year, including the Barca Report, a 'reflections paper' by former Commissioner Hübner a similar 'orientation paper' by her successor Commissioner Pawel Samecki, and the conclusions of recent EU Council Presidencies. The key reform ideas and proposals contained in these documents are to: strengthen concentration on EU objectives; require a better performance and a results-orientation; review the alignment of funding instruments; achieve more strategic coherence between relevant policy areas; strengthen territorial cooperation; simplify administrative procedures; and to increase the strategic role of the Commission in the governance of policy.

There is broad agreement on the need for greater concentration among IQ-Net managing authorities. While greater alignment with the Europe 2020 strategy is welcomed, they are critical of the lack of reference to cohesion issues and are greatly concerned at the consequences of an overly thematic approach (as opposed to a place-based approach). There is support for the proposed priorities of innovation and competitiveness, social inclusion and green growth, but an insistence on sufficient flexibility for strategies to be adapted to national and regional needs and institutional arrangements.

On the question of coherence between policy areas and funding instruments, managing authorities are supportive of proposals of a 'common strategic framework' for cohesion at EU level but only if it simplifies the hierarchy of objectives rather than adding another layer. However, there is widespread doubt as to whether such an 'umbrella strategy' is achievable in practice. The interface between Structural Funds and Rural Development is a seen as a particular priority for improved coherence.

The importance of territoriality is reinforced in the discussion about territorial cooperation and territorial cohesion. Managing authorities see considerable merit in a more integrated policy response to the distinctive needs and challenges of particular territories, but there is a strong insistence on Member States and regions determining the appropriate spatial scale of intervention. They are also supportive of territorial cooperation, but its value is seen as being greater in theory than in practical results on the ground.

While accepting the arguments for a more performance and results-oriented policy, managing authorities are largely sceptical about the use of EU-determined conditionalities with sanctions. Instead, authorities see more scope in exploring how individual countries/regions could be incentivised to improve performance in programme-specific ways, and to use more qualitative methods for assessing performance through peer review, benchmarking, exchanges of best practice and evaluation. A major obstacle is that monitoring continues to be problematic for many managing authorities, with unrealistic

targets, variable data quality, data processing issues and limited exploitation of results. It is in the area of evaluation that investment appears to have been more productive. The main message is that requirements should not be imposed uniformly, but that the approach should remain needs-based and flexible.

Strategic reporting is regarded as a positive step to enhance accountability and debate about performance but it suffers from some of the deficiencies of monitoring and evaluation, notably the compliance-oriented response from several Member States and the lack of comparability between national reports.

There is universal agreement on the need to simplify implementation rules and procedures but no clear consensus on how it should be achieved. Differentiation of requirements by Member State has some support among managing authorities, but others are opposed to moving away from uniformly applied rules. There are also differences over whether decommitment should apply at the national level, and over the suggestion that EU reimbursement could be based on a declaration of payments by Member States, rather than on expenditure. There is broader agreement on extending the use of 'system assurance' (underlying the current single audit model) whereby the focus of Commission assessment is on national or programme systems, while relying on Member States to ensure that the systems are applied properly in practice. The introduction of some form of proportionality of administrative requirements for different types of intervention is generally favoured by managing authorities. The need for clear rules is also stressed and there is widespread support for the harmonisation of eligibility rules across EU funding instruments.

Resolving the administrative burden of financial management, control and audit is seen as the key issue for improving the general governance of Cohesion policy and for allowing the Commission to strengthen its strategic role. In this context, managing authorities would welcome the development of capacity within the Commission services on strategic policy issues, an enhanced Commission role in facilitating the transfer of best practice and its application in individual countries/regions, and a better relationship between Commission geographical units and programme managers. Within Member States, managing authorities are generally content with the current partnership arrangements. The main challenge is one for Member States in building the capacity among non-state actors to become more credible and active partners in programme management and implementation.

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1. INTRODUCTION

After two years of EU consultation and reflection, the debate on the reform of Cohesion policy is intensifying. Several major contributions to the debate have appeared over the past year, which give some indication of how thinking is evolving.

The Barca Report was published in April 2009, putting forward a concept for Structural Funds as a 'place-based policy' that provides a long-term strategy for tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external intervention and multi-level governance. Drawing on the ideas in the Barca Report, Commissioner Danuta Hübner presented a 'reflections paper' to the Informal Meeting of Regional Ministers organised under the Czech Presidency, and at the end of 2009, a similar 'orientation paper' was published by Commissioner Pawel Samecki. Both of these papers advocated a strong development policy which enables all EU citizens, wherever they live, to reap the benefits and to mitigate the risks of market unification.

The future development of Cohesion policy is, however, strongly contested – within the Commission and beyond – and has been subject to strident criticism principally on the grounds of performance and governance. Reflecting these criticisms, a quite different proposal for Cohesion policy is contained in the Commission non-paper on the budget review, which appeared in November 2009. This conceived of Cohesion policy as having a more secondary role to other EU policies, with a principal focus on national convergence, and addressing major regional disparities within (some) countries.

The substance of the policy is also being debated in the light of the widening of the EU's cohesion objectives to include territorial cohesion. This has involved successive consultations and discussions in different fora, most recently in the background paper prepared by DG Regio for the Kiruna conference in late 2009 and the 2nd TCUM Seminar in March 2010. The focus has been on ways in which the new objective might be interpreted through cooperation between territories, strengthening territorial programming in cohesion policy, coordination for greater policy coherence, and territorial analysis.

Although most Member States have yet to take official positions on the reform of Cohesion policy, they have been engaged in the debate, partly through informal ministerial meetings - on the architecture and governance of the policy (Czech and Spanish Presidencies) and territorial cohesion (French and Swedish Presidencies). At the most recent informal meeting in Zaragoza, the discussions centred on the objectives and priorities for the future as well as the issue of management simplification. The 'High-Level Group' convened in mid-2009 by DG Regio has brought together senior national officials for a series of meetings to consider several important technical aspects of policy reform. Similar processes of review and the development of reform proposals are underway in DG Emploi and DG Agri.

Looking to the future, the timetable for Cohesion policy reform involves the adoption of the Fifth Cohesion Report in early November 2010, a Cohesion Forum in early 2011 and the publication of a proposed Financial Perspective and subsequent legislative package for Cohesion policy in Spring/Summer 2011.

While the reform debate has involved many different contributions, with some divergent ideas on the role and spatial coverage of Cohesion policy, there are common issues concerning the priorities, governance and implementation of the policy. These include:

- focusing the policy on a limited number of EU objectives, notably research and innovation, low-carbon economy, human capital;
- requiring better and more visible performance and a results-orientation through conditionalities on spending, better indicators, strategic reporting and evaluation;
- a different alignment of funding instruments;
- achieving more strategic coherence between relevant policy areas through (for example) joint strategic planning or programming of all EU funding;
- strengthening territorial cooperation, including the use of functional macro-regions as a basis for planning/intervention; and
- reviewing administrative procedures, with potential differentiation of management and control requirements and other simplification measures.

Against this background, this IQ-Net paper aims to assess how these proposals are viewed by managing authorities and others involved in implementing Structural Funds 'on the ground'. It examines whether the proposed changes are regarded as beneficial in principle, the implications of operationalising them, where they might encounter problems, and what alternatives could be considered, taking account of domestic practice in some cases.

The paper is based on desk research and an extensive set of fieldwork interviews conducted in March-April 2010 with national and regional managing authorities in 16 Member States - Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Poland, Portugal, Slovenia, Spain, Sweden and the United Kingdom. While not intended to be a comprehensive assessment of the views of the other countries (and not representing their official views), the IQ-Net managing authorities interviewed are wholly or partly responsible for managing or implementing €127 billion, some 36 percent of Structural Funds in the EU27. The paper also takes account of the discussions at the IQ-Net meeting held in Brussels on 6-7 May 2010.

The paper is structured as follows. It begins in Section 2 with a discussion of the future priorities for Cohesion policy, in particular reactions to the Europe 2020 strategy and proposals for greater thematic concentration. The ambition of making the policy more performance-based and results-oriented is the subject of Section 3, which considers the use of conditionalities and incentives, monitoring and evaluation, the role of strategic reporting and institutional capacity. Section 4 considers the prospects for more strategic coherence between policies and funding instruments, and Section 5 focuses on the proposed development of territorial cooperation and cohesion. Detailed proposals for simplifying the management of Cohesion policy are discussed in Section 6, and changes to governance (notably the role of the Commission and partnership) are the subject of Section 7. The final section of the paper contains preliminary conclusions and questions as a starting point for debate at the IQ-Net meeting (Section 8).

2. PRIORITIES FOR COHESION POLICY

At the heart of the debate on the future of Cohesion policy is concentration - an increasing recognition of the need to focus the policy on a limited number of priorities. The Barca Report argues that this would allow a Europe-wide critical mass of interventions to be achieved, with greater potential impact, and which would receive more political attention and allow more focused management by policymakers, especially in the Commission.[1] Three criteria for the selection of these priorities are identified by Barca:

- EU-wide relevance: the needs and expectations of European citizens and of the advantage of the EU over Member States in addressing the issue;
- their place-based nature: the extent to which the inefficiency and/or social exclusion problems relevant for the issue are context dependent, requiring interventions to be tailored to the characteristics and needs of different places; and
- verifiability: the extent to which policy objectives can be clearly identified and measured

The Barca Report proposes that funding should focus on no more than 3-4 priorities and puts forward six potential candidates: innovation; adapting to climate change; migration; children; skills; and ageing. The Samecki orientations paper concurs on the need for, and benefits of, greater concentration, but it proposes a slightly different categorisation of priorities:[2]

- **Strengthening the knowledge base for growth**: investments in research, technological development, innovation, knowledge and skills development, improvements in access to finance, fostering knowledge spillovers and facilitating better linkages and interactions between technologically leading and lagging regions.
- **Enhancing conditions for a connective and green economy**: adapting to a low-carbon economy and enhancing environmental quality, supporting sustainable transport and ICT infrastructure, ensuring greater connectivity of lagging to leading areas and improving environmental infrastructure.
- **Promoting employment and social cohesion**: increasing employment, finding new ways to tackle rising unemployment, promoting self-employment, acquisition of new skills, social inclusion and the economic and social integration of migrants and vulnerable populations.

[1] Barca, F. (2009) An Agenda for a Reformed Cohesion Policy: A place-based approach to meeting European Union challenges and expectations, DG Regio, European Commission, Brussels.

[2] Samecki, P. (2009a) *Orientation Paper on Future Cohesion Policy*, DG Regio, European Commission, Brussels.

In the meantime, the Commission has issued the Europe 2020 Strategy for Jobs and Growth for consultation (in November 2009) to replace the Lisbon agenda and provide a strategic reference for future EU policy priorities.[3]

2.1 Europe 2020 Priorities

The Commission's proposals for Europe 2020 outline three main thematic priorities and several sub-priorities, subsequently linked to possible EU flagship policies (Table 1). National objectives would be set by the Member States over a five-year time frame, while the European Council and the Commission would monitor progress in achieving them. At the end of March 2010, the Council approved three quantitative targets for increasing employment levels, boosting spending on research and development and meeting the EU's environmental commitments. Approval of the two other targets proposed by the Commission – increasing education levels and social inclusion – is expected at the summit of June 2010. Importantly, the Council has accepted that the EU-wide targets should be broken down into differentiated national targets, which was not the case under the Lisbon Strategy.

Table 1: Europe 2020 priorities

Priority	Sub-priorities	Possible EU flagship plans
Growth based on knowledge and innovation	Innovation	EU Innovation Plan
	Education	Youth on the Move
	Digital society	EU Digital Agenda
An inclusive high-employment society	Employment	A New Jobs Agenda
	Skills	New Skills for New Jobs
	Fighting poverty	European Action against Poverty
Green growth: a competitive and sustainable economy	Combating climate change	Low-Carbon Strategy
	Clean and efficient energy	Energy Action Plan
	Competitiveness	Industrial Policy for the Globalisation Era

Source*:* Adapted from Barroso Presentation to the Informal European Council, 11 February 2010.

EU Cohesion policy has not featured prominently in the Commission's Europe 2020 vision, partly reflecting the general nature of the consultation document. In a recent European Council Meeting, the only (indirect) reference made to Cohesion policy by President Barroso was as part of the development of an 'Industrial Policy for a Globalised Era' which would combine the efforts of all EU policy instruments of relevance (e.g. internal market, competition, skills, regional policy, trade and investment, standards and regulatory

[3] European Commission (2009) *Commission Working Document Consultation on the Future "EU 2020" Strategy*, COM(2009)647 final, 24.11.2009, Brussels.

convergence).[4] From a governance perspective, the need to enhance *"the contribution of stakeholders at national and regional level and of the social partners"* was also noted, although Cohesion policy's multi-level governance delivery system was not specifically mentioned.

