

Project generation and selection in Cohesion policy in 2014-20: between results-orientation and micro-management



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PREFACE

The research for this paper was undertaken by EPRC in preparation for the 36th IQ-Net meeting held in Ry (East Jutland), Denmark on 2-4 June 2014. The paper was written by Frederike Gross and Laura Polverari.

The paper is the product of desk research and fieldwork visits during Spring 2014 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

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

Austria

- ÖROK Secretariat

Belgium

- Enterprise Flanders Agency

Czech Republic

- Ministry of Regional Development

Denmark

- Danish Business Authority

Finland

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

France

- Commissariat général à l'égalité des territoires (CGET (ex-DATAR))

Germany

- Nordrhein-Westfalen (North Rhine-Westphalia), Ministry for Business, Energy, Industry, SMEs and the Craft Sector, EU Affairs Unit

Greece

- Management Organisation Unit of Development Programmes S.A., Ministry of Development and Competitiveness

Poland

- Śląskie Voivodeship (Marshal's Office of Silesia)

Portugal

- Agency for Development and Cohesion

Spain

- País Vasco (Basque Country), Provincial Council of Bizkaia, Department of Economy and Finance

Slovenia

- Government Office for Development and European Cohesion Policy

United Kingdom

- Department of Communities and Local Government
- 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.

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EXECUTIVE SUMMARY

The 2014-20 programme period sees the introduction of results-orientation to reverse the input-driven programming logic. Although project selection is supposed to be at the heart of programme implementation, guidance on how to ensure that projects contribute to results-orientation is scarce. Managing authorities foresee that the importance of results-orientation will increase; at the same time there remain questions on how to apply the concept in practice.

A complex environment for implementing results-orientation

The role of results-orientation will become more important across IQ-Net partner countries and regions, but other considerations remain important. While the focus on results-orientation may lead to greater transparency and enhanced simplification during project selection, there are concerns over the impact of absorption and compliance (notably State aid and public procurement rules) considerations. The attitude taken by auditors will be critical for the practical application of results-orientation.

The domestic context can add to the complexity, especially where legal frameworks are inconsistent/ in flux or where the allocation of responsibilities and coordination arrangements are unclear. The wider economic, fiscal and policy context also impacts on how straightforward it will be to generate projects with high potential. More fundamentally, there are issues linked to the prevailing administrative and political culture in some countries, partly linked to capacity problems, and a change in thinking is needed to translate results-orientation at the stakeholder level.

Approaching results-orientation at project level

There are a number of uncertainties surrounding the results-orientation concept with implications for the types of projects funded. First, its definition is not straightforward, and there are differences in understanding with respect to what should be changed, the timeframe for change and the focus on learning. There are also divergent views within Member States, and some programme authorities have started providing guidance on results-orientation, specifically with a view to inform those involved in generating and appraising projects.

Second, there are issues about making results-orientation work in a Structural Funds context, which is characterised by a strong focus on accountability and control. The need to measure and give evidence of performance over the short term (i.e. the programme period) may prevent programme authorities from funding projects with the potential to initiate real change, notably risky and more complex interventions. There are also wider concerns about the practicability of the performance framework, notably the requirement to prove a causal relationship between Structural Funds support and change at programme level.

Linking project generation and selection to results-orientation

Approaches to project generation and selection under IQ-Net partner programmes have mainly remained stable and the results-orientation requirement has in most cases not led to in-depth change. There are, however, examples of programme authorities who fundamentally reviewed the approach taken to developing projects. While results-orientation may be easier to achieve for some types of

projects than for others there is a widespread view that more strategic and integrated interventions will promote the focus on results.

Models for project generation and selection vary in terms of their selectivity and degree of targeting, their timing - with more or less flexibility to adapt in the course of the period - and the burden involved in preparing and managing them. Most leave it to applicants to justify the project's contribution to programme objectives, but it is also possible to predetermine calls in order to look for specific solutions or pre-defined outputs. Across the board, appraisal and selection procedures are being adapted to increase the focus on results and make them more selective. In addition, cost considerations receive greater attention to improve understanding of project deliverables.

