



SRN Network Early Findings Report

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This report has been drafted by Richard Essex and Liz Mills on behalf of the SRN Network partners.

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EXECUTIVE SUMMARY

SRN – the Sub-regional Regeneration Network – is a network operation co-financed by the EU's INTERREG IIC interregional cooperation programme. The project aims to contribute to more effective use and delivery of Structural Funds and other regeneration programmes in sub-regional areas. Led by Bristol City Council, SRN brings together 12 partners from 7 countries. The project runs from November 2004 to mid 2007.

This Early Findings Report, prepared for the Mid Term Seminar held in December 2005, outlines some key issues in the engagement of sub-regional organisations in the management and delivery of EU Structural Funds, summarises characteristics of the SRN partnership, identifies issues arising from the early meetings and looks towards the next series of workshops, which will focus on good practice.

The Conclusions Session at the Mid Term Seminar reinforced one of the main aims of the project – to influence the post 2006 position on the 'territorial decentralisation' of Structural Funds management and delivery. As Section 2 of this report describes, the European Commission is already convinced of the value of sub-regional involvement and has made provision for this in the future programmes. However, it is important to gather evidence to convince national and regional governments that sub-regional delivery provides added value and to explore different delivery models.

The SRN partnership demonstrates a 'spectrum' of sub-regional engagement with Structural Funds, ranging from significant responsibilities in programming to the development and implementation of individual projects. Five partners are already involved in decentralised management arrangements and can offer detailed experience in, for example, the use of local action plans and sub-regional strategies to ensure that EU-funded projects are in line with policy goals, and the application of different delivery mechanisms.

Interim conclusions based on discussion at the Mid Term Seminar provide a focus for the next stage of the project.

- For each Structural Fund or Objective, **the most appropriate level of sub-regional decentralisation needs to be identified**, taking into account such factors as territorial identity and relationships between different levels of governance. Programme frameworks should be flexible enough to allow management and delivery arrangements to fit regional and sub-regional circumstances, competences and capacities.
- The **benefits of localised delivery of programmes need to be highlighted**. Responsiveness to local needs, high quality projects delivered on time and to cost and making the EU more visible to citizens are examples of factors supporting the move towards further decentralised delivery for the 2007-13 funding period.
- **Good practice models for sub-regional delivery need to be identified as soon as possible**.

The partners also resolved to lobby for further decentralisation, to engage with relevant decision-makers and to work with other exchange of experience projects in order to strengthen their case.

1 INTRODUCTION

1.1 SRN – the Sub-regional Regeneration Network - is a network operation co-financed by the INTERREG IIIC interregional cooperation programme. Supported by the European Regional Development Fund (ERDF), INTERREG is one of the European Union's four Community Initiative Programmes (the others being URBAN II, LEADER+ and EQUAL). The overall objective of IIIC is to improve the effectiveness of policies and instruments for regional development, mainly through large-scale exchange of experience, know-how and information. One of the special roles of the IIIC programme has been to enable partners from different EU regions to work together to achieve better coordinated and more effective Structural Funds spending in the current (2000-06) period and to build their capacity for more effective delivery of these funds in the future.

1.2 The objectives of SRN closely match this agenda. The aim of the project is to contribute to more effective use and delivery of EU Structural Funds and other regeneration programmes in sub-regional areas, especially by identifying ways of improving programme performance and management.

1.3 SRN is led by Bristol City Council (UK). Bristol's Objective 2 Neighbourhood Action Plan Team identified the need for a cooperation project when they discovered that no network already existed to address the particular issues surrounding the engagement of urban local authorities and other sub-regional organisations in the management and delivery of Structural Funds programmes. A partnership was developed early in 2004 and an application for INTERREG IIIC funds approved by the West Zone Steering Committee in November 2004. The project will run until December 2007.

1.4 SRN brings together 12 partners from 7 countries (Table 1). These are local or regional authorities or other public agencies from Tampere and Turku (Finland), Lille (France), Marche, Modena and Piedmont (Italy), Klaipeda (Lithuania), Barcelona and Santa Cruz de Tenerife (Spain); Hranice (Czech Republic), and Bristol and Cumbria (UK).

1.5 The inaugural meeting of the SRN Network was held in Lille in November 2004 and a dedicated web site for the project www.SRNeurope.net established in March 2005. Further details of the partners, and all relevant documentation for the project, are available on the website.

1.6 Network Workshops were held in Modena, Italy in May 2005, and in Hranice, Czech Republic in September 2005. In these early workshop sessions the SRN partners sought to establish the 'Context and Delivery Practice' for Structural Fund programmes in relation to their national, regional and sub-regional circumstances, presenting case studies where appropriate. The standardised information-gathering templates and presentation briefs supplied by the lead partner can be downloaded from the website.

1.7 In designing the project, the SRN partners made provision for a mid term seminar to take stock of the initial findings of the exchange and to raise issues for further consideration during the next round of workshops which will focus on good practice. This Early Findings Report was drafted for that seminar, hosted by the Sociedad de Desarrollo, Santa Cruz, Tenerife on 1 and 2 December 2005.