An alternative view on the contribution of EU Cohesion policy to the Europe 2020 Strategy has been provided in a recent DG Regio presentation which (re)formulated the priorities for the future Cohesion policy – in line with the above-mentioned Samecki proposals - as follows:

- **creating growth through knowledge:** investments in the building blocks of innovation, human capital and R&D infrastructure;
- **empowering people in inclusive societies:** investments that target both individuals and the barriers they encounter to employment and integration; and a strong focus on urban and local development;
- **creating a competitive, connected and greener economy**: high speed internet, the development of smart transport and energy infrastructures, measures to foster energy efficiency; and facilitating adjustment to the low carbon economy.

Further Commission thinking is anticipated during 2010 with the forthcoming publication of two Communications that will examine how to reinforce the contribution of Cohesion Policy to Europe 2020, covering the respective themes of sustainable development, and the knowledge-based economy and regional innovation.[5]

At the Member State level, there is broad support among national governments for aligning EU Cohesion policy - and other EU policies - with the Europe 2020 strategy.[6] This was also one of the central messages from regional and local authorities (and other environmental bodies) in their responses to the consultation, along with calls for a stronger decision-making role in Cohesion policy and the broader Europe 2020 strategy. In a recent opinion, the Committee of the Regions went further by underlining *"the importance of a well-financed, EU-wide Cohesion policy involving all regions of Europe, as a key factor in supporting delivery of the new Strategy."*[7] It also asserted that the new strategy should use Cohesion policy's *"existing partnership structures to address the current weaknesses in the*

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[4] Barroso J M (2010) *EUROPE 2020: A strategy for sustainable growth and jobs*, Contribution from the President of the European Commission to the informal meeting of Heads of State and Government of 11 February 2010, Brussels.

[5] European Commission (2010) *Commission Work Programme 2010*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2010) 135 final, Brussels.

[6] European Commission (2010) *Europe 2020 – public consultation - first overview of responses*, Commission Staff Working Document SEC(2010)116 final, Brussels: http://ec.europa.eu/eu2020/pdf/eu2020_public_consultation_preliminary_overview_of_responses.pdf

[7] Committee of the Regions (2009) *Opinion of the CoR on the future of the Lisbon Strategy post 2010*, CdR, 25/2009.

[Lisbon agenda] governance structures. An explicit alignment of governance structures with the Regional Programmes in the EU Cohesion Policy, provides a far more effective way of ensuring joined up policy making." Notwithstanding this support for alignment of objectives, the new president of the Committee of the Regions recently warned against turning Cohesion policy into a mere tool for implementing the Europe 2020 strategy and called for the policy to remain firmly anchored in its Treaty objectives[8]. This meshes with ongoing criticism by the Committee about an excessive focus on Lisbon in the current programme period.

2.2 Managing Authorities' assessment of Europe 2020

The views of IQ-Net managing authorities reinforce the ambivalence of EU regional policymakers towards Europe 2020. At the level of general principles, there is broad agreement among managing authorities with the thrust of the proposed Europe 2020 priorities and for EU Cohesion policy to be more closely aligned with the strategy. Many managing authorities consider that the priorities represent continuity with respect to the current Lisbon agenda. The Europe 2020 priorities are defined broadly, potentially allowing the diverse development needs and challenges of 27 Member States to be accommodated, and the question is how they would be translated into a guidance framework, national benchmarks and monitoring procedures for designing and implementing Cohesion policy programmes.

However, the value of Europe 2020 as a framework for Cohesion policy is subject to several inter-related criticisms:

- the strategy lacks a territorial dimension and does not recognise the central place of Cohesion policy in addressing this dimension;
- the strategy is excessively focused on leading-edge EU sectors or areas to promote overall EU growth rather than supporting the whole productive basis of the EU territory in a balanced manner (while ensuring that lagging regions remain the primary target of support);
- the generic nature of the strategy does not provide a strong rationale for a 'regional' or 'place-based' policy – and some would argue that almost any activity could be justified by referring to one of the priorities, unless a stronger positive lead is provided for policymakers at national and regional levels;
- this thematic approach could have damaging consequences for the sustainability of Cohesion policy because it may lead to more priority being placed on other EU sectoral policies; and
- the long-term mission of Cohesion policy is in danger of being undermined, with disruption to region-specific development strategies for which the Europe 2020

[8] Committee of the Regions (2010) *Cohesion policy should be driven by the EU Treaty, rather than by EU 2020 agenda*, Press Release, CoR/10/018, 19 February 2010, Brussels/Zaragoza.

priorities are seen as less relevant (in particular because they are already being addressed by sectoral policies).

Among the specific priorities, ‘innovation and competitiveness’ has widespread support amongst managing authorities. Some emphasised that this should be the primary priority for Cohesion policy, in line with the current strategies of Regional Competitiveness & Employment programmes. An increasing focus on research and innovation is also evident in countries with major allocations under the Convergence objective. However, several managing authorities would resist restrictions on spending in areas such as local and regional infrastructure, given the importance of such ‘basic’ interventions for current growth strategies, not just in Convergence regions but also in more developed areas facing ongoing economic adjustment challenges.

The second Europe 2020 priority – ‘empowering people in inclusive societies’ – focuses heavily on employment and equality of opportunity, regarded as crucial for achieving social cohesion, particularly in the current crisis context. However, there is no unanimity on the relative importance to be given to the social dimension: some managing authorities would like social issues and the role of ESF to be strengthened as part of regional strategies, while others consider the social dimension as being more relevant to national ESF interventions. Similarly, while some authorities would welcome a more explicit focus on areas such as education and health care services, others question the role of Structural Funds in supporting certain public services, particularly social housing. Thus, the overriding message from the research is the need for flexibility in the economic/social balance of interventions – and the concomitant balance between ERDF and ESF spending – to allow strategies to be adapted to national and regional needs and institutional arrangements (see also Section 4 below).

With respect to the ‘green growth’ priority, the main concern for managing authorities is that the emphasis on the climate change agenda may divert attention from the concept of sustainable development. The latter is already an overarching EU priority and is regarded as providing a more holistic, integrated perspective for addressing the economic, social and environmental dimensions of development in tandem. Related, some managing authorities argue that the innovation and competitiveness priority should be viewed a means to achieve sustainable development and climate change goals, i.e. the low-carbon economy agenda should be viewed as an opportunity to develop new products, exports and competitiveness. However, the extent to which this requires a new EU approach in the future is questioned. For instance, one managing authority argues that *“every new firm start-up, every business extension and every business restructuring involves an upgrading to newer technological standards”*; this automatically implies improved energy efficiency and waste management and thus contributes to a ‘greener economy’. Overall, the impact of this priority depends on current practice: several managing authorities did not regard the renewed emphasis on climate change as being particularly new, being in line with existing practice or domestic priorities. Indeed, Commission data show that Cohesion policy already contributes 15 percent of its total budget to addressing the challenges posed by climate change, including mitigation and adaptation measures.[9]

2.3 Concentration mechanisms

In the current period, a greater concentration of resources on the Lisbon strategy was achieved in several ways: the requirement to link National Reform Programmes and National Strategic Reference Frameworks; the formulation of Community Strategic Guidelines on Cohesion; and the requirement for Member States to earmark a minimum proportion of expenditure to specified spending categories supporting the Lisbon strategy (60 percent of expenditure in Convergence programmes, and 75 percent of expenditure in Regional Competitiveness & Employment programmes).

The Commission have argued that this approach improved the alignment of Lisbon and Cohesion policy objectives and significantly increased Structural Funds spending in areas such as R&D and innovation.[10] Equally, they have acknowledged that the broad range of intervention categories was excessive, that there is scope for more integration of EU priorities, and regional and local levels should be involved more effectively in delivering the Lisbon Strategy on the ground.[11]

For the post-2013 period, concentration is again foreseen "in order to maximise the impact of the policy" by focusing the policy on a small number of priorities to "create a European-wide critical mass of interventions and focus political and public attention on clear objectives".[12] One possible option for concentrating resources is to continue with a form of earmarking. The Barca Report suggested that between 55-65 percent of Cohesion policy resources should be allocated to agreed priorities, with a fourchette for each core priority and the concentration requirement varying according to territory (highest in non-lagging regions, lowest in lagging regions). Member States would determine the distribution of resources among the core priorities in dialogue with the Commission. The Hübner reflections paper argued that the core priorities needed to be "considerably more targeted", but that "the selection of these core priorities should be the subject of a strategic political process involving the EU and Member States".[13] The Samecki paper took a similar view.

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[9] European Commission (2008) Communication from the Commission on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013, COM(2008) 301 final, Brussels.

[10] See, for example: Hübner, D. (2008) *Cohesion policy and the Lisbon Agenda*, Speech to the Conference '2008-2010 and beyond: Lisbon Strategy and Cohesion Policy - European Regions facing future challenges', Bologna, 4 July 2008.

[11] DG Regio (2010a) *High Level Group Reflecting on Future Cohesion Policy: Increased Coherence in the Delivery of EU Strategic Priorities*, Meeting no. 3, 2 January 2010, Brussels.

[12] Samecki (2009a) *op. cit.* p.6

[13] Hübner D (2009) *Reflection paper on future Cohesion Policy*: Informal Meeting of Ministers for Regional Policy, Mariánské Lázne – 22-24 April 2009, pp4-5.

The IQ-Net managing authorities are generally in favour of concentration using a 'menu' approach, involving common priorities being adopted at EU level, with Member States (and regions) having the scope to interpret these in line with local needs and challenges and to determine the allocation of resources among the core priorities. (It was noted that a concentration of resources on 2-3 priorities is already characteristic of many RCE programmes.) As noted previously, the main concerns are how narrowly the core priorities would be determined and the danger of an increased 'thematisation' of programmes – whereby regional strategies are designed to meet top-down thematic priorities rather than having a territorial focus based on socio-economic analysis of development challenges.

There is some support among managing authorities for the continued use of the current earmarking mechanism as a tool for achieving concentration. The recently approved position paper of the government of Steiermark, for instance, proposes that two-thirds of its future funding allocation for the post-2013 period should be earmarked for new innovation strategies.[14] Although earmarking is sometimes considered to be a 'blunt instrument', this EU requirement strengthens the ability of managing authorities (at both national and regional levels) to argue for focused development strategies in the NSRFs and OPs, and to resist pressure from other government departments/agencies to disperse resources across a wide range of policy fields. Indeed, some managing authorities would prefer the earmarking requirement to have more stringent rules; one authority noted that the current earmarking rule simply involves an ex ante estimate of the likely use of funds, with effectiveness limited by the lack of EU-level sanctions when there are deviations in actual expenditure. Equally, other authorities emphasised the importance of earmarking rules being flexible enough to adapt to rapidly changing circumstances. In this context, the legislative proposal[15] on the table to consider expenditure made outside the originally agreed earmarking codes as ineligible following a programme modification (even if it falls into another Lisbon category) is viewed as an unnecessary constraint.

Among IQ-Net managing authorities, there is some recent experience in domestic policies to achieve greater concentration, which may provide lessons for Cohesion policy. For instance, in Slovenia, national development planning processes have adopted programme budgeting techniques (involving the allocation of funds to specific priorities) whilst seeking greater alignment between operational documents and strategic plans. The recent experience with 'Single Outcome Agreements' in Scotland provides another example.[16] Introduced in 2008, the model involves local authorities and community planning partnerships agreeing on strategic priorities for their local areas, specifying them as outcomes to be delivered (not specific tasks and activities), and showing how they contribute to a series of Scottish Government outcome goals which have been set for the next 10 years. The priorities are financed through mainstream funding rather than ring-fenced grants - thus providing more local flexibility - and are monitored through a combination of locally defined indicators and

[14] Position of the State of Styria – (Austria) on EU Regional Policy 2014 to 2020, Unanimous Decision by the Regional Government on 3 May 2010.

[15] Article 56 paragraph 3 of the proposed amendments to Council Regulation 1083/2006, COM(2009) 384 final.

[16] For a more detailed review, see: Herbert S (2009) 'Single Outcome Agreements', SPICe briefing 08/47, Scottish Parliament, Scotland: http://www.scottish.parliament.uk/business/research/briefings-08/sb08-47.pdf

regional indicators. Another option, formulated by the Sachsen-Anhalt Managing Authority is presented in Box 1.

Box 1: Implementing concentration: proposal by the Sachsen-Anhalt Managing Authority

The EU should provide a choice of possible priorities or themes, e.g. linked to the flagship initiatives under the Europe 2020 Strategy. For each priority, the EU should attach i) a context indicator and ii) a limited number of project level core indicators. The context indicators are important because they provide information on the broader socio-economic context and indicate whether there is a need to intervene in a specific field in a specific region. The core/project indicators can be seen as goals to be achieved and, if these were defined well, they would ensure a clear relationship between project funding and the achievement of specific goals, and also allow progress towards targets to be measured ex post. These two sets of indicators would be required for EU-level reporting; managing authorities could select additional indicators at project level if they wished. The EU level would also need to define a specific target group (e.g. school drop outs) to be addressed by each theme / project indicator. The process would function as follows:

a) Each region would select the priorities (and associated context and core indicators) that it saw as most appropriate for its own case.

b) Each region would decide how much funding they wanted to allocate to their chosen priorities. The regions would have to state clearly ex ante specific quantified targets in relation to the indicators for each priority.

c) If a region decided to use several actions (or budget lines) to implement a specific priority, then there would also be a need for further levels of quantification. This means that the region would have to decide which indicator was useful at which level.

d) Then each regional managing authority would put out domestic calls to ask for proposals on how these goals could be achieved.

e) The MA would set quantified targets in relation to the indicators (and the funding allocations). Then the ex ante evaluator could assess whether these targets were too high/low, and the Commission could, if necessary, dispute the targets during the negotiations.