The role of intermediate bodies and beneficiaries in results-orientation

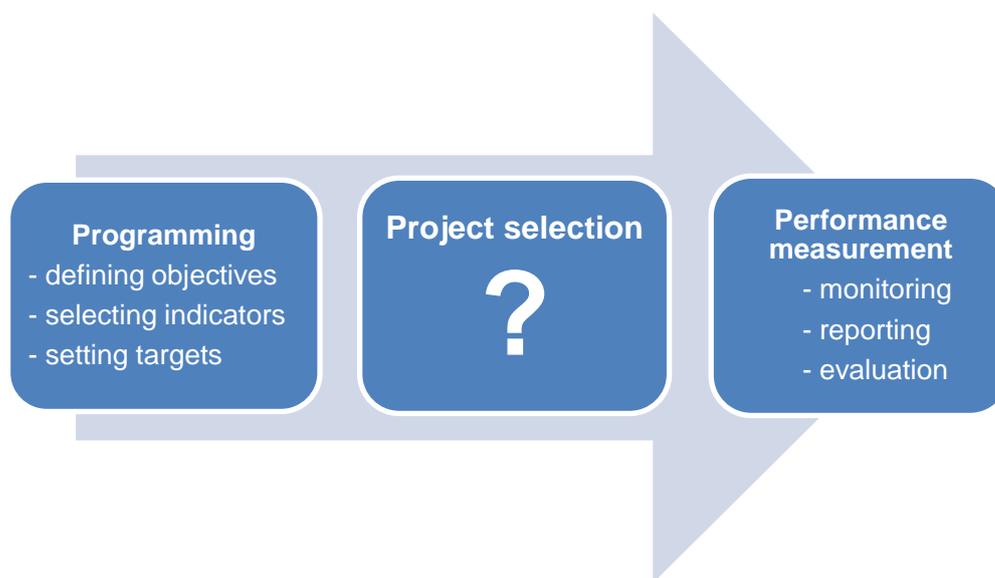
Given the uncertainties surrounding the concept of results-orientation it is very important to make sure that other bodies involved in programme delivery as well as beneficiaries are aware of what is required and are equipped for applying it in practice. The role of intermediate bodies and other responsible organisations is crucial, especially if they are in charge of identifying projects that contribute to integrated local/regional development strategies. In order to retain control at the level of the managing authority, some partners consider making funding conditional on anticipated or actual achievements.

Beneficiaries will see expectations increase in response to the results-orientation agenda with a greater focus on anticipated achievements from the application stage. Although in many cases requirements were already in place, it is expected that these will be more strictly enforced in 2014-20. A number of programmes require applicants to define causal chains and applications will need to be more detailed. The overall burden on beneficiaries is expected to rise with higher demands linked to an increase in the number and complexity of indicators, which will be particularly challenging for new applicants. Pressure on applicants may increase further linked to plans by some IQ-Net partners to make greater use of sanctions based on payment by results or by withdrawing funds or deselecting operations if initial commitments are not met. There is general awareness of support needs among applicants, and different types of guidance are provided by IQ-Net partners to support them during project application.

1. INTRODUCTION

As one of the main novelties of the 2014-20 programme period, the results-orientation concept is set to reverse the input-driven programming logic to focus on desired change and how best to achieve it.¹ In this context, it is argued that ‘the legislative framework for the 2014-2020 programming period (...) puts project selection at the heart of the implementation.’² However, in reports and guidance documents, results-orientation is mainly approached with regard to the initial programming stage, and measurement in the context of the performance framework later in the period.³ There is less guidance on the stage connecting the two, i.e. the generation and selection of projects that are supposed to ultimately lead to the expected results (see Figure 1).

Figure 1: Commission guidance on results-orientation at different stages of Structural Funds implementation



Existing studies⁴ mainly focus on how to optimise processes but less on the scope for project selection to contribute to results-orientation. The absence of more specific guidance may be partly because project selection is a task fulfilled by the Member States without Commission involvement. However, there are specific challenges and needs, which have to be factored in when generating and selecting results-oriented projects.