1.8 This report has been prepared by the Network Expert, Liz Mills Associates, appointed in November 2005. It draws mainly on the information presented by the partners at the earlier workshops, available on the SRN website, and on the subsequent discussions at the Tenerife seminar, including the Conclusions Session (Appendix 1). It is also informed by the network's original proposal for INTERREG IIC funding and by secondary sources, principally evidence from other networks focussing on Structural Funds implementation (though there is limited material on sub-regional issues) and on the European Commission's proposals for Structural Funds post 2006.

1.9 The following section of the report outlines some key issues in the engagement of sub-regional public bodies and agencies in the management and delivery of Structural Funds programmes and domestic funding programmes for regeneration. Section 3 summarises some of the key characteristics of the SRN partner localities and identifies some issues emerging from the early workshops. Section 4 looks towards the next series of workshops, which will focus on the identification of good practice by the partners.

TABLE 1 THE SRN PARTNERS

Partner	Type of organisation	Region	Member State
City of Hranice	Local authority	Stredni Morava	Czech Republic
City of Tampere	Local authority	Lansi-Suomi	Finland
City of Turku	Local authority	Etela-Suomi	Finland
Lille Métropole Communauté Urbaine	Local authority	Nord-Pas-de- Calais	France
Langhe Monferrato Roero	Consortium of local authorities	Piedmont	Italy
Provincia Di Modena	Local authority	Emilia- Romagna	Italy
Sviluppo Marche (SVIM)	Regional Development Company	Marche	Italy
Klaipeda Regional Development Agency	Development Agency	Lietuva	Lithuania
Diputacio de Barcelona	Local authority	Catalonia	Spain
Santa Cruz de Tenerife Development Society	Development Agency	Canarias	Spain
Bristol City Council	Local authority	South West	UK
Cumbria County Council	Local authority	North West	UK

2 ISSUES IN THE SUB-REGIONAL MANAGEMENT AND DELIVERY OF STRUCTURAL FUNDS

2.1 There is an expanding body of evidence on ways to improve effectiveness in the implementation of EU Structural Funds and other regeneration programmes. Moreover, the exchange of experience between regions as means of improving management practices and implementation is increasingly supported.¹

2.2 There are other exchange of experience projects allowing regional level organisations to cooperate (examples are the IQ-Net network²; a recent project led by Wallonia (Belgium), with funding from the ERDF under Objective 2 Technical Assistance³; and the INTERREG IIIC project Sharing Solutions on Structural Funds – S3⁴) However, the SRN project has a particular contribution to make in focusing on the involvement of urban authorities and other sub-regional organisations in the management and delivery of programmes.

2.3 There has been some potential for decentralisation of aspects of programme management in the current financial period. In line with the principle of subsidiarity, some management and implementation tasks may most appropriately be delivered by sub regional bodies. However, such decentralisation requires a clear definition of roles between levels of governance, and is heavily reliant on the development of competence at both regional and sub-regional levels.

2.4 This project is timely, in view of the European Commission's proposals for reform of the EU Structural Funds for the period 2007-13⁵. Decentralisation, with a stronger role for both regional and local stakeholders, is one of the three guiding principles behind the reform, along with greater concentration on the most deprived areas and on the policy priorities agreed in the Lisbon and Gothenburg agendas, and simplification of the regulations, financial management arrangements and the funds themselves.

2.5 Factors most often cited as supporting a move towards greater involvement of regional and sub-regional organisations are the benefits of partnership working (especially horizontal partnership, engaging with a range of local stakeholders) and greater visibility for the role of EU funding in helping to improve local conditions in line with the best European practice. Partnership is explored in detail in the DG Regio Discussion Paper *Partnership in the 2000-2006 Programming Period: analysis of the implementation of the partnership principle* (Nov 2005). This discussion of the added value of effective partnership highlights aspects of good practice in some of the SRN partner countries. For example, in Finland the Regional Council and Regional Management Committee partnership structures referred to in paragraph 3.13 below, are given particular praise. The UK is cited for partnership models in the strategy development process and in programme management. The Discussion Paper concludes that partnership can contribute to the effectiveness, efficiency, legitimacy and transparency of Structural Funds and to the commitment to - and ownership of - programme outputs. For the next programme period, the Commission, through the Regulations, is seeking to extend partnership, for example by adding a range of external stakeholder organisations to management structures.

2.6 The Commission clearly recognises that outcomes of spending 'on the ground' are likely to be improved when those designing and delivering the programmes have a good understanding of local circumstances. As the Regional Policy Commissioner commented recently :

Development programmes must be conceived and executed at the local and regional level by those who understand local people and the business environment⁶.

2.7 Attention to local priorities needs to be set against strategic European goals. As the Commissioner went on to say, the draft Community Strategic Guidelines adopted by the Commission in July 2005⁷, and currently being finalised, aim to strike a balance 'between concentrating on key priorities at the Community level and allowing sufficient leeway for development programmes to match local opportunities and requirements'.

2.8 Sub-regional organisations have a significant opportunity here to demonstrate that they are capable of fulfilling this dual role, ensuring that programmes are not 'captured' by local communities to such an extent that European perspectives are lost.

2.9 However, the extent to which both regional and sub-regional organisations acquire greater responsibilities for Structural Funds programming and delivery in the next financial period will depend not only on the creation of a positive framework at EU level, in terms of the Regulations and Guidelines, but also on the extent to which national governments provide for their increased hands-on involvement. A case still needs to be made in each country for greater local participation, for example in preparing the National Strategic Reference Frameworks for Cohesion policy on which work has already started.