The process would allow comparisons to be made between priorities (and actions) in terms of the extent to which they could and did achieve their goals (and also in terms of their cost effectiveness). It would facilitate a process of selection between instruments and end the current automatic approach to the allocation of funding before project specific goals and indicators are set. A number of potential difficulties with this approach include:

a) Potential problems in the causal chain linking the funding and the project indicators, i.e. external factors could intervene that would prevent the goals (project indicators) from being reached. If goals were not reached, evaluations would be needed to investigate why e.g. goals might have been too ambitious or external factors might have intervened.

b) It is difficult to select and define good indicators. If an indicator cannot be defined in very exact terms, then it should not be used.

c) The process of setting priorities and selecting indicators is very political – even though some of the work has potentially already been done via the Europe 2020 document. Nevertheless, extensive discussions would need to take place soon at EU level on this approach e.g. to reach agreement on how the seven themes from Europe 2020 could be turned into Structural Funds priorities, and also on the two sets of indicators.

d) This implies a need to start work soon i.e. in 2010, if the themes, indicators etc. are to be agreed before the beginning of the 2014+ period. In particular, the programme managers would need to know the themes and indicators well before the start of the period so that they could ensure that quantified targets were set in 2013 – and also so that the electronic monitoring systems could be put in place before the start of the new period.

3. PERFORMANCE AND RESULTS

A further key characteristic of the debate over the past year is the common perception that Cohesion policy needs to be more performance-oriented. The tendency "to focus more on processes and financial absorption than on effectiveness and physical outcomes" needs to be reversed, in the words of the new Commissioner Hahn.[17] Several options have been suggested to achieve this, including the introduction or reinforcement of: conditionalities and incentives; monitoring and evaluation; strategic reporting; and institutional capacity building.

3.1 Conditionalities and incentives

Conditionalities and incentives are two mechanisms that have been proposed in the reform debates to support the pursuit of performance goals. With conditionalities, the payment of funds is conditional on a certain level of performance, implying that funding could be lost if performance objectives and targets are not met. By contrast, incentives imply a reward for performance.

Conditionalities are already present in Cohesion policy, although they are mainly linked to procedural compliance (such as the approval of management and control systems) or spending (the n+2 rule), not performance considerations. Discussions at EU level have raised several possible options for the future:[18]

- the application of macro-economic conditionalities for Member States or regions that fail to converge following several programme periods;
- stronger additionality along with a revision of verification methods and effective sanctions; and
- conditionalities related to a limited number of strategic priorities, involving setting targets and linking payments to their achievement.

This latter proposal – a key recommendation from the Barca Report - has received a lukewarm response. A Council Presidency paper for the informal meeting of regional policy ministers in February 2010 noted that "*progress on this proposal should be made with caution, as the bureaucratic burden may unnecessarily rise and there is a risk that it ends up turning into a necessary procedure that must be overcome, thus reducing the usefulness of the exercise*".[19] The paper is also critical of the resource and time effort that will need to be invested in designing the new model, particularly in light of the considerable sunk costs in the establishment of the current governance model. On the other hand, a way

[17] Hahn J (2010) *Evaluation of ERDF Objectives, 2000 – 2006,* Speech to the Debate on Synthesis Report at Bibliothèque Solvay, 19 April 2010, Brussels

[18] DG Regio (2010a) *op. cit.*

[19] Spanish Presidency (2010) *Orientation document for the debate on the future of Cohesion Policy, Informal Meeting of Ministers of Regional Policy*, 19 February 2010, Zaragoza.

forward is also suggested: a "*pilot project that allows developing a robust methodology ….so that a final model applicable to all Member States could be subsequently developed.*"[20]

The methodological challenges associated with performance conditionalities and the potential for negative behavioural responses, were also highlighted by former Commissioner Samecki:

> *"Evaluation evidence tells us that today the capacity to establish ex ante realistic targets for indicators is still not sufficiently developed to build conditionalities on this basis, in the sense of allocating additional funds or withholding funds. The Commission itself has difficulties to judge if targets have been correctly set, taking into account the diverse contexts in which the policy is implemented. In addition, linking resources to the achievement of targets without being sure that they are realistic, but ambitious can lead to perverse behaviour, such as setting them artificially low."*[21]

There is some support for the use of performance conditionalities among IQ-Net managing authorities. It was noted that such sanctions may work at EU level if they were applied to clearly defined goals and targets, potentially with an assessment at the very end of the programme period or beyond. An alternative suggestion – already catered for in the regulations - is that Member States could be responsible for sanctioning underperformance, allowing funds to be re-allocated across programmes within the country instead of being lost to the EU. For instance, this was done in Portugal during the final stages of the 2000-2006 period; following an analysis of programme performance, funds were reallocated to specific programmes or to new types of interventions in line with new strategic goals. Clearly, such an approach would face difficulties in federal countries where national competencies are weaker in the domain of regional development, and adjudication on the performance of sub-national programmes may be more challenging. In such contexts, it was suggested that it may be preferable to encourage the application of performance conditionalities within programmes, e.g. between priorities or actions.

For the most part, however, managing authorities were sceptical about performance conditionalities, citing a series of methodological difficulties.

- targets may not be met for reasons that are unrelated to programme or performance management, and it would be unfair to sanction a programme in such circumstances;

- performance is difficult to assess in the short to medium term because the achievement of objectives and the effects of programmes only become visible after the end of the programme period;

[20] Spanish Presidency (2010) *op.cit.*

[21] Samecki, P. (2009b) *Evaluation of Cohesion Policy*, Sixth European Conference on Evaluation of Cohesion Policy, 30 November 2009, Warsaw.

- the EU monitoring system is not able to monitor or measure outcomes and impacts on a comparative and robust basis - and if conditionalities are based on unsatisfactory indicators, then they cannot be effective or be applied fairly; and

- the achievement of objectives will depend on how ambitious the targets are, which will vary systematically across the EU depending on managing authorities' preferences, knowledge or negotiation skills.

Aside from these methodological issues, four other criticisms were made relating to the underlying rationale, the impact on the quality of policy and the implications for policy management and administration.

- Sanctions are not in line with the policy's underlying cohesion philosophy, as they will probably further disadvantage those regions that need more help rather than less.

- There is a danger of discouraging applicants from applying for support and from the adoption of new approaches, projects and experimental ways of working; recipients of support may shy away from innovation and innovative approaches if they feel that they might suffer if the project does not succeed. Managing authorities themselves may also become more risk averse, e.g. by subsuming funds into existing and "safe" government programmes.

- Concerns were expressed about the addition of yet another layer of bureaucracy to the work of managing authorities. Moreover, unless the current management and control mechanisms are simplified it is seen as pointless or counterproductive to have additional performance requirements not least because the resources for managing performance will not increase.

- There are significant political difficulties in implementing conditionalities. Ministers do not like shocks to their financial planning, and it is doubtful whether agreement could be reached to something that adds budgetary risk in a tight financial climate. Political tensions between different ministries may also be created or exacerbated, when funds are reallocated from one to another.

A second approach to encourage performance is the use of financial or non financial incentives. Financial incentives could include a performance bonus for meeting objectives and targets. This is already possible on a voluntary basis in the current regulations, although very few Member States have taken up the option - the approach adopted in Italy is described below (see Box 2).

Box 2: The Performance Reserve in the Italian NSRF[22]

Stronger performance in the *Mezzogiorno* is being encouraged through the creation of a new performance reserve system linked to a series of 'service goals' (*obiettivi di servizio)* to incentivise spending and concentrate investments on key strategic areas: education; services for the care of children and the elderly; management of urban waste; and, integrated water services. For each strategic area, a "service target goal" is identified and measured by appropriate quantitative indicators. For each indicator – there are 11 in all – a target is identified for 2013. The achievement of these targets is linked to the distribution of a financial performance reserve, of c. €3 billion (*premio finanziario*).

All eight *Mezzogiorno* regions and the Ministry of Education participate in this performance reserve system. The amount of resources obtainable by each administration is based on allocation criteria and will be allocated on a pro-quota basis, i.e. based on the number of indicators for which the targets have been achieved. The achievement of the target values will be established in two stages, in 2009 and 2013.

- In 2009, part of the performance reserve resources were allocated on the basis of relative progress made from the baseline data towards the 2013 target values;
- In 2013, the remaining funds will be allocated. A flexibility clause will be available entailing, for a maximum of four indicators chosen by each regional administration, the possibility to receive the maximum entitlement under the indicator simply by achieving 60 percent of the target value (however, for the flexibility clause to intervene, at least one indicator must have been achieved fully in each one of the four strategic areas).

Lessons would evidently need to be drawn from the EU15 experience of the performance reserve during the 2000-06 period, widely acknowledged to have been unsuccessful. Not only was it administratively burdensome with limited performance-oriented benefits, but there was also evidence of perverse behaviour through the setting of artificially low targets.[23] For such an instrument to work in the future it would clearly be dependent on the quality of targets set.[24] Further, as with conditionalities, it may be more appropriate to link performance bonuses to specific priorities rather than whole programmes.

Managing authorities have mixed views on performance bonuses. A shift to a performance-orientated approach is certainly regarded as preferable to the current focus on spending and procedural correctness, and some managing authorities could see clear benefits in terms of supporting financial discipline and encouraging a focus on results. Among the key conditions mentioned for an effective performance bonus would be that it should only benefit the 'best' regions, but involving real competition (implying a substantial extra budget for the top performers alone) and comparison on carefully chosen criteria that allow objective comparison between different regions/programmes (size, content, level of development etc.).

[22] Dipartimento per le Politiche di Sviluppo e di Coesione (2007) *Measurable objectives for essential services: New challenges for regional development policy 2007-2013*, Ministero dello Sviluppo Economico, Rome. For more detail see the dedicated website: http://www.dps.mef.gov.it/obiettivi_servizio/eng/ml.asp

[23] Barca (2009) *op.cit.*

[24] DG Regio (2010) High Level Group Reflecting on Future Cohesion Policy: Focus on Results, Meeting No. 3, 25 January 2010, Brussels.

However, several criticisms were also expressed, many of which are similar to those made with respect to performance conditionalities. In measuring and assessing performance, previous experience shows that there are inherent difficulties in measuring good performance beyond the simplistic calculation of expenditure implementation.

- This is seen as being a particular challenge in the EU context because performance concepts and definitions must not only be clear, but also acceptable to programmes across the EU.

- There is scepticism about measuring and applying a performance bonus in an 'automatic' way – for instance, if ten out of 20 output targets were met, then half the agreed amount would be paid. This way of working is considered by some managing authorities to be too strict and inflexible; using a simple arithmetic relationship to determine performance was also argued to be unfair because there may be good reasons why output targets have not been met.

- Measurable outputs are not always the best and most effective outputs. This is an issue for ESF interventions focusing on hard to reach groups in Scotland, where success is judged as a 'movement along a journey'. If the focus is switched to easily measurable projects, this will have negative implications for projects such as these which are expensive and strategically important but difficult to measure from an output perspective.

- Similarly, the use of core indicators that measure short-term success in programmes that have a long-term orientation was criticised.

Financial incentives may also have perverse consequences for programme management and project quality. The operation of automatic rules which do not take account of context, specific circumstances or the efforts made can be discouraging for beneficiaries. From a management perspective, there are concerns that a performance bonus may make programmes and project selection more conservative and risk-averse, an approach that would not encourage regions in moving into new and more competitive forms of economic activity. It may lead to a focus on quick rather than strategic spend, as well as competition rather than cooperation among regions. In addition, there are concerns that such a system might bring with it a considerable administrative burden if it is imposed as a formal obligation.

Aside from these critical comments, three positive suggestions were made which may provide a more promising basis for introducing financial incentives.

- The use of financial incentives at the project level could be encouraged. In Poland, the idea of a 'bonus system' to encourage applicants to prepare projects which contribute in an effective way to the attainment of development objectives is being discussed. This would be introduced for those who spend available resources in the best and most effective way. A similar approach already operates for some business aid schemes in Portugal. Also at project level, it was suggested that incentives could be used to encourage the use expertise and peer reviews at the project preparation stage.

- Another possible approach would be for the Commission to retain a share of funds to be allocated on a competitive basis at EU level via specific calls, using a model comparable to the Regional Innovation Programmes or Innovative Actions in 2000-06. It was argued that only a small share of funds should be allocated this way so that the decentralised approach to Cohesion policy implementation is not undermined.