¹ Mendez C, Kah S and Bachtler J (2012) The Promise and Perils of the Performance Turn in EU Cohesion Policy, IQ-Net Thematic Paper No. 31(2), European Policies Research Centre, University of Strathclyde, Glasgow, http://www.eprc.strath.ac.uk/iqnet/downloads/IQ-Net_Reports%28Public%29/Thematic%20Paper_31%282%29.pdf

² DG REGIO (no date) *Project Selection in ERDF and the Cohesion Fund, Elements of Good Practice for the 2014-2020 Period*.

³ DG REGIO (2014) *The Programming Period 2014-2020*, Guidance Document on Monitoring and Evaluation, Concepts and Recommendations, p. 11, http://ec.europa.eu/regional_policy/sources/docoffic/2014/working/wd_2014_en.pdf.

⁴ Ramboll Management Consulting (2012) *Comparative Study of the Project Selection Process Applied in Cohesion Policy Programmes 2007-2013 in a Number of Member States*, Final Report. Ferry M, Gross F *et al* (2007) *Turning Strategies into Projects*, IQ-Net Thematic Paper No. 20(2), European Policies Research Centre, University of Strathclyde, Glasgow, [http://www.eprc.strath.ac.uk/iqnet/downloads/IQ-Net_Reports\(Public\)/ThematicPaper20\(2\)Final.pdf](http://www.eprc.strath.ac.uk/iqnet/downloads/IQ-Net_Reports(Public)/ThematicPaper20(2)Final.pdf).

On request of the Danish Presidency in the first half of 2012, the Commission amended the Common Provision Regulations to include an article on project selection and results-orientation:

'As regards the selection of operations, the managing authority shall draw up and, once approved, apply appropriate selection procedures and criteria that ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority.'⁵

The strengthened provision is crucial to ensure a strategic link between projects and programme objectives. DG REGIO guidance takes account of the link between programming for and measuring performance, stating that

'Investment priorities will be implemented through projects. Result indicators are an expression of the objective of an investment priority. Consequently, result indicators can inform the decision on project selection criteria because projects should be able to demonstrate how they will contribute to the achievement of the objectives of a priority.'⁶

Most managing authorities agree that project selection is a crucial step and that results-orientation will be more important than it has been in the past. However, there remain questions around the concept and application of results-orientation:

- What role do context factors and other legal requirements play – are they expected to help or hinder increased results-orientation during project generation and selection (Section 2.1)?
- How is results-orientation defined and how will it be linked to the project level (Section 2.2)?
- In how far can different project selection models contribute to results-orientation and what changes are partners making to appraisal and selection procedures (Section 2.3)?
- What will be the role of intermediate bodies (or similar) and beneficiaries in ensuring results-orientation (Section 2.4)?

Ultimately, is there scope for real change in a situation where programmes need to be increasingly micro-managed? Is it about getting projects right or getting the figures right? Against this background, the present paper gives an overview of IQ-Net partner views on results-orientation as applied to project generation and selection (Section 2). In order to illustrate the different approaches, concrete examples with detailed information on partner practice are provided in an Annex.

2. PARTNER INTERPRETATIONS OF RESULTS-ORIENTATION AND EXPECTATIONS

Results-orientation is expected to become more important in project generation and selection across IQ-Net partner countries and regions in 2014-20. There are several reasons for this trend, with an increased focus...

- ...in continuity with 2007-13 (Portugal, Slovenia, Bizkaia, Finland, Nordrhein-Westfalen, Vlaanderen), especially where funding is relatively limited;

⁵ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, Art. 125, 3 (a) (i).

⁶ DG REGIO (2014) *op. cit.*, p. 11.

- ...driven by the regulatory requirements linked to results-orientation together with the performance framework and reserve (Bizkaia, Czech Republic, Denmark, Finland, Poland);
- ...backed up by domestic political support (Denmark, Finland, Portugal and Scotland).