2.10 Moreover, the extent of decentralisation eventually achieved will very much depend on the organisational arrangements put in place and on how far effective working relationships can be established between the regional levels of programming and sub-regional bodies more directly responsible for delivery.

2.11 As regards major urban areas a more active role seems likely, as evidenced, for example, by the Commission's recent staff working paper on Cohesion policy and cities⁸ in which the scope for urban areas to deliver more integrated approaches to sustainable urban development, bringing to bear all of the policy instruments at their disposal, including various funding streams, is particularly stressed. Here it is important to take account of experience in URBAN as well as in Objective 2.

2.12 Participation of stakeholders from rural areas also needs to be assured. Experience from the LEADER programmes is of particular relevance in this context.

2.13 In the case of both urban and rural areas, one of the strongest arguments to be made for increased sub-regional engagement is probably the aspiration to deliver joined-up strategies for competitiveness and sustainability, bringing together the Lisbon and Gothenburg goals. There remains considerable separation of these two agendas at national level in most EU Member States, and in general the prospects for increased integration seem to be greater at 'lower' levels of governance. Local authorities, in particular, have much to offer here.

2.14 In the light of these developments, SRN partners are considering both the positive and the potentially more challenging aspects of sub-regional involvement in Structural Funds and other regeneration programmes and aiming to bring forward experiences which will be useful both in making the best use of the remaining existing funds and in preparing for what is likely to be a larger role after 2006.

2.15 If the SRN project is to contribute towards a greater decentralisation of programme and project management to sub regional and local levels, it will be important to demonstrate some innovative approaches to the deployment of funds. Some SRN partners already have experience of devolved or decentralised management of budgets and programmes. Other partners have experience to offer in demonstrating the effective use of funding sources for the benefit of a local and/or a sub-regional area.

2.16 Innovation may relate not only to the management of one funding programme but also to the way the partners use all of the financial and other policy measures available to them. Each partner is working with a different 'cluster' of funds, so there is scope to explore how far these resources are managed in a complementary way to support effective delivery of key local, sub-regional and regional objectives. The explicit link to delivery of regional policy priorities, in line with the requirements of the INTERREG IIC programme, is one of the strengths of the SRN project.

2.17 The SRN exchange also represents an opportunity to address some specific problems attaching to local management and delivery of funding programmes, such as :

- **programme performance** - a key issue in all Member States, regions and municipalities. The arrangements for monitoring programme delivery, including the types of indicators used, could benefit examination. There are known to be difficulties in making broad assessments of what Structural Funds programmes have delivered in a particular region or country when there is not a direct connection between programme-level objectives and targets and the indicators used to assess the outcomes of individual projects.
- **quality of projects** when decisions about funding are made at a very local level. Some programmes have reportedly suffered from excessive reliance on standard checklists as a way of allocating funds, and in some situations local decision-makers are seen to avoid funding projects perceived as 'risky'. An IQ Net report on *Improving Added Value in post 2006 Programmes* refers to the need to facilitate risk taking as a way to encourage innovation in regional development.⁹

2.18 It is important that such problem areas are identified during the project, as they are known to exist throughout the EU. Being able to suggest how these problems can be successfully overcome will add status and credibility to the SRN initiative.

2.19 On the whole, the changing EU funding scene is positive in that sub-regional organisations are likely to play a bigger 'hands-on' role in future, rather than simply applying for project funds. However, it is also the case that with an increased geographical focus on the most disadvantaged areas some of the SRN partners are unlikely to have continued access to Structural Funds in future. For these partners it is especially important to make the most effective use of the current funding, not least to identify funding mechanisms, management arrangements and procedures which could be taken up in domestic regeneration programmes.

3 EVIDENCE FROM THE SRN PARTNERS

3.1 The SRN proposal highlighted several aspects of Structural Funds management and delivery to be explored during the project, including the regional context; ways of meeting local, sub-regional and regional strategic priorities; existing institutional structures within which Structural Funds programmes are operating; different programme delivery models; decision-making processes; the involvement of key stakeholders; and processes for the selection of individual projects. These are broadly the questions used to structure the collection of information from the partners at the early SRN meetings.

3.2 Less emphasis was placed in these first meetings on systematic consideration of the engagement of sub-regional bodies in **monitoring the outcomes of projects** (for example, in defining and applying indicators) or **evaluating programme performance**. Nevertheless, the importance of identifying 'what works and what doesn't' is clearly a central theme for the project.

3.3 It is important to note that, at this mid term stage, comprehensive and systematic information about involvement in the management and delivery of Structural Funds and comparable domestic regeneration programmes has not yet been supplied by all the partners. However, it is possible to make some general observations based on the evidence gathered so far. More detailed descriptions of good practice will be presented in the final Good Practice Guide.

A diverse partnership

3.4 First, as is the case with many IIC projects, the participants are a very diverse group. As regards **population and type of territory**, they include large city regions or provinces with populations of between 1 and 5 million (Lille, Barcelona), urban areas such as Bristol with a population closer to half a million, and at least one more rural sub region, Cumbria. The differences of scale at national, regional and sub regional levels are dramatic, with the Member State of Lithuania (Klaipeda partner) having a population of 3 million compared with 4.7 million for Barcelona Province.