- Lastly, financial incentives could have a supra-national dimension, e.g. focusing on EU-level macro-regions like the Baltic Sea area.

Turning to non-financial incentives, options raised in the reform debates include public rankings of projects or programmes at EU or national level and the introduction of peer review processes involving formal recommendations and benchmarking, replicating the OECD model of territorial reviews. This idea was viewed positively by many managing authorities. However, benchmarking was also criticised because of the lack of comparability between diverse regions, and the unpredictability and negotiability of peer reviews was mentioned as a drawback.

Finally, existing non-financial incentives could be strengthened. Some positive experiences were mentioned with respect to benchmarking of performance in countries which had stimulated competition amongst regions, although overly focused on financial implementation. Competitions such as RegioStars and publicity for, or exchange of, good practices are generally supported by managing authorities. To be effective, best-practice conferences need to be well organised and prepared and should not just lead to “civil servant tourism”, in the words of one managing authority. The exchange of best practice is also an area where managing authorities would like the Commission to take a more proactive role. It was suggested that this could even be extended to Monitoring Committees, with the Commission providing information on best-practice projects and management practices from across Europe.

3.2 Monitoring and evaluation

The use of conditionalities and incentives depends on reliable and credible information and evidence on policy performance, and it is the task of monitoring and evaluation systems to provide this material. Cohesion policy “is today probably the most evaluated EU policy”[25] and has been instrumental in spreading evaluation culture across Europe. It can also draw on institutionalised monitoring systems and practice which have seen significant improvements over successive periods, involving: greater concentration on key and fewer indicators; better data quality; standardisation in indicator definitions and methods across programmes; and more systematic and reliable data collection processes and IT systems.[26]

[25] Hahn, J. (2010) *op.cit.*

[26] Ward T (2010) *Ex-post evaluation of Cohesion policy programmes 2000-2006 financed by the ERDF in Objective 1 and 2 Regions* Report, DG Regional Policy, European Commission, Brussels;

Monitoring is also being increasingly used as an operational decision-making tool, particularly with the stronger emphasis on early-warning indicators and systems in the current period. Notwithstanding these positive trends, managing authorities often report ongoing challenges associated with:

- **Unrealistic target setting or flawed baselines:** is a general problem across EU programmes, often due to limited experience and/or weaknesses in the databases
- **Variable data quality/methods:** data quality is not consistently reliable at programme level, especially in terms of physical indicators; and it is often difficult to aggregate indicator values at the national level, not least because of the inherent difficulties in agreeing common indicator definitions and methods across large numbers of regions/programmes.
- **Data collection and administration difficulties:** not all beneficiaries take their monitoring obligations seriously, while managing authorities often complain about being overloaded with monitoring requirements. From a regulatory perspective, the lack of proportionality in monitoring obligations in relation to the size/scale of programmes is criticised.
- **Limited utility**: monitoring data are not fully exploited in decision-making processes. Indicator definition and selection tends to be insufficiently integrated into the early stages of programme formulation, while there is limited use of monitoring data as a management tool at the implementation stage, e.g. in assessing whether funds should be reallocated between interventions. A frequently mentioned obstacle in this regard is an excessive number of indicators.

At the EU level, there are similar weaknesses in core indicators. A more systematic approach has been adopted in this period, but it is still not possible to aggregate achievements - some Member States have not reported data at all, and data on both targets and achievements was rarely reported during the strategic reporting exercise.[27] Other criticisms raised by IQ-Net managing authorities included:

- **Timing:** Commission guidance was rather late and the introduction of core indicators after the programmes were approved has added to the complexity of monitoring systems, which could result in further challenges later in the period.
- **Types of indicator:** there is an excessive focus on number of projects rather than quality-related indicators or on results/impacts.

Bachtler J, Polverari L, Oraže H, Clement K and Tödtling-Schönhofer H (2009) Ex post evaluation of the management and implementation of Cohesion policy, 2000-06 (ERDF), Report to DG Regio, European Commission, Brussels; Polverari L, Mendez C, Gross F and Bachtler (2007) Making Sense of European Cohesion Policy: 2007-13 Ongoing Evaluation and Monitoring Arrangements, *IQ-Net Thematic Paper* 21(2), Glasgow.

[27] Pacillo, L. (2010) *National Strategic Reports, Overview of core indicators and evaluation results*, Evaluation Network Meeting, February 25th 201, Brussels.

- **Definitional**: the Commission's acceptance of flexibility in the definition of indicators has undermined the comparability of information.

- **Scope:** the approach is fragmented because core indicators have only been defined for the ERDF and Cohesion Fund, not the ESF.

Part of the solution would be to make core indicators and target-setting obligatory, as has been proposed in the Samecki paper.[28] It would also seem appropriate for the Commission to propose a harmonised approach to core indicator definitions, methods and reporting requirements if the indicators are to provide a useful tool for facilitating comparison, peer review and high-level strategic debate. Beyond the issue of core indicators, no concrete ideas have been advanced at this stage of the reform debate on how to improve monitoring systems at the national level. The ex-post evaluation of the 2000-06 period acknowledges that the obstacles are as much "political" as "technical" and that acceptance is needed by the Member States and managing authorities themselves of the need for a more effective approach.[29] Moreover, it is generally recongised that effective monitoring – as well as evaluation - will depend on the quality of the programming stage. Clearly defined objectives and targets are essential, which in turn would be facilitated by greater selectivity and concentration on priorities (Section 2). The introduction of performance incentives and conditionalities (Section 3.1) and the strengthening of EU strategic oversight (Section 3.3) would similarly help to drive up standards and increase the political commitment to monitoring.

Turning to evaluation, a radical shift in the EU approach has been witnessed in the current period through the adoption of a more flexible and needs based system, in essence devolving responsibility for the timing, focus and methodological approach to the Member States. Analyses of national and programme evaluation plans suggest that the Member States and regions have embraced the new requirements in a positive way, as evidenced by the wide range of planned evaluations across the EU.[30] As with monitoring, evaluation is subject to important challenges. Although not always directly attributable to the regulatory framework, the most commonly cited difficulties are as follows.

- Several managing authorities note that evaluation is sometimes perceived as an 'additional obligation' that must be undertaken to comply with the regulations, rather than as a genuine tool to improve the quality of programmes. In some cases, this is due to the small size of programmes and the view that they cannot have a discernable impact on regional development. The relative priority attached to evaluation can also vary at different territorial levels. The institutionalisation of evaluation tends to be stronger at national level, while the political backing at the regional level is not always achieved.

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[28] Samecki P (2009a) and (2009a) *op.cit.*
[29] Ward (2010) op.cit. p167.
[30] Polverari *et al.* (2007); Mendez C and Kah S (2009) Programme Implementation in Times of Economic Crisis: Review of Programme Implementation Winter 2008-Spring 2009, *IQ-Net Review Paper*, 24(1), Glasgow.

- Questions persist about the quality and utility of evaluation reports. Much of this is due to the limited availability and quality of data, as noted above. However, there are also institutional capacity weaknesses within managing authorities, particularly given the burdens imposed by other aspects of administration.[31] The expertise of external evaluators is sometimes questionable, particularly when it comes to formulating practical or technical recommendations.

- There tends to be little discussion of evaluation findings among policy stakeholders and beneficiaries. This is sometimes due to the lack of effort by managing authorities to diffuse evaluation reports and results beyond monitoring committee meetings. But even where a more pro-active effort is adopted, there is often a lack of interest amongst stakeholders in discussing evaluation findings.

Box 3: Ongoing evaluation in Sweden

The new approach to ongoing evaluation is regarded as being the main strength of the evaluation system and a major improvement on the past practice of mid-term evaluation in terms of utility for programme managers and project promoters.[32] Ongoing evaluation takes place at three levels:

a) project level: to improve projects while they are running and to gather knowledge for the future;

b) programme level: following the development of the programme, also improving ongoing programme implementation;

c) joint ongoing evaluation: of the ESF and ERDF implementation systems.

At the project level, particularly large projects or those that are deemed to be of strategic interest (about 100 at the moment) contract an ongoing evaluator. At the programme level, three teams of consultants report to the three monitoring committees. With support from the ESF managing authority, the entire implementation system is evaluated.[33] University courses on ongoing evaluation are now also being offered in Sweden. While the evaluation system itself will be evaluated later on in the period, initial responses have been very positive. At the outset, large project promoters and some regions resisted ongoing evaluation, fearing new restrictions or additional auditing. However, the feedback from stakeholders is now positive, and there is increasing recognition of the benefits that evaluation can bring to projects and the system more generally.

The Barca Report proposals on evaluation include more rigorous ex-ante (or prospective) evaluation of programmes and a greater focus on impact evaluations at the level of specific interventions using appropriate methods (especially counterfactual methodologies[34]). The Report also stresses that responsibility for evaluation should remain with the Member States, while the Commission should focus on promoting evaluation by creating “an EU clearing house for collecting, filtering and making accessible studies and their results”.

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[31] SWECO (2010) *The Administrative Costs of EU Cohesion Policy*, Final Report to DG Regio, European Commission, Brussels.

[32] Svensson, L., Brulin, G., Jansson., S. and Sjöberg, K. (Eds.) (2009) *Learning Through Ongoing Evaluation*, Lund, Studentlitteratur.

[33] See also Brulin, G. and Jansson, S. (2009) ‘A new programming period, a new evaluation approach!, in Svensson et al (2009) *op. cit.* pp. 41-57.

[34] Business support is a strong candidate for such evaluation methods, as reflected in long-standing academic research on this form of regional policy assistance in the UK – see also the pilot studies undertaken in Germany for the 2000-06 ex-post evaluation of Cohesion policy (Ward (2010) *op.cit.* pp73-75).

These proposals are generally supported by the Samecki paper, although ex-ante evaluation is not mentioned. Additionally, the paper calls for evaluation plans to be formally required for all programmes and for summative evaluation to be carried out towards the end of the programme period to feed into EU-wide syntheses.

Among IQ-Net managing authorities, there is universal and strong support for the new needs-based and flexible approach adopted in the current period. In some cases, there is evidence that this added flexibility has enabled policy-makers to set up a more ambitious and positive approach to evaluation than previously, as in Sweden (see Box 3).

In the light of these experiences, the main concern for the future is that evaluation requirements do not become more stringent or an administrative burden as this would detract from the underlying aims of a performance orientation and the utility of evaluation. Some caution was also expressed about the methodological proposals on prospective and impact evaluation. Current experiences suggest that the available methods and findings of these types of evaluation are not sufficiently robust to guide decision-making. Similarly, counterfactual evaluation is a theoretically sound idea, but finding an objective control group that eliminates selection bias is far from straightforward.

The key areas identified where there is scope for improvement are as follows.

- **Thematic evaluation**: programme evaluation is considered important, but more weight should be given to thematic evaluation of specific instruments/interventions and of the contribution of these to EU priorities.

- **Ex-ante evaluation:** some managing authorities would welcome strengthened ex-ante evaluation - given the strategic importance of this stage in shaping programme design decisions - although others argue that there is already a lot of evaluation feeding into the design of programmes. To reduce workloads and maximise synergies, it was suggested that ex-ante evaluation could be integrated into the Strategic Environmental Assessment where relevant.

- **Project evaluation:** more could be done to assess the effects at project level, particularly through the use of counterfactual methods, i.e. by comparing firms and other beneficiaries that have received funds with those that have not; improved ex-ante, cost-benefit analysis of projects and of their environmental impact is also regarded as desirable.

- **Capacity:** It is recognised that more could be done to strengthen evaluation capacity in the Member States. A greater focus on internal evaluation could improve quality and utility, although it was also noted that an objective, external perspective is important and that evaluators need to be trained to provide more practically-oriented recommendations.

- **Publicity and exchange of experiences:** the presentation of evaluation findings should not be confined to programme monitoring committees but need wider publicity. It was suggested that this could be achieved if the Commission organised mid-term conferences or required the Member States to organise such conferences, particularly at the mid-term stage of programme implementation. More effort could also be placed on sharing the results across Member States, preferably in a targeted way involving small workshops and recognised experts.

3.3 Strategic reporting

EU-wide political debate on the effectiveness of Cohesion policy is considered to be an important stimulus to a more results-oriented approach. The inadequacy of current arrangements was heavily criticised by the Barca Report, as well as by some Member States, which called for the creation of a formal Council grouping on Cohesion Policy to meet 2-4 times a year for regular high-level debate on policy effectiveness and to ensure accountability to the public on the achievements of the policy. The 2007-13 period has seen moves in this direction with the introduction of strategic reporting, an important new dimension of the policy's governance architecture. The Member State strategic reports (2009 and 2012) and the Commission's synthesis (in 2010 and 2013) addressed to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions are precisely aimed at increasing transparency and accountability by involving the other European institutions in a dialogue on the policy's performance.