3.5 The **economic and social characteristics** of the partner localities also vary widely. Some are high profile regions or recognised as thriving cities. Emilia Romagna (in which Modena is located) was classified some years ago as one of Europe's 'Intelligent Regions', with successful industrial clusters, a thriving SME sector and very proactive development agencies. Catalonia (Barcelona Province) is one of the 'Four Motor Regions' of Europe, with Barcelona a leading European and World city. Lille was recently a European City of Culture. Other sub regions represented in the project are experiencing or seeking to achieve economic restructuring, primarily as a response to globalisation. Three of the partners class themselves as generally successful cities where prosperity and social exclusion exist in close proximity. The Finnish cities of Tampere and Turku have strong high technology industry as well as deprived communities. Bristol claims the second strongest city economy in England, yet has disadvantaged neighbourhoods qualifying for Objective 2 assistance in 2000-06. Cumbria and Modena, in contrast, are dealing with major issues in rural regeneration.

3.6 There are also some **strong contrasts in the national contexts** within which the SRN partners are operating. The partnership includes both longstanding EU

Member States with considerable past experience in Structural Funds implementation (such as France and Italy) and more recent enlargement countries (Czech Republic and Lithuania) with more limited experience in some of the major EU programmes. National policy priorities, which are reflected in programme measures and project activities, also vary. For example, in France increasing priority is being given to cities and towns in regions challenged by economic and industrial restructuring. In Lithuania and the Czech Republic, infrastructure is a key strategic and local issue. In the UK, sustainable economic growth and employment, and the reduction in economic and social disparities, are the priorities.

3.7 Moreover, the **institutional structures** existing in each of the 7 partner countries range from the highly centralised (Lithuania and the Czech Republic) to more devolved governance arrangements elsewhere, with different models pertaining in France, Italy, Spain and the UK.

3.8 Differences in the **legal and accountancy systems** within the different Member States – which can affect the way in which EU regulations are interpreted – emerged as key issues during the discussions in Tenerife.

3.9 The partners themselves are a mix of **different representative bodies**. They include large provincial or city region authorities (Modena Province, Lille Métropole and Barcelona Provincial Council); municipalities (local authorities), as in the case of Bristol, Cumbria, Hranice, Tampere and Turku; and local or regional development agencies, including Klaipeda Regional Development Agency, Langhe Monferato Roero (Piedmont), a consortium of local authorities and other partners, Sviluppo Marche (SVIM) Regional Development Company located in Ancona, and Santa Cruz de Tenerife Development Society.

3.10 It is also the case that **the SRN partners are not sharing experience on only one EU programme** (such as Objective 2) in which all participate. Each partner locality has access to several different programmes (Appendix 2). It is worth pointing out here that the scope for engagement by sub-regional organisations varies from one EU programme to another, it being greater for some of the current Community Initiatives (LEADER+, in particular) than for the mainstream Structural Funds.

3.11 This diversity represents a challenge – especially to establish common principles for identifying transferable good practice - but also a rich resource in terms of identifying a range of innovative approaches to the deployment of Structural Funds in conjunction with domestic regeneration programmes.

SRN partners in EU programme management and delivery

3.12 Given the regulatory provisions, **programming** is inevitably a role for national government. However, there has been some potential for the decentralisation of aspects of programme management in the current financial period.

3.13 Most Member States have established institutional structures at the regional level for participation in the overall management of EU programmes, though in some countries (such as England within UK) the main participants are regional offices of central government departments rather than regional governments. Sub-regional organisations, especially local authorities, may have a formal role in programme management via their representation on regional committees or boards.

In the case of the Objective 1 and 2 programmes in **Finland**, municipalities are represented on the Regional Management Committee of each programme via membership of their Regional Council. All municipalities in a region are required to be members of their Regional Council, which is a joint municipal board. The Regional Council is the lead organisation for regional development, responsible for drawing up a Regional Plan and ensuring delivery of a strategic implementation programme.

The Emilia-Romagna region of **Italy** provides a model of good practice for the management of ERDF. Sub regional bodies were involved in the preparation of the Objective 2 Single Programming Document (SPD) for the current period, and both provincial and municipal organisations – including Modena - are involved in the regulatory framework within the region. Local stakeholders (both private and public sector) participate in partnership arrangements. Implementation is now the priority for the region. Working methods applied during the 2000-06 period are being appraised, so that resource programming and integration of interventions for the 2007-13 period can take place at the most appropriate territorial level.

3.14 In some Member States the involvement of sub-regional organisations goes further, with **decentralised management and delivery** of some elements of Objective 1 and 2 programmes. Where this occurs at all it is generally restricted to particular Priorities and Measures regarded as appropriate for local implementation.

3.15 Five SRN partners have decentralised responsibilities in the management and delivery of Objective 2 programmes - Bristol City Council, Cumbria County Council, Modena Province and the Cities of Tampere and Turku. Bristol manages neighbourhood renewal within the South West Objective 2 Programme and enjoys an unusual degree of devolved responsibility for this task. Cumbria County Council is accountable for the delivery of four devolved action plans, and Modena manages support to particular private sector investments and local public administration interventions. In Modena, there is decentralisation of specific elements from several different programmes – including Objective 3 and the Rural Development Plan. The City of Turku manages the East Turku programme, which is the urban element of the Southern Finland Objective 2 programme. Similarly in Tampere the City Council has overall responsibility for the Hervanta programme, part of Western Finland Objective 2.

3.16 Specific reference is made to a current absence of devolution of any significant programme management functions to sub regional entities in Lille, Hranice and Barcelona, despite the eligibility of these localities for Objective 1 (Hranice) or Objective 2 (Barcelona and Lille). However, Lille was previously involved in devolved management and delivery of the URBAN I Community Initiative (1994-99).

As a sub regional territorial entity, **Diputacio De Barcelona** and its constituent Municipalities, have not experienced significant decentralisation of mainstream Structural Funds management and delivery functions. There is an absence of a “devolutionary chain”. Currently, local government in **Spain** cannot access mainstream Structural Fund programmes directly, the percentage of Structural Funds directed to the Municipality level is very low, and sub regional and local entities are reportedly the last to be consulted on Structural Funds programming and programme management. However, EU Community Initiative Programmes, such as LEADER and EQUAL, have operated on a more localised level.

3.17 As an exception to the lack of devolved delivery of mainstream Structural Funds in Spain, Barcelona reports past experience in the use of **global grants** as a means of managing and implementing Measure activities (specifically, a special project for the 1994-99 ESF programme). Lille partners have commented that, although global grants are widely used at the regional level in Nord-Pas de Calais, there has been no decentralisation of this mechanism to the sub regional level.

3.18 In Lithuania and the Czech Republic, Structural Funds are delivered through one national programme, with no engagement by sub-regional bodies in management and delivery. Their main role is in project implementation. Similarly, the Santa Cruz de Tenerife Development Society has some experience in implementing projects supported by the Objective 1 Programme for the Canary Islands 2000-06, and two further Italian partners – Langhe Monferrato Roero and SVIM – are also mainly involved at the project level.

In the case of the **Lithuania SPD**, ‘counties’ like Klaipeda do not currently have a role in programme management but rather benefit from a financial allocation from the national programme. The Klaipeda Regional Development Agency was involved in pre-accession activities funded through PHARE, and is exploring ways to work with the NUTS 2 level authorities that manage the national SPD, but current involvement is through projects rather than programme management.

Local Action Plans and sub-regional strategies

3.19 For those SRN partners with devolved arrangements for management and delivery in Objective 2, a key mechanism for the organisation of these tasks is the Local Action Plan or sub-regional strategy. The scope for integrated delivery of programmes is strong where there is clear correspondence between the agreed policy objectives for the locality and particular Structural Funds Priorities and Measures.

Bristol, has established a Local Action Plan designed to deliver regional priorities locally, whilst engaging local communities. Key objectives in the Plan are linked to specific Measures in the South West Objective 2 programme.

In **Cumbria**, A Regional Economic Strategy and a Regional Spatial Strategy provide the overall context for a Sub Regional Strategy prepared by a partnership led by the County Council. Action Plans have then been prepared for specific localities in relation to programme Priorities. Examples are Community Development (People and Communities) and Regional Infrastructure (Economic Development Zones).

In **Modena**, a Provincial Strategy for Economic Development has been established, addressing specific economic sectors. This informs Priorities and Measures within the Structural Fund programmes. Local Strategic Plans, with objectives relating to local economic, social and environmental needs and opportunities, have also been prepared for the two Objective 2 programme areas within the Province, and these 'guide' the type of projects submitted within the Regional programme Priorities.

In **Tampere**, both the City's General Development Strategy and a Business Development Strategy assist in the guidance of Measure-specific activities within the Hervanta Objective 2 programme.

Delivery mechanisms

3.20 In the context of a local strategy there is scope to devise different mechanisms for delivery.

In **Cumbria** local partners have established two companies to undertake the required tasks. Westlakes Renaissance deals with urban initiatives in coastal towns suffering from major economic restructuring. Rural Regeneration Cumbria deals with rural renaissance in the interior of the county, much of which is a National Park. These companies work closely with the Regeneration Support Team within the local authority, which effectively coordinates project appraisal, monitoring and financial management for the Objective 2 programme (overall management by the Regional Office of central government) and UK regeneration funds (dispersed by the Regional Development Agency).

Project selection

3.21 In general, the procedures for project selection within EU programmes are defined at national and/or regional level, currently with very little input from sub-regional bodies. For the most part, project selection is 'top down', with the involvement of sub-regional organisations restricted to helping to assess project proposals and to performing an advisory role on decision-making structures at the regional and/or national levels. This applies to most of the SRN partners. In the case of Barcelona, for example, programme management is devolved only to the regional level in Catalonia and project selection also occurs at this level. The focus at sub regional level is project delivery. In Lithuania, where the whole country is defined

as one NUTS 2 level region, the strategic decisions, including project selection and approval, are taken at national Ministry level.

3.22 Where some programme management functions are devolved, sub-regional bodies are much more likely to be directly involved in project selection. Some SRN partners have established mechanisms to ensure that projects applying for EU funds are assessed against the policy priorities set out in the Local Action Plan or sub-regional strategy. However, final decisions on very large or contentious projects are likely to be taken at regional level.