Although an EU-level political debate will not be held until Council conclusions are presented (by the General Affairs Council in June 2010), the Commission has provided a positive assessment of the first exercise which it considers to have provided:[35]

- an important improvement in the accountability of the delivery of policy objectives;
- a promising basis for building a more thorough peer review process;
- and a valuable monitoring tool, bringing important and timely information about the potential of the policy to support the economic recovery and to contribute to the future Europe 2020 strategy.

The principles and goals of strategic reporting are generally supported by IQ-Net managing authorities, but some important limitations were noted. In many cases, the exercise is seen as a compliance exercise with limited or uncertain benefits in terms of strategic added value or policy impact. This can partly be explained by the delayed start of the programmes and the limited implementation progress on which to report, although several methodological challenges were considered to have impacted on the quality and value of the reports too:

- poor monitoring data and evaluation evidence across the EU;
- a lack of comparable data across programmes in some countries;

[35] European Commission (2010) *Cohesion policy: Strategic Report 2010 on the implementation of the programmes 2007-2013*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2010)110 final, Brussels.

- the rather vague and late guidance provided by the Commission; and
- unnecessary duplication with more comprehensive domestic reporting processes or Lisbon reporting on NRPs at EU level.

Despite these weaknesses, many managing authorities are supportive of strategic reporting and are sympathetic to proposals for improving the process, including: introducing a more structured high-level debate in the Council; providing a more systematic effort to diffuse the results within the Member States; and a closer alignment with the Europe 2020 strategy. Suggestions were also made on how to improve the content, such as: reducing the scope and concentrating on strategic issues; a stronger focus on the analysis of added value of Cohesion policy compared to domestic policies; and a standardised approach across the EU on the basis of more detailed guidance or a common set of jointly defined and simple core indicators to be used by all programmes.

3.4 Institutional capacity

It is increasingly recognised that a key determinant of performance in Cohesion policy is institutional capacity, in terms of having the necessary resources, skills, structures and good governance principles in place at national, regional and local levels.[36] Cohesion policy is itself credited as having strengthened administrative structures and organisational cultures across Europe over successive periods through its programme design and implementation requirements, and the focus on institutional capacity building has been reinforced in the current period by making it a key priority for ESF support under the Convergence Objective. Yet "there is scope for a stronger emphasis in future cohesion policy on the development of effective institutions, perhaps with associated incentives and conditionalities"[37] according to the Hübner reflections, while the Samecki paper emphasised the need for enhanced attention to "know-how capacity building, strategy development and networks."[38]

Institutional capacity is not considered to be a major problem for many IQ-Net managing authorities. Some noted that capacity challenges have arisen in particular programmes and regions (the case of the Mezzogiorno is an often cited example in the Italian context) or in local authorities at the applicant level. It is also recognised that capacity needs depend largely on the scale and complexity of individual programmes. In this context, there is a perception that challenges are more of an issue in the newer Member States due to the massive increase in the scale of funding during this period and because they have less experience in managing EU funds. On the other hand, the point was made that "it is not simply a question of new versus old member States"; all Member States at different levels

[36] Bachtler *et al.* (2009) *op.cit*; Ederveen, S., De Groot, H. and Nahuis, R. (2006) Fertile soil for Structural Funds? A panel data analysis of the conditional effectiveness of European Cohesion policy, *Kyklos*, 59: 17–42.

[37] Hübner (2007) *op.cit.* p3.

[38] Samecki (2009a) *op.cit*. p7.

could improve their institutional capacities, especially in terms of performance oriented tasks.

Where capacity difficulties do arise, the most acute challenges are related to staffing levels, turnover and quality.

- **High staff turnover:** can be a major difficulty as the implementation of the Structural Funds requires specialised knowledge and skills. This is a particular problem in the EU12, often due to relatively lower pay conditions compared to the private sector (partly addressed in at least one country through increased salaries for public sector staff working on the Structural Funds). Staff turnover is also an issue in the EU15, particularly in countries where there is a public administration culture of rotating staff to different posts or policy areas, or where short-term contracts are increasingly used, which means that institutional memory and professionalism can be lost.

- **Staff shortages and stretched resources:** are related and commonly reported challenges. This is often due to a perception that programme administrative requirements (especially in audit and control) are becoming increasingly and disproportionately onerous or because of the additional workloads involved in dealing with overlapping programme periods.

- **Skills deficits:** recruiting staff with the right skill sets can be a challenge. For instance, one managing authority usually recruits directly from universities but has found a particular shortage of economists; and there have been instances where extra effort has been expended to ensure that new staff have a good understanding of regional development concepts, terminology and knowledge only for trained individuals to move on to other jobs.

At the structural level, the main reported challenges are organisational inefficiency or duplication. For instance, a managing authority in the EU12 noted that there are risks of inefficiency and duplication in a system where implementation responsibilities are shared between national and regional levels. By contrast, the Austrian model – where managing authority functions are carried out at regional *Land*) level authority, with coordination at federal level through the ÖROK,[39] with an emphasis on informal coordination mechanisms – is regarded as providing an efficient and effective example of ways to allocate tasks.

Cohesion policy already provides direct, funded support for institutional capacity building. In some IQ-Net countries there is a specific strategic priority or targeted interventions for improving administrative efficiency to improve policy design and implementation (e.g. Greece, Italy, Poland) and/or the public administration more generally (Greece, Poland, Slovenia, Portugal). A key question is whether there is a need for Commission support in this area. Among the more radical proposals are:[40]

[39] Österreichische Raumordnungskonferenz (Austrian Spatial Planning Conference)
[40] Bachtler *et al.* (2009) *op.cit;* Barca (2009) *op.cit.*

- for DG REGIO to develop an 'institutional capacity' unit to support institutional capacity-building in the Member States; and
- more use of 'special purpose bodies' for managing and implementing programmes or specific priorities/measures and operating at 'arm's length' from government departments and with Commission oversight.

There is generally limited support (among IQ-Net managing authorities) for a more pro-active Commission role in developing institutional capacity. Concern was expressed about Commission "interference in domestic matters", and it was argued that institutional capacity issues should be addressed at the initiative of domestic authorities. For instance, the importance of a well-functioning electronic system was emphasised for supporting good management of large and complex programmes or for achieving rationalisation. The use of ITCs also provides a useful tool for supporting managing authorities on technical regulatory issues and improving coherence across programmes (see Box 4).

Box 4: Rationalising information dissemination through a regulatory support platform in France

Created by DATAR at the end of 2009, the main objectives of the regulatory support platform (*plate-forme d'appui réglementaire*) are to provide programme managers with all of the regulatory requirements on the Structural Funds and to offer regulatory support via a question-and-answer system. Covering all programmes and funds, it aims to provide for a more efficient system of organising information and dealing with requests, particularly by sharing responses. The platform is coordinated by DATAR and the ESF unit in the Ministry of Employment (DGEFP) in collaboration with a steering committee with representation from national ministries, the audit authority and programme managers. These actors must agree on a single position on the queries.

The platform is targeted at Managing Authorities, audit and certifying authorities, regional councils and ministries. A manager receives and classifies the questions, which may then be given an immediate response if the questions are simple, while more complicated requests are validated by 'resource' staff, the steering committee or an associated expert.

A more promising area for Commission intervention in institutional capacity building was seen to be the organisation of seminars and training. The various initiatives undertaken by the Commission in recent years are viewed positively, such as the 'train the trainers' seminar for managing and certifying authorities where Commission officials are responsible for training country officials who then train officials in their countries and so on. However, these events have largely concerned technical matters relating to financial management, audit and control. In this context, a number of managing authorities stressed that strengthened institutional capacity is also needed within the Commission services, particularly to be equipped to examine and discuss strategic policy issues (see Section 7.1 below).

4. STRATEGIC COHERENCE BETWEEN POLICIES AND FUNDING INSTRUMENTS

A coherent approach to Structural Funds has been a goal of the EU since 1988, when the Funds were reformed to achieve "improved coordination of the structural instruments".[41] Since then, the relationship between the different Funds and, latterly, the relationship between different structural policies (Cohesion policy, rural development policy, fisheries policy) and other EU policies with a territorial dimension, has been extensively discussed during each reform debate. The current period has seen attempts to achieve a more strategic approach to EU funding through frameworks and guidelines based on the Lisbon strategy, but with mixed success.

There is a broad consensus among almost all IQ-Net managing authorities that the more strategic approach introduced for the 2007-13 period has been largely positive. Although the Community Strategic Guidelines for Cohesion were very broad, the process of translating them into National Strategic Reference Frameworks had three major benefits:

- it has helped to *align different EU and domestic funding streams* under the same priorities, notably the Lisbon agenda;
- it has led to *more coherence across programmes* within individual Member States, providing (in some countries) the basis for engagement and exchange-of-experience between managing authorities; and
- in some countries, it has significantly *shifted the focus of programme spending* in the direction of R&D and innovation and away from infrastructure support, and has encouraged more funding to be channelled into larger and more strategic projects.

The perceived drawbacks are threefold. First, while in theory there should have been a link between the National Reform Programmes (NRPs) and the NSRFs, in practice the NRPs and NSRFs varied considerably in their connections and complementarities. The documents often contained broad references to their shared goals but contain much less information on how future Structural Funds programmes should contribute to the NRPs and *vice versa*. Of particular concern for some managing authorities is the lack of a territorial dimension to the Lisbon Strategy, which has been interpreted in an overly-thematic or sector manner in the NSRFs and implementation of Structural Funds programmes.[42]

Second, while the earmarking of expenditure has been effective in narrowing down the fields of intervention, the categories are very broad (as noted earlier). 'Strategic focus' is

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[41] European Commission (1989) Guide to the reform of the Community's Structural Funds, Commission of the European Communities, Brussels, p.9.

[42] This issue has been explored further in previous IQ-Net research – see: Polverari L, McMaster I, Gross F, Bachtler J, Ferry M and Yuill D (2005) Strategic Planning for Structural Funds in 2007-2013: A Review of Strategies and Programmes, *IQ-Net Thematic Paper No. 18(2),* European Policies Research Centre, University of Strathclyde, Glasgow.

reduced to a rather crude measure of expenditure, without meaningful sanctions for non-achievement.

Third, in some IQ-Net countries, the strategic coherence across Funds has diminished. Managing authorities report less 'joined up' approaches to programme management and project funding through ERDF and ESF. More difficult still are the relationships between Structural Funds and Rural Development programmes; coherence is advocated at the level of the CSG and NSRFs and in programme documents, but in practice the difficult tasks of dealing with overlap in eligibility rules, duplication of funding and coordination fall on project selection committees. In at least one country, the EAFRD no longer has a regional dimension and has lost its focus on economic development - being perceived as compensation for farmers for lower support on the first pillar of the CAP.[43] Another managing authority reports that government departments responsible for the different Funds deliberately seek differentiation and interpret rules differently.

These concerns have also been reflected in the papers to the High-Level Group. "Evidence suggests that there is sometimes a lack of a strategic vision for the coordinated use of Community funds, leading to artificial delimitations of intervention areas and fragmentation of EU funding. Furthermore, stakeholders underline that the different rules, procedures, practices, guidelines and interpretations hinder the effective and efficient implementation." Evaluation research underlines that complementarity and cooperation between the Funds is necessary for effective and efficient delivery at regional level.[44]

Proposals for the future include the establishment of a single strategic framework at EU level, joint programming and a different alignment of funding instruments: "There is a broad consensus on the need for better coordination between Cohesion Policy and other Community Policies and policy instruments."[45] The Samecki orientations paper made two suggestions for increasing coherence in the delivery of strategic priorities:

- the establishment of a 'single strategic framework' to provide strategic orientations for all Community funds under shared management (cohesion, employment, rural development, fisheries) and possibly directly managed policies (e.g. research, transport, enterprise, energy) also;

- better alignment of funding instruments, with harmonised rules and procedures among Funds, more flexibility for cross-financing between ERDF and ESF, and shifting the EAFRD axis 3 (rural diversification) and axis 4 (LEADER) into Cohesion policy.

[43] See also: Davies, S. et al (2008) *Sustainable Rural and Regional Development: Delivering Coherence and Added Value in Europe*, Background Paper for the Sub Rosa meeting on 'A strategic discussion on the future of EU regional and rural policies', 29 February – 1 March 2008, European Policies Research Centre, University of Strathclyde, Glasgow.

[44] METIS (2009) *Ex post evaluation of Cohesion policy programmes 2000-06: Rural development*, Final Report to the European Commission (DG Regio), Metis, Vienna.

[45] D Regio (2010a) *op. cit.*

IQ-Net managing authorities are strongly supportive of a common strategic framework, although they have different views on what this means in practice – and some scepticism of what is achievable. The primary concern is to have an 'umbrella strategy' for cohesion at EU level. With the EU Treaty containing a commitment to economic, social and territorial cohesion, it is argued by some managing authorities that the EU should have an overarching EU-level framework for cohesion that guides all relevant policies (not just Cohesion policy and other structural policies, but policies like R&D and enterprise support). Of particular importance to several authorities is the need for horizontal policies like Competition policy control of State aid and environment policies to be coordinated better with Cohesion policy at a strategic level.