In **Bristol**, a two-stage application process has been established for the Objective 2 Neighbourhood Renewal programme priority. A simple outline application is submitted to, and considered by, the Bristol Partnership Regeneration Programmes Management Group (RPMG). Approved outline applications proceed to a more detailed and complex full application. Following a full technical appraisal, ERDF applications are considered by the RPMG, with those of a larger scale or of a contentious nature also being considered by the regional office of central government.

Support to project development and delivery

3.23 Initial evidence from the SRN partners suggests a significant and increasing reliance on project delivery at the sub regional level, although the extent of this is not consistent throughout the network. Some partners have acted as proactive intermediaries between regionally based programme management structures and individual project applicants.

The Linkki project in East **Turku** is a good example. This is a Turku City Council initiative that activates development projects within the programme and coordinates, monitors and assists implementation. It also performs a supportive role in relation to business support and community development projects. A similar function is undertaken by the Hervanta EU Office within **Tampere** City Council.

3.24 Some SRN partners, such as Klaipeda and Tampere, manage a cluster of projects.

Ensuring complementarity between Structural Fund and domestic regeneration programmes

3.25 In the first stage of the project, the SRN partners have also considered the question of achieving complementarity between EU and domestic funding programmes, which is a challenge for all Member States.

3.26 Amongst the SRN partners, discontinuities between EU and domestic programmes are attributed mainly to characteristics of the institutional structures within each country or region, and to the differing perspectives of the public sector authorities, departments within these authorities, and external agencies involved in specific programme initiatives. For example, management of EU funds is frequently

handled by 'European specialists', though they may be located within organisations handling more than one regeneration programme.

3.27 However, the initial evidence from the project provides a number of pointers to more effective integration of programmes. In general, delivery models appear to be more integrated in those countries with a longer involvement with EU programmes, and here the existence of a clear strategic lead at national level as to how EU funding resources can most effectively be deployed in relation to national policy priorities seems to be a key factor.

In **Lille** there appears to be a high level of complementarity between EU and domestic funding programmes at the national, regional, sub regional and local levels. This is at least partly attributed to an increased national focus of both policy and funding programmes on cities, towns and districts in former industrial regions that are in crisis or being redeveloped. In France, the new Structural Fund programming period 2007–2013 is expected to see an extension of the partnership arrangements for Structural Funds delivery to local authorities and sub regional economic and social agencies, with explicit inclusion of the urban dimension in future programmes.

Management of funds from a range of sources

3.28 Further scope for joined-up implementation of EU and domestic regeneration programmes is provided where sub-regional bodies have a degree of control over several different funding sources which can be used in a complementary way.

3.29 This is not simply a question of match funding to lever EU funds. However, SRN partners point to the importance of getting match funding arrangements right if the most effective use is to be made of EU resources. Within SRN there is very little evidence of the availability of match funding at source, with only Italy (in relation to Emilia Romagna and Modena Province) possessing the facility of a 35% national government commitment. Elsewhere match funding is generally secured on a project-by-project basis, with funding provided mainly through national sectoral programmes. These do not always correspond with Structural Fund programmes in terms of grant criteria and timescales for submissions and decisions. This can lead to major administrative difficulties for project managers and promoters.

3.30 SRN partners demonstrate some creativity in accessing match funds from sources other than national regeneration budgets. In Cumbria, for example, the UK's Heritage Lottery Fund has committed a substantial level of finance. In Lille, the level of business tax revenue is an important factor in being able to provide match funding at the local level.

3.31 There has so far been relatively little discussion in the project as to how far the SRN partner localities are seeking to achieve **complementary use of funds from several different EU programmes**. Some have tried to achieve links between Objective 2 and Objective 3 funding sources through the development of integrated projects. However, many of the partners access a much broader range of budgets than this. For example, to support various urban initiatives Bristol City Council benefits not only from Objective 2 but also from, for example, URBAN II (and URBACT), INTERREG, CIVITAS (for urban transport) and DG Environment's Community Framework for Cooperation to Support Sustainable Urban Development.

There may be scope for further consideration of how SRN partners manage their participation in such programmes, especially where competitive bids must be submitted for project support, in contrast to much of the spending through mainstream Structural Funds where managers are more concerned with the allocation of already agreed funds.

Partnership relationships and structures

3.32 In view of the importance placed on partnership mechanisms, and especially engagement of a range of stakeholders at local level, in current discussions about the further devolution of Structural Funds management, it is important to discover more on the extent to which SRN partners are involved in both vertical partnership structures (bringing together national, regional and sub-regional levels of governance) and horizontal arrangements involving public, private, NGO and community organisations and participants from different sectors. The evidence on vertical partnership is starting to emerge. Future workshops will need to give more attention to the partners' engagement with local stakeholders, and especially with the whole range of sectoral partners likely to be included in the new Regulations.

Added value of Structural Funds programmes in sub-regional areas

3.33 All Network partners recognise the value of Structural Funds in terms of the additional financial resources that have enabled 'hard' and 'soft' projects to proceed, and in terms of less direct benefits, such as skills enhancement. However, added value is coming to be interpreted much more broadly than this. For example, the IQ-Net assessment of added value in post 2006 Structural Funds programmes, referred to above¹⁰, includes also issues relating to the principles of proportionality, subsidiarity, streamlining and coherence, all of which are of relevance to sub regional management and delivery. These will need to be borne in mind in identifying good practice amongst SRN Partners.

Interim conclusions from the Mid Term Seminar

3.34 Reviewing the overall findings so far, especially in relation to the likely increased opportunities for involvement by sub-regional bodies in the management and delivery of EU funds post 2006, the final session in Tenerife reached three main interim conclusions, as follows :

- for each Structural Fund, **the most appropriate level of sub-regional decentralisation needs to be identified**, taking into account such factors as coherence of identity for the particular territory (sub-region or urban area, for example), and relationships between different levels of governance. Whilst programme management might be more appropriate at NUTS2 level, implementation and integrated project delivery are better handled locally. In the case of Finland, for example, it was suggested that the appropriate sub-regional level for Structural Funds delivery is the major urban area or city-region. In general, programme frameworks need to be sufficiently flexible to allow management and delivery arrangements to fit regional and sub-regional circumstances, competences and capacities.

- the **benefits of localised delivery of programmes need to be highlighted**. Examples include responsiveness to local needs, high quality projects delivered on time and to cost, commitment to sustainability in project development, and making the EU more visible to citizens.
- **good practice models for sub-regional delivery need to be identified as soon as possible**. The partners could particularly explore the role of sub-regional organisations as ‘intermediary bodies’ – between the national/regional programme managers and local project developers. For example, the experience of many Network Partners is that current Structural Fund programming and the associated regulatory framework generate too much bureaucracy and ‘red tape’. Local organisations find it difficult to engage in such circumstances. Intermediary bodies can help with technical assistance and support to overcoming the barriers to access, and can act as an interface between the strategic national and regional programming levels and the local organisations that generate specific project/investment proposals, reflecting local needs.

4 NEXT STEPS

A focus on good practice

4.1 The next phase of the project will involve the identification of elements of programme management and delivery which constitute good practice. The original proposal for SRN envisaged how this might be done, stressing, for example, the importance of identifying practice resulting in spending in line with regional and sub-regional policy priorities, and maximising environmental and social benefit and economic effectiveness.

4.2 The proposal envisages that each SRN partner will be responsible for identifying their own examples of good practice, for the most part drawing on formal evaluations of the spending programmes where these have been carried out. For example, all Structural Funds programmes have been subject to Mid Term Evaluation, and an update of these evaluations was required by the end of 2005. Those partners involved in these EU programmes should therefore be in a position to extract examples from their review documents as a first step. It is to be expected that these Reviews will have exposed issues relating to the formal requirements for programme management, such as how the ‘horizontal’ priorities of environmental sustainability, equal opportunities and the information society have been reflected in local projects.

4.3 However, it is likely that the partners will want to broaden their exploration of practice, for example, to try and identify existing arrangements which may come to be more generally applied in the reformed programmes for the 2007-13 period.

4.4 Additionally, there is scope for a certain amount of ‘peer review’, in which partners may wish to highlight aspects of practice elsewhere which they find interesting, or even inspiring.

4.5 In identifying good practice examples there is a need to balance process and content. In EU terms, ‘good practice’ can be product-led (a physical outcome) or process-driven (organisational structures and procedures). SRN is focusing mainly

on the latter. However, processes cannot be understood independently of the context in which they operate, which is why it is important to achieve a thorough understanding of conditions in each region and the competences and capacity of relevant regional and local authorities involved in programme management and delivery. Much of this information has been made available from the early Workshop sessions. The next round of meetings will provide an opportunity to fill gaps and take a more detailed look at activities in each partner locality.

4.6 Although the content of programmes is not the main focus of the project, using particular topics can assist an understanding of, and the discussion about, processes. A straightforward way of proceeding is for partners to find examples of where good management and effective decision-making processes have led to demonstrable improvements 'on the ground' in particular policy areas. Such an approach will also enable the network partners to make concrete comparisons between local delivery approaches and the operation of different programme models at 'higher' regional levels.

4.7 An initial discussion on how to identify good practice amongst the SRN partners took place at the mid term seminar in Tenerife. This raised several additional points.

4.8 First, SRN partners need to provide evidence of good practice in a range of actions associated with the management and delivery of both Structural Funds and domestic regeneration programmes at the sub-regional level. Up to now, most of the emphasis in the project has been on engagement with particular EU funds. There is scope to explore complementary domestic regeneration programmes in more depth.

4.9 As regards Structural Funds, there is likely to be scope for much greater involvement by sub-regional organisations in both programming and delivery in the 2007-13 financial period.

4.10 In order to make a significant contribution in raising awareness of what sub-regional organisations can contribute to programming, SRN partners need more strongly to highlight any existing involvement in the preparation and management of the regional programmes (for example, participation in the regional working groups which drafted the current programme documents; a formal role in overseeing the Mid Term Review) and consider whether there are any lessons arising from the current arrangements on how this might be better organised in future.

4.11 Where certain aspects of programme management have already been decentralised or devolved to a sub-regional level, the SRN partners involved particularly need to demonstrate :

- that they are able to embrace the strategic (top down) and local needs (bottom up) requirements in programme management, project selection and implementation;
- that they can meet EU requirements in respect of, for example, Structural Fund horizontal themes, such as environmental sustainability (which will be mainstream priorities in the next round of funding) and particular Regulations such as those surrounding State Aids. For example, they may have access to specialist skills in these areas of programme management and delivery.

- their match funding mechanisms, and any particular lessons as to how regional or national match funding sources might be better arranged.