The key requirement for such an 'umbrella strategy' is that it simplifies the framework. A major concern for IQ-Net managing authorities is that a new strategic framework does not introduce another 'layer' of strategy but genuinely replaces and rationalises the current multiple sets of strategies and guidelines.

Although desirable in principle, several managing authorities questioned the realism and consequence of such a framework, on several grounds:

- given the complexity and diversity of the objectives of different policies, securing agreement on an 'umbrella strategy' may only be possible at a high level of generality, potentially rendering the strategy more-or-less meaningless;

- greater strategic coherence and policy coordination at EU level would need to be mirrored by similar approaches at Member State level – which is considered unrealistic in many countries given the persistent 'sectoralism' in government administration and the management of public expenditure; and

- a single framework could actually weaken Cohesion policy, by diverting resources and responsibilities for implementing Cohesion objectives to other policy areas.

In the view of some IQ-Net managing authorities, a more realistic goal would be to focus on a single framework for structural policies, in particular for Structural Funds and Rural Development, which includes the following proposals:

- joint development of a single set of Community strategic guidelines;

- harmonisation of ERDF/ESF and EARDF rules and procedures (financial management, data management, monitoring, reporting etc);

- joint programming of operations – either at national or regional levels, depending on the Member State – with common indicators and targets;

- a single managing authority in the Member States (or regions) to have overall responsibility for managing all three Funds, potentially with separate intermediate bodies for each of the Funds;

- a single audit authority and audit regime; and

- inter-DG working groups in the Commission to enhance communication, potentially including a 'mission' in the Secretariat, and exchanges of officials.

Some go further to support the Samecki proposal for integrating parts of the EARDF (Axes 3 and 4) into the ERDF, on the basis that development needs in rural areas could be addressed by requiring each OP to include at least one rural priority.

Not all managing authorities regard common programming as the solution, particularly where responsibility for Cohesion policy and Rural Development is shared differently between national and regional levels, or where joint programming would introduce a new source of complexity.[46] It was noted that major changes would inevitably create uncertainty and delays while new arrangements are understood/implemented, and that stability is important to building institutional capacity. Instead, several recommendations for improving operational coordination under the existing institutional arrangements were put forward:

- facilitating exchange of experience on effective ways of facilitating cooperation in the implementation of EU policies (e.g. between Cohesion and Rural Development policies, or between Structural Funds and FP7). Examples include: cross-membership of Structural Funds and Rural Development monitoring committees; co-locating the managing authorities for different Funds (Sweden); creating a rural sub-committee under Structural Funds PMCs (Finland); appointing 'coordination officers/units' at regional or sub-regional levels (Italy); or joint 'learning conferences' (Sweden):

- addressing specific regulatory anomalies, for example where the eligibility rules differ;

- enabling Member States to use multi-fund programmes where they facilitate integrated implementation;

- creating more flexibility for implementation, especially through a greater scale and scope for cross-financing, at regional and sub-regional levels (although this can also complicate implementation);

- more transparency in the regional and sub-regional allocation of spending to projects under different EU funding streams, as a way of prompting local/regional thinking about linkages between policies/funds; and

- investing in the institutional capacity at regional and local levels to enhance their ability to facilitate an integrated approach.

[46] There is also no clear support for a merger of the ERDF and Cohesion Fund.

5. TERRITORIAL COOPERATION AND COHESION

Territorial cooperation is often highlighted as one of the main areas of added value of Cohesion policy, with strong support from European institutions, Member States, regions and other stakeholders. Several proposals have been put forward for strengthening territorial cooperation, either as part of the territorial cohesion debate or to increase the added value of Cohesion policy. These include developing the relationship between spending under regional programmes and (for example) cross-border or transnational programmes; a stronger focus on cooperation with neighbourhood countries; strengthening of the European Grouping for Territorial Cooperation (EGTC); and basing future programmes outside the Convergence objective on functional regions (e.g. macro-regions, cross-border regions).

This is part of a wider debate about the need for an integrated approach to territorial development in order to exploit fully territorial potentials for growth. The argument is that effective exploitation of natural resources, human resources, innovation, entrepreneurship etc requires more cooperation between regions to reduce the barriers to interaction and the movement of goods and people.[47] The challenge is how to govern so-called 'soft spaces' – territorial scales for planning, strategy development or intervention that do not fall exclusively within local, regional or national jurisdictions.[48]

Utilising the reasoning in the Barca Report, the Hübner reflections paper highlighted the importance of the territorial dimension in Cohesion policy to enable the integrated delivery of public goods and services to be tailored to the needs of particular places.[49] Further, the need to find common solutions to shared problems would require a stronger commitment to territorial cooperation, potentially with an overall EU strategy to provide a framework for co-operation activities. Subsequently, the Samecki orientation paper stated that one of three future policy goals should be 'to foster integration across borders', and it suggested that the scale and nature of territorial cooperation could be reinforced through functional macro-regions (e.g. Baltic Sea, Danube Basin).[50]

Current proposals seek to exploit better the strategic potential of European territorial cooperation by anchoring cooperation in strategic documents, improving the linkage with Convergence and RCE programmes and better programme preparation. The architecture of territorial cooperation is also under review (e.g. rationalisation of the number of strands)

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[47] European Commission (2009) *Territorial cohesion: unleashing the territorial potential*, Background Document to the Conference on 'Cohesion Policy and Territorial Development: Making Use of the Territorial Potential!', Kiruna, Sweden, 10-11 December 2009. Damsgaard O, Lindqvist M, Roto J and Sterling J (2009) *Territorial potentials in the European Union*, Nordregio Working Paper 2009:6, Nordic Centre for Spatial Development, Stockholm.

[48] Faludi, A. (2010) *Territorial Cohesion under the Looking Glass*, Synthesis paper about the history of the concept and policy background to territorial cohesion, http://ec.europa.eu/regional_policy/consultation/terco/pdf/lookingglass.pdf

[49] Hübner (2009) *op. cit.* pp.3-5.

[50] Samecki (2009a) *op. cit.* p.5

together with ideas for improving the delivery to ensure a 'smoother, simpler and more proportionate approach'.[51]

The concept of functional regions, and the other scales for territorial cohesion, have been explored further by DG Regio. Building on the debates about territorial potential under the Swedish EU presidency, Director-General Dirk Ahner recently emphasised two important points: first, functional or other territories for cooperation need to be identified by the regions themselves rather than top down; and second, such territories may be at different spatial scales – some may be macro-regions, others urban (or inter-urban), or they may be micro-regions.[52] Different problems may require different scales of intervention. It is suggested that EU-funded programme strategies should incorporate a greater territorial or place-based dimension, with more use of geographically specific territories (local, regional, pluri-regional), as well as other linkages and networks, for different policy actions.[53] For macro-regions, DG Regio have suggested strengthening the strategic effect by funding a limited number of 'key' or 'flagship' projects linked to the implementation of a macro-regional strategy and fostering coherence with other funding programmes.[54]

The key question for this report is how these ideas and proposals are assessed by IQ-Net managing authorities on the basis of practical experience. A secondary question is whether there are examples of functional regions, either for planning purposes or as a basis for intervention, that could provide lessons for the Cohesion policy debate.

The overall message from the IQ-Net research is that a greater territorial dimension within Structural Funds to programmes would have considerable merit (see also Section 2), and there is support for a more integrated approach. There is also a cautious welcome for strengthening territorial cooperation – especially among those countries with extensive land borders. However, the managing authorities have some important reservations.

The main concern is that the current investment in territorial cooperation is not working effectively. This is mainly because the concrete benefits of territorial cooperation are not always clear. Results are perceived as being "often in the form of studies and reports", and there is a perceived need to ensure a stronger focus on practical tasks and achievable goals. Clearly, territorial cooperation programmes do support tangible investment (e.g. in infrastructure) and have other major physical outputs, but the effectiveness of interventions has proved to be very difficult to capture and quantify. [55]Currently, territorial

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[51] DG Regio (2010b) *European Territorial Cooperation*, Paper for High-Level Group Meeting No.4, Brussels, 25-26 March 2010.

[52] Ahner, D. (2010) *Introduction to the Seminar 'Territorial cohesion: what scales of policy intervention'*, Follow up of Green Paper on Territorial Cohesion 2nd TCUM session Seminar – Brussels, 12 March 2010.

[53] Peyrony, J. (2010) *Territorial cohesion: what scales for policy intervention?,* and Dijkstra, L. (2010) *Functional regions: which regions and what functions?* Presentations to the Seminar 'Territorial cohesion: what scales of policy intervention', Follow up of Green Paper on Territorial Cohesion 2nd TCUM session Seminar – Brussels, 12 March 2010.

[54] DG Regio (2010) *op. cit.*
[55] Panteice *et al (2010) Ex post evaluation of INTERREG 2000-2006,* Second Interim Report to the European Commission (DG Regio), Panteice and Partners, Zoetermeer.

cooperation is considered to be insufficiently focused on strategic projects with strong added value. Thus, while the value of cooperation may be strong in theory, it is frequently regarded as weak in practice; one regional-level managing authority claimed that "there is a clear rationale for territorial cooperation but it is unnecessarily complicated, restrictive and confusing and achieves little or no impact in the real world".

It is the complexity and restrictiveness that form the basis for other criticisms. For some managing authorities, the pre-allocation of funding to countries rather than (the best) projects undermines the effectiveness of the objective. Others are critical of the number of different 'cooperation spaces', advocating a smaller number of territorial cooperation programmes, with a more focused set of objectives and fewer projects. Bureaucracy is another issue. One national managing authority commented that "the bureaucratic burden for project owners (especially lead partners) as well as managing authorities and member states (first and second level controllers) has become absolutely unbearable - due to the fact that everyone is afraid of making mistakes and tries to reduce risk by inventing new rules and safety mechanisms, which leads to additional requirements for others." Problems also arise because participating organisations represent different levels, with varying resources, power and responsibilities. The EGTC instrument, which is not in widespread use among IQ-Net authorities, is not regarded as a solution to overcoming the administrative and regulatory differences between countries and regions

The evidence from the research indicates that linking Convergence/Competitiveness programmes with territorial cooperation programmes is proving to be difficult. Considerable administrative effort is sometimes required and the results are patchy; one managing authority noted that "the two universes are separate and never involve the same people, which means that there is no cooperation on individual projects". In some cases, a territorial cooperation programme is seen as a 'second-order' source of funding for projects not supported under the regional OP. Some authorities were critical that DG Regio had left Member States to lead on this, by comparison with DG Employment which is said to have been more pro-active and provided more guidance to managing authorities.

Looking forward, the above criticisms mean that there is considerable scepticism about the practicality of expanding territorial cooperation as a separate objective unless the above problems can be addressed. In fact, the majority view would favour a more coherent and integrated approach to spending under regional programmes and cross-border/transnational programmes. Several authorities saw value in having: a single strategic reference framework covering all interventions; the integration of territorial cooperation actions within regional programmes; and the management of all regional and cooperation support through common administrative structures.

This thinking also informed many IQ-Net reactions to the question of macro-regions. While the logic of macro-regional cooperation in the Baltic Sea Region is clear, the relevance of the concept in most other parts of the EU is regarded as being less evident. Many current transnational spaces are described as "artificial", "imposed", "political projects" that "encourage rent-seeking behaviour" and "have unproven benefits". Three critical issues for many respondents are that:

(a) macro-regions need to be built up ‘from the bottom’ – with regions demonstrating that there is a common interest and commitment through projects with concrete outcomes, involving the development of trust and real added value; and

(b) they need to be based on a wider agenda and longer term experience of inter-governmental cooperation (that transcends Cohesion policy and encompasses domestic policies) in the relevant area, as is the case for the Baltic Sea Region and some other spaces (e.g. Alpe-Adria); and

(c) the experience of the Baltic Sea macro-region should be evaluated before the concept is applied more widely, and before resources are diverted from other areas of Cohesion policy.

Finally, there is a willingness to consider how smaller scale functional regions might be promoted through Cohesion policy. France uses multi-region programmes for both domestic policies and Cohesion policy where this is warranted by geographical challenges or common objectives (see Box 5). At sub-regional scale, the new Polish Strategy for Regional Development makes provision for ‘areas of strategic intervention’ that include metropolitan agglomerations, rural development areas. The concept of ‘city regions’ - enlarged territories from which core urban areas draw people for work and services - has been promoted in the United Kingdom (England), and eight such city regions are part of the Northern Way, a multi-region collaboration initiative across three north English regions.

These are all examples of Member State practice, based on initiatives that have developed to meet the requirements and policy objectives of national governments. While there is a recognition that Cohesion policy could help to build such functional territories, some IQ-Net authorities would be concerned if such spaces were to be determined top down, and had implications for the current approach to determining eligibility for Cohesion policy resources. On the eligibility question, there is a clear divide between countries: between those that support a specific territorial focus on areas with physical and geographical features/handicaps, and urban/rural areas, as well as employing specific indicators (additional to GDP) at different spatial scales; and those that oppose this, arguing for the need to maintain comprehensive approach to territories, rather than separating out urban and rural area issues

Box 5: Multi-regional programmes for coherent and effective territorial development

The French contribution to the consultation on territorial cohesion states that it is indispensable to take account of multi-regional territories which are in a position to generate added value. This leads to gains in implementation coherence and effectiveness since administrative borders are not always in line with territorial characteristics. The implementation of joint interventions also promotes the exchange of experiences, good practice, and the development of networks.