4.12 All SRN partners involved in the management of funds, whether directly involved in Structural Funds management or not, need to identify examples of practice which demonstrate :

- integrated action by public authorities at the sub-regional level (for example, cross departmental working within organisations, and joint working with other agencies);
- organisational capacity and commitment to effective partnership with a wide range of stakeholders (public, private, voluntary/NGO and local community sectors);
- that they are capable of sound management practice, highlighting structures and procedures that are transparent, fair and not overly bureaucratic;
- that, in project selection, they are capable of informed decision-making and have established appropriate mechanisms and procedures for this, for example avoiding conflicts of interest;
- methods for supporting the development and implementation of projects;
- ways to ensure that projects are a good fit with national, regional and sub-regional policy priorities (noting that it is a specific goal of SRN to demonstrate how far various funding programmes are contributing to the delivery of the strategies of the regions – and not only sub-regions - in which the partners are located);
- competence in monitoring and evaluating project and programme results.

4.13 At the project level, SRN partners need to identify examples of projects which are good quality and delivered on time and to cost. Being able to display competence in project delivery creates confidence and trust with those decision makers who may be influential in determining whether there should be greater decentralisation of programme and project management functions to the sub-regional level in the future.

4.14 Additionally, bearing in mind the current reform of EU Structural Funds, it would be judicious to showcase projects, or a cluster of linked subregional activities, which :

- have utilised more than one priority or measure within a Structural Fund programme;
- demonstrate complementary application of several EU budgets or EU/domestic regeneration programmes to meet specific local or regional objectives;
- fit the more focused priorities (for example, the themes derived from the Lisbon and Gothenburg agendas) now being established in the EU Regulations and Community Strategic Guidelines.

4.15 In sum, the SRN partners need to make the most of their existing 'track record' in programme delivery, and to demonstrate commitment to gearing up their future participation in this area of work. This might include, for example, a readiness to commit resources or to undertake training in order to acquire the necessary further competences.

4.16 A later round of workshops will focus on identifying those elements of good practice which are transferable. SRN partners would be advised to have this in mind in identifying examples to bring forward, because in the EU context transferability itself tends to be a mark of good practice.

4.17 Further issues flagged for further consideration at future SRN meetings include :

- the importance of effective leadership, or even the creation of 'champions', for management and delivery of EU programmes at sub regional level;
- the cost of alternative methods for programme management. National governments, in particular, will need to be convinced that greater involvement of sub-regional bodies, including the decentralisation of management responsibilities, will be cost effective and deliver 'value for money'.
- how SRN might contribute to the further integration of EU and domestic agendas in the case of both urban and rural regeneration.

4.18 It will be for the Network Steering Group to confirm the main themes for a discussion of good practice at the next workshop, planned for Barcelona in April 2006, and at subsequent SRN meetings.

Staying in touch with preparations for future EU programmes

4.19 Partners in the SRN project have all along stressed the need for the findings of the project to be used in the preparation of future programmes, requiring them to keep in touch with developments and to identify ways of feeding results to appropriate policy makers.

4.20 The eventual Good Practice Report will be the main summary of the project's findings. It is essential that all partners supply sufficiently detailed information about their existing practice to enable this to be prepared.

4.21 In the meantime :

- The Mid term Seminar has provided useful visibility for the project and made some important links, for example to the EU institutions and to related INTERREG projects. There is scope to make more use of these links. For example, there is an immediate opportunity to cooperate with the INTERREG IIIC project S3, in which Catalonia and Emilia Romagna are partners, which is exploring and promoting the involvement of regional organisations in structural funds delivery.
- The website contains much useful information, but there is scope to make more use of it, for example, to supply more information about the individual partner localities and organisations.

- The partners may want to consider other ways to reach policy makers. For example, this could be achieved by giving presentations of interim findings at appropriate seminars, or by channelling findings through the Brussels offices of partner regions.

4.22 At this stage in the project all of the SRN partners are on a 'learning curve' and keen to move further in terms of their own experience in managing and delivering funding programmes. The next stages of the project should enable the partners to consolidate their knowledge of practice in one another's localities and to bring forward some solid examples of good and transferable practice for a broader European audience.

NOTES AND SOURCES

¹ See for example the special issue of *Inforegio Panorama* on Best Practice in Regional Development No 16 May 2005

² www.eprc.strath.ac.uk/iqnet

³ Luc Hougardy 'Exchanging good management practices between regions' *Inforegio Panorama* No 16 May 2005, p.23

⁴ www.s3-interreg.net

⁵ COM (2004) 429 Final of 4 July 2004

⁶ Speech by Danuta Hubner to the conference on Delivery of the Lisbon and Gothenburg agendas through Structural Funds and Rural Development Programmes in 2007-13, Newcastle (UK), November 2005

⁷ Communication from the Commission *Cohesion Policy in Support of Growth and Jobs : Community Strategic Guidelines, 2007-2013* COM (2005) 0299

⁸ *Cohesion policy and cities : the urban contribution to growth and jobs in the regions*, Commission staff working paper, Brussels 23.11.2005

⁹ *The Added Value of Structural Funds: A Regional Perspective* An IQ Net report on the reform of Structural Funds by John Bachtler & Sandra Taylor, European Policies Regional Centre, June 2003.

¹⁰ See footnote 9