France has adopted four multiregional programmes for functional areas under domestic frameworks and Cohesion policy justified by geographic specificities and joint challenges and objectives (e.g. water quality, flood prevention, accessibility and depopulation): two mountain ranges (Massif Central and the Alps), and two river basins (Rhône and Loire). The added-value of the programmes lies in the identification of priorities which are specific to a particular geographical territory exceeding the regional administrative framework and based on a comprehensive strategy for the territory.

6. SIMPLIFICATION

There is a broad measure of agreement on the need to simplify the implementation of Cohesion policy, especially in the areas of financial management, audit and control.[56] Increased application of the proportionality principle (differentiated requirements) is often mentioned as an option. The ex-post evaluation of EU27 management and implementation systems suggested that this could be applied at the Member States level, based for example on standards of public administration.[57] The Barca Report and the Samecki Paper have proposed several other areas where differentiated requirements could be potentially applied, including certain instruments, types of beneficiary or smaller grants, and to the automatic decommitment rule. Other proposals to simplify financial management include: moving to a two-level management and control system with a single payment and control authority and audit authority; a higher tolerable error rate; basing reimbursements on the declaration of payments by Member States rather than on expenditure by beneficiaries; and the harmonization of eligibility rules for all EU funding instruments.

While there is a broad consensus on the need to simplify the implementation of Cohesion policy, some programme administrators have expressed wariness about new simplification initiatives. It is argued that previous experiences have often resulted in requirements being substituted by reporting and thus achieving little in administrative workload terms. A recent example is the simplification of rules on overheads that has led to demands for additional financial reporting.

Turning to the specific proposals mentioned, differentiated requirements by Member State have received mixed feedback from managing authorities. Some strongly agree with the proposal and argue that the Commission should place greater reliance on the use of domestic audit and control systems, at least in those countries with good systems. It is argued that the designation of a specific Audit Authority for Cohesion policy can be redundant because it simply duplicates the work of national audit authorities. Moreover, if a Member State has weak domestic audit authorities, the weaknesses may also apply to the auditing of Cohesion policy; it could be preferable for the European Court of Auditors (rather than the Commission) to report on the work of the domestic audit authorities in relation to EU expenditure in order to drive up standards. Lastly, it was noted that the differentiation of rules by Member State has a precedent, as the "contracts of confidence" initiative was applied at national level in some cases.

On the other hand, other programme authorities argue that the general rules should apply in a uniform manner across all countries. If some public bodies, programmes or Member

[56] Bachtler J, Mendez C and Wishlade F (2009) Ideas for Budget and Policy Reform: Reviewing the Debate on Cohesion Policy 2014+, *European Policy Research Papers*, No 67, European Policies Research Centre, University of Strathclyde, Glasgow; Davies, S. Gross, F. and Polverari, L. (2008) The Financial Management, Control and Audit of EU Cohesion Policy, *IQ-Net Thematic Paper* 23(2), European Policies Research Centre, University of Strathclyde, Glasgow.

[57] Bachtler J (2009) *Can Differentiated Requirements for Different Member States be Defended*? Paper prepared for hearing on the first findings of the ex post evaluation of objectives 1 and 2, 23 June 2009, European Commission, Brussels;
Bachtler *et al* (2009) *op.cit.*

States do not follow the rules then the Commission should be more demanding, but this does not imply or require differentiated regulatory requirements. Concerns were also raised about the adoption of a two-tier policy model, seen as being contrary to the underlying principles of the EU. In any case, it is considered to be very difficult to agree on such proposals at EU level because it would imply making controversial judgments about the quality of governance arrangements in different Member States.

An alternative proposal is to further develop the single audit principle introduced in the 2007-13 period and which has more general applicability. The underlying aim of the principle is for Commission assurance to be based on national and programme systems' assessment and checking while relying on the audit and control work of the Member States at project level. However, there are doubts about whether the principle is operating as planned or how it will work over the course of the current period. For instance, one programme authority observed that they will have to wait and see if the Commission will "trust" their national audit authority. Moreover, the Commission's auditors still visit and check the work of Audit Authorities and Managing Authorities at the project level, even in cases where the compliance assessment exercise was approved speedily without any significant difficulties.

The recently agreed provisions for the use of simplified costs - to break the link with real costs - was regarded by some managing authorities as being an important breakthrough in the simplification of financial management, audit and control.[58] Again, however, it will be necessary to see how this works in practice as very few managing authorities have yet to implement this option. More generally, several managing authorities mentioned the need for an inter-institutional agreement on a new tolerable risk of error that is sensitive to the specificities of Cohesion policy.

Lighter administrative requirements for smaller projects are generally supported, especially as such projects tend to be led by project promoters with limited resources. However, major projects are also regarded as facing significant administrative burdens. The requirement for Commission approval of major project is not necessarily a problem, but the ex-ante assessment requirements are seen as being onerous and especially difficult for projects that are implemented in phases.

The introduction of some form of proportionality for different types of intervention is generally welcomed by the managing authorities interviewed. A regularly made criticism is that innovative projects are often discouraged from applying for funding due to perceptions about excessive administrative burden, particularly compared to domestic funding streams. Managing authorities often argue that innovative projects should not face the same requirements as, for instance, large-scale infrastructure investments (e.g. a road or railway) where beneficiaries or implementing bodies tend to have the resources or capacities in place to cope with the administrative obligations.

[58] European Commission (2010) *Indirect costs declared on a flat rate basis, flat rate costs calculated by application of standard scales of unit costs and lump sums,* Working document prepared by the Coordination Committee of the Funds (COCOF), COCOF 09/0025/04-EN, Brussels.

Efforts to lessen the administrative burden for financial engineering instruments are also viewed positively by some programme authorities. A more proportionate approach to JESSICA would be welcomed as would efforts to facilitate other innovative solutions in relation to the recycling of funds and sustainability of investments. By contrast, a number of managing authorities argue that it is not necessary for the EU to try to encourage more active take-up of specific instruments (such as venture capital), especially where there is a lack of demand or where the programmes are relatively small scale and such initiatives can be more easily promoted through domestic channels. Similarly, some programme authorities do not see a need for more proportionality in projects involving private sector actors and argue that they should meet the same regulatory standards as public beneficiaries.

Perhaps more urgent than proportionality is the need for clarification of the rules governing financial engineering support. Outstanding questions concern the funding of the domestic co-financing contribution and on administrative costs. Similarly, clarification is needed on the rules relating to project checks and how far into the future these requirements apply. Looking to the future, it is argued that these rules should be defined before the programmes for 2014+ are approved or, better still, they should be set out in a specific regulation before the next period commences.

The proposal to apply the decommitment rule at the national level has some support. The perceived benefits are additional simplicity and flexibility while maintaining discipline, although concerns were raised about the potential "de-responsibilising" effects on programmes especially in Member States with a high number of programmes. The extension of n+2 to n+3 to all Member States also has some support, particularly if there is a move towards an enhanced performance orientation. Others see no need for greater proportionality in relation to n+2 and welcome the disciplinary pressure that it imposes on beneficiaries. It was also noted that applying the rule at national level would invite comparison across Member States and could increase the politicisation of the instrument.

The suggestion that EU reimbursement could be based on a declaration of payments by Member States rather than on expenditure has received mixed reactions. A key benefit would be that payments from the Commission would not be held up by problems with just one specific beneficiary as is the case at the moment. On the other hand, some programme authorities have not reported any particular cash flow problems in relation to Commission payments or argue that programme authorities would still need reasonable assurance that final beneficiaries have genuinely made the relevant investments and have correctly spent the funding. In light of this, there is some uncertainty as to whether the proposal would be any different from current obligations. There could even be some drawbacks. The greater responsibility for managing authorities may in fact imply a greater administrative workload. For instance, it was argued that two payments declarations would be needed, first without verified expenditure and then with verified expenditure by beneficiaries for certification. In addition, the legal implications of the proposals remain unclear.

Lastly, the harmonisation of eligibility rules across EU funding instruments has widespread support. Improved coordination between Commission DGs and clarification of the rules for beneficiaries are regarded as being important goals, even though most eligibility rules are defined at the national level in this period and the proposal is less relevant for those managing authorities that are not involved in the management of other EU instruments. Apart from leading to conflicting interpretations of different EU rules, the current approach is seen to generate competition with other EU funds which are perceived to be easier to administer and to block the ability to cross-finance across Structural Funds. A drawback is that harmonisation may be difficult to achieving in practice at EU or the domestic level, particularly given the different thematic orientation of different instruments and the need for enhanced coordination between different Commission DGs when interpreting the rules. Indeed, harmonisation of eligibility rules may only be feasible through a single regulation for all instruments. Concern was also expressed about the implications of harmonization for the Cohesion Fund as a stand-alone funding instrument.

7. GOVERNANCE

The multi-level governance of Cohesion policy and its implementation through shared management are generally regarded as important assets of the policy.[59] The Barca Report argued that a place-based approach to fulfilling the Treaty's objectives on cohesion requires the responsibility for policy design and implementation to be allocated among different levels of government supported by both contractual relations and trust. Higher levels of government set the rules and general objectives for using the funding provided, leaving it to lower levels of government to implement these principles according to the context as they see fit. The importance of this approach was reinforced by Member State ministers in 2009 who referred to shared management and multi-level governance as being "preconditions of the success of the policy on the ground".[60]

Similar views have been expressed in the debate on Europe 2020, which has been criticised by regional policymakers for insufficient appreciation of the role of sub-national actors. As noted in the HLG paper[61] "many of the policy solutions of the Europe 2020 strategy will need to be implemented at sub-national level; in which regional and local actors have a vital role to play." The HLG paper points out that the delivery of the Lisbon strategy was weakened by "the lack of an efficient multilevel governance system".

Equally, it is recognised that the governance of the policy needs reform. In part, this involves issues like policy concentration (discussed in Section 1 above), strategic coherence (Section 4), a stronger focus on results (Section 3) and simplified administration (Section 6). Two further important questions, which have been addressed in the IQ-Net research, are:

- whether the Commission should have a more strategic role than at present and whether and how its activities should become more focused; and
- whether regulatory or operational changes are required to improve partnership, especially the involvement of regions and local authorities.

7.1 Role of the Commission

The Barca Report argued that the Commission needs "to play a more ambitious and demanding role than today". Specifically, it proposed that the resources and organisation of the Commission (and particularly DG Regio) should be strengthened so that it could play a more effective role: as a 'contract partner' in engaging with Member States on strategic decisions; and as a think tank conversant with advanced economic and social thinking, especially methods at the frontier of international debate and experience. Better internal coordination and cooperation among DGs responsible for structural policies was advocated.

[59] Hübner (2009) *op. cit.* Samecki P (2009a) *op. cit.* Communiqué of Ministers for Regional Policy, Mariánské Lázne, Czech Republic, 23 April 2009, Czech Presidency of the Council of the EU.

[60] Communiqué of Ministers for Regional Policy, *op. cit.*

[61] DG Regio (2010a) *op. cit.* The view is shared by the Committee of the Regions, among others.

Possible changes to the role of the Commission also emerged from the ex post evaluation of Cohesion policy in 2006, which recommended that the Commission should play a more active role in developing institutional capacity, improving leadership, promoting organisational learning and raising standards of public administration.[62]

Some of this analysis is shared by IQ-Net managing authorities. The main criticism of current governance arrangements is that the Commission is overly involved in implementation, especially financial management, control and audit. The past decade has seen growing tension over the costs and benefits of the Structural Funds approach to financial management, control and audit, and over the appropriate roles of EU and Member State authorities in controlling and auditing EU co-financed expenditure.[63] Of particular concern are the increased administrative obligations, a focus on financial absorption at the expense of project quality, and a greater risk aversion in the management of EU funding – termed by some as a 'cover your back' culture where managing and implementing bodies are permanently concerned about being overruled by Commission officials.

Going beyond financial control, a wider issue is the perception that the Commission is not always a 'reliable partner', an assertion made with reference to the way in which ambiguous rules are interpreted late or applied retrospectively, creating significant problems for Member States whose systems have already been set up.

This is often linked to the perceived remoteness of the Commission services from the realities of programme implementation, with a loss of trust between geographical units and programme managers. Examples cited by IQ-Net managing authorities include: the turnover of geographical unit staff in the Commission services, and loss of institutional memory; desk officers who have limited awareness of national and regional development challenges, policies and institutions, or who are poorly briefed (for example on COCOF guidance); the lack of active engagement of desk officers in monitoring committees; and the formality of large-scale annual meetings with the Commission (and attendant lack of opportunity for discussion). Those with longer term memories bemoan the reduction or disappearance of the informal working relationships between desk officers and programme staff which were more common in the 1990s.

Against this background, there is almost universal agreement among IQ-Net Managing Authorities that the Commission should adopt a more 'strategic role', which means focusing on the overall objectives of the policy, supporting learning processes and helping to raise the achievements of the policy.

Fundamental for more effective governance is *resolving the issue of financial management, control and audit* (see Section 6), so that the Commission role is rebalanced away from 'controlling expenditure' and ensuring 'compliance with the rules' to supporting the strategic management of programmes. Key steps highlighted by IQ-Net managing authorities

[62] Bachtler, J., Polverari, L., Oraže, H., Clement, K. and Tödtling-Schönhofer, H. (2009) *op. cit.*

[63] See also: Davies S, Gross F and Polverari (2008) The Financial Management, Control and Audit of EU Cohesion policy: Contrasting Views on Challenges, Idiosyncrasies and the Way Ahead, *IQ-Net Thematic Paper*, 23(2), European Policies Research Centre, University of Strathclyde, Glasgow.

are the need to re-focus efforts on fraud rather than on formal irregularities, and to ensure the proportionality of control requirements at programme and project levels.[64] More generally, there is a perceived need to provide timely, clear and definitive rules and guidance; to ensure greater clarity and better communication; and to improve coordination on this issue within the Commission.

Three other important recommendations by IQ-Net managing authorities are:

- the *development of capacity within the Commission services*, so that they become a valued source of expertise on strategic policy issues, with thematic and institutional knowledge;

- an enhanced role for the Commission in *facilitating the transfer of good practice* from one country/region to another through bilateral Commission-Member State mechanisms, helping not just to spread the diffusion of new ideas but also assisting their application in specific ways which reflect the needs and challenges of individual countries and regions; and

- a *new relationship between Commission geographical units and programme managers*, whereby Commission desk officers develop a better understanding of how Structural Funds regulations and guidelines are translated in practice, and the impact they have 'on the ground'. This potentially means that desk officers serve as a two-way conduit, on the one hand providing a channel for ensuring that EU objectives are met, and on the other hand actively feeding back the views and interests of the regions into the Commission services.

7.2 Partnership

The second governance-related question is whether regulatory or operational changes are required to improve partnership, especially the involvement of regions and local authorities. Under the Barca Report's interpretation of place-based policymaking, the mobilisation of regions and local authorities is required to ensure that everyone is given the opportunity and the information to participate in resource allocation decisions (and also to voice their dissent).[65] Yet, the evidence is that, while there has been a significant increase in the involvement of sub-national actors over the past two decades, the practice of partnership varies greatly between countries.[66] The role of regions is not always guaranteed, and the involvement of local authorities, economic and social partners and non-governmental organisations is frequently minimal.[67]

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[64] *Ibid.*

[65] Barca (2009) *op. cit.* Chapter 1.

[66] Bachtler *et al* (2009) *op. cit.*

[67] Polverari L and Michie R (2009) New Partnership Dynamics in a Changing Cohesion Policy Context, *IQ-Net Thematic Paper*, 25(2), European Policies Research Centre, University of Strathclyde, Glasgow.

The current proposals from the Commission have little to say about partnership. The reflections paper by former Commissioner Hübner suggested that "by creating new types of partnerships multi-level governance can foster cooperation that cuts across administrative boundaries to target policy in functional economic areas".[68] The more recent paper by former Commissioner Samecki noted only that "greater use of public-private partnership schemes has the potential to leverage public resources and increase efficiency and cost-effectiveness."[69]

This caution is replicated among IQ-Net managing authorities, who generally do not see a need for regulatory change.[70] There is a consensus that the partnership obligation is valuable, particularly in securing the involvement of regional and local authorities in the governance of the policy, but there is also a general belief that the interpretation of 'partnership' has to be adapted to national institutional arrangements and practices. For example, several IQ-Net authorities consider themselves to be exemplars of 'best practice' in involving a wide range of partners in all stages of programme management, but this is taking place in a conducive national/regional context, where such approaches are also characteristic of non-EU policymaking.

Most managing authorities appear to be satisfied with their interpretation of partnership, especially the (limited) extent to which non-state actors are involved. Increasing their involvement would demand clarity on what such partners could and should contribute in terms of programme effectiveness, management efficiency or accountability.[71] The main challenge for Cohesion policy, in the view of IQ-Net managing authorities, is how to build capacity among non-state actors – in terms of resources, skills, technical knowledge – to enable them to become more credible and active partners in programme management and implementation.

[68] Hübner (2009) *op. cit.* p.6.

[69] Samecki (2009a) *op. cit.* p.13.

[70] See also Polverari and Michie (2009) *op .cit.*

[71] Polverari and Michie (2009) *op. cit.* p.52.

8. CONCLUSIONS

The aim of this IQ-Net paper has been to assess how recent proposals for reforming EU Cohesion policy are viewed by managing authorities and implementing bodies. It has examined whether the proposed changes are regarded as beneficial in principle, the implications of operationalising them, where they might encounter problems, and what alternatives could be considered. This final section draws together the main conclusions to emerge from the research.

8.1 Reflections on the reform debate

The starting points for the debate are the **strategic objectives** for a future Cohesion policy. There is broad agreement among IQ-Net managing authorities with the principles of Europe 2020 and for Cohesion policy to be aligned with the strategy. However, they are critical of the lack of reference to cohesion issues in Europe 2020 and are greatly concerned at the consequences of an overly thematic approach (as opposed to a place-based approach) for programming Structural and Cohesion Funds. A key challenge for Cohesion policy interests – within and outside the Commission – is not just to advocate the value of Cohesion policy as a useful multi-level government instrument for delivering Europe 2020, but to demonstrate where and how a territorial dimension is an important (or even critical) success factor for achieving Europe 2020 goals.

There is support for the proposed **priorities** of innovation and competitiveness, social inclusion and green growth, but an insistence on sufficient flexibility for strategies to be adapted to national and regional needs and institutional arrangements. Most popular is a menu approach whereby common priorities would be adopted at EU level but interpreted by Member States and regions to suit local circumstances.

A further strategic question is how **coherence between policy areas and funding instruments** can be improved. Managing authorities are supportive of proposals of a 'common strategic framework' for cohesion at EU level but only if it simplifies the hierarchy of objectives rather than adding another layer. However, there is widespread dubiety as to whether such an 'umbrella strategy' is achievable. More realistic would be a single framework for structural policies (regional development, employment, rural development, fisheries) involving a single set of Community guidelines, harmonisation of rules and procedures, joint programming of operations (where feasible), a single audit authority and audit regime, and inter-DG working groups. The interface between Structural Funds and Rural Development is a particular priority in this regard. Importantly, it needs to be recognised that changes to institutional arrangements are not the only answer; there are many lessons from current practice in the Member States that could improve operational coordination.

The importance of territoriality is reinforced in the discussion about **territorial cooperation and territorial cohesion**. Managing authorities see considerable merit in a more integrated policy approach for addressing the distinctive needs and challenges of particular territories, and there is certainly scope for encouraging more a place-based approach to programming (especially analysis) and the allocation of resources. Intervention at different spatial scales could also be considered, but there is a strong insistence on Member States and regions determining the appropriate spatial scale of intervention.

Managing authorities are also supportive of territorial cooperation, but its value is seen as being greater in theory than in practical results on the ground. The perceived complexity and bureaucracy of territorial cooperation gives rise to vehement criticism from some authorities, and there is considerable scepticism about the practicality for expanding this objective unless the implementation problems can be addressed. Progress in Convergence/Competitiveness programmes with territorial cooperation programmes is often proving to be difficult, and there is a need to rethink how best coherence could be achieved, whether by having a single strategic framework, the integration of territorial cooperation actions within regional programmes, or managing both types of programmes with the same administrative structures.

A broader implementation question is how the **performance and results** of Cohesion policy can be improved. While accepting the arguments for a more results-oriented policy, managing authorities are largely sceptical about the use of EU-determined conditionalities and incentives, due to methodological factors (difficulties of setting relevant targets, inadequate data, problems with comparative assessment, external influences), the unpredictable and possibly perverse consequences, and the likelihood of political objections. Instead, authorities see more scope in exploring how individual countries/regions could be incentivised to improve performance in programme-specific ways (especially at project level), and to use more qualitative methods for assessing performance through peer review, benchmarking, exchanges of best practice and evaluation.

A major obstacle is that **monitoring** continues to be problematic for many managing authorities, with unrealistic targets, variable data quality, data processing issues and limited exploitation of results. There is an acceptance that core indicators and target-setting may need to be obligatory (but with guidance available at the programming stage), but this is unlikely to be of sufficient quality to allow aggregation to EU level. In this situation, the question is whether it would make more sense to ensure that programmes have a good-quality monitoring system that meets individual needs (but is not necessarily structured to allow comparability) and to entrust the analysis of results and impacts to evaluation.

It is in the area of **evaluation** that investment appears to have been more productive, with the progressive development of an evaluation ‘culture’ and more commissioning and usage of evaluations. Here again, though, the main message from the research is that evaluation requirements should not be imposed uniformly, but that the approach should be needs-based and flexible, focusing on areas where there is scope for improvement in individual countries and regions.

Strategic reporting is still new and suffers from some of the deficiencies of monitoring and evaluation, notably the compliance-oriented response from several Member States which has undermined the utility of the exercise. The main lessons from the recent exercise is the need for reporting to be more focused, concentrating on strategic issues and assessing the added value of policies – issues that require action on the part of Member States. There is also an onus on the Commission services to demonstrate how the reports can be used effectively as a basis for peer review, and on the Council to demonstrate that there really is political interest in a high-level debate.

The **simplification** of Cohesion policy management and implementation has been a goal of policy debate and reform for more than a decade but has proved to be elusive. There is universal agreement on the need to simplify implementation rules and procedures but no clear consensus on how it should be achieved. Differentiation of requirements by Member State has some support among managing authorities, but others are opposed to moving away from uniformly applied rules. There are also differences over whether decommitment should apply at the national level, and over the suggestion that EU reimbursement could be based on a declaration of payments by Member States, rather than on expenditure.

There is broader agreement on extending the use of 'system assurance' (underlying the current single audit model) whereby the focus of Commission assessment is on national or programme systems, while relying on Member States to ensure that the systems are applied properly in practice. The introduction of some form of proportionality of administrative requirements for different types of intervention – on the basis of scale of resources, risk involved etc – is generally favoured by managing authorities. The need for clear rules is also stressed, a major current concern with respect to financial engineering support for many authorities. Lastly, there is widespread support for the harmonisation of eligibility rules across EU funding instruments.

The final issue discussed in this report is the **governance** of Cohesion policy, notably the role of the Commission and the regulatory and operational approach to partnership. The main criticisms of the Commission by managing authorities are, unsurprisingly, related to its focus on controlling expenditure, alleged ambiguity in the interpretation of rules and the perceived 'remoteness' of the Commission services from the realities of programme implementation. Fundamental for more effective governance is resolving the administrative burden of financial management, control and audit. In addition, managing authorities would welcome the development of capacity within the Commission services on strategic policy issues, an enhanced Commission role in facilitating the transfer of good practice and its application in individual countries/regions, and a better relationship between Commission geographical units and programme managers.

Lastly, on the issue of partnership, managing authorities are generally content with the current arrangements and generally do not see the need for regulatory change. The main challenge is one for Member States in building the capacity among non-state actors to become more credible and active partners in programme management and implementation.

Improving the Quality of Structural Funds Programme Management through Exchange of Experience

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

IQ-Net Meetings

27 partners' meetings and a special 10th anniversary conference have been held in twelve European countries during 14 years of operation of the Network. Meetings are held at approximately six-month intervals and are open to IQ-Net partners and to observers interested in joining the Network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.

IQ-Net Website

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

Partner Intranet Pages available exclusively to IQ-Net members.

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

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

IQ-Net Reports

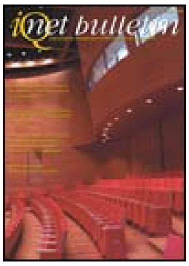
The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, around 26 thematic papers have been produced on both 'functional issues' (e.g. management arrangements, partnership, information and communication, monitoring systems) and 'thematic issues' (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network's partner programmes.

IQ-Net Thematic Papers

- Horizontal Partnership Dynamics in the 2007-2013 period
- Pandora's Box and the Delphic Oracle: EU Cohesion Policy and State Aid Compliance
- The Financial Management, Control and Audit of EU Cohesion Policy
- From Environmental Sustainability to Sustainable Development? Making Concepts Tangible in Structural Funds Programmes
- Making sense of European Cohesion Policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- The New Generation of Operational Programmes, 2007-2013
- National Strategic Reference Frameworks and OPs, 2007-2013
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice
- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds – Institutionalising Good Practice
- Synthesis of Strategies 1994-96

IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network's activities and results. Fourteen issues have been published to date, over the period from 1996 to 2009. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website (public pages). A printed version is also sent out to the IQ-Net mailing list.



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