While some already see a genuine change in approach at the programming stage and expect this to be the case also at the project selection and implementation stages (e.g. Portugal), others are more sceptical. Partners who have negative experience of audit and payment interruptions are particularly wary of moving the focus away from compliance. So will results-orientation be just another buzz word, leading to more box-ticking, as expected by partners in the Czech Republic? Or will it make a real difference to how projects are generated and selected on the ground? The following sections shed some light on these questions from an IQ-Net partner perspective, looking at contextual and conceptual issues and the practical application of results-orientation.

2.1 A complex environment for implementing results-orientation

As any other guiding principle in Structural Funds management and implementation, results-orientation cannot be looked at in isolation. Many think that the Commission regulations with their focus on an intervention logic, thematic concentration, performance and evaluation are helpful in promoting results-orientation. However, other defining features of the Structural Funds together with the domestic context create an environment that can enable greater results-orientation but also present significant barriers.

The interplay of results-orientation and basic Structural Funds principles

Although the role of results-orientation will increase across IQ-Net partner countries and regions, other considerations remain important. A complex picture emerges when looking at partner views on the interplay of different requirements. For many, they are closely linked and often condition each other:

- simplification as a pre-condition for results-orientation (Finland);
- compliance as 'gateway' criterion (England, Wales); compliance, absorption and transparency as minimum requirements to achieve results (Vlaanderen);
- results-orientation helpful in ensuring absorption - applicants have to be more specific regarding the funds needed for different project steps (Denmark); financial and physical progress need to go in parallel (Slovenia).

Some partners think that greater results-orientation in project generation and selection will lead to increased transparency, helping managing authorities withstand other pressures from politicians or project applicants, and that it can lead to simplification. They are more critical regarding the role of compliance and absorption, which is expected to have a negative impact on the results-orientation of programmes in practice (see Table 1).

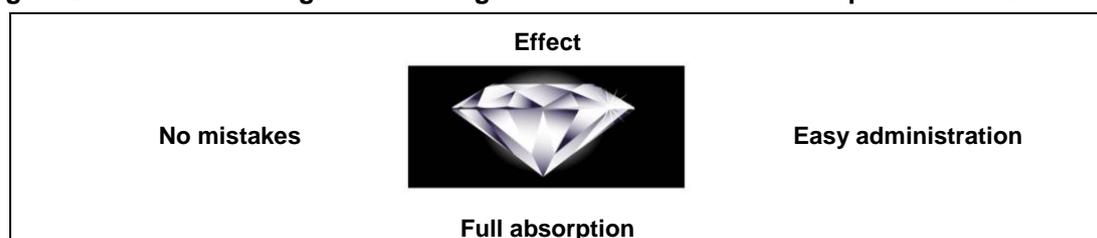
Table 1: The interplay of results-orientation with other Structural Funds requirements during project generation and selection

Results-orientation can enhance...	Results-orientation may be hampered by...
transparency – by taking a rigorous approach to project selection using well-motivated criteria (Vlaanderen), by involving independent juries (NRW); there is also greater visibility of actual project contribution to programme targets (Denmark).	compliance focus – there are concerns that compliance-related issues will have to continue to dominate programme implementation (England); in response, beneficiaries with the capacity to comply with audit responsibilities will be favoured (Scotland).
simplification – by making application forms more targeted and tailored to different priorities (Denmark, Portugal, Vlaanderen); by focusing on fewer and larger projects in order to keep things manageable (Austria); by introducing simplified rules for small projects and beneficiaries (Portugal); by centralising co-financing to make life easier for smaller organisations (Scotland).	absorption concerns - remain high on the agenda, even though partners are seeking a better balance (e.g. UK). Linked to absorption pressures, project maturity may be an issue (e.g. in Greece): Smaller, less complex projects may be favoured over more strategic interventions to ensure spend and overrule a greater focus on results.

With regard to compliance, many expect State aid and procurement rules to restrict a results-oriented approach, although some also see positive elements:

- **State aid rules** – private companies that are often best suited to achieve results are excluded from taking part or choose not to participate due to the bureaucracy involved (Denmark); there are issues over low aid rates for universities and general insecurity around the new regional aid guidelines and the absence of a consistent framework for beneficiaries (Śląskie).
- **Public procurement rules** – related requirements are seen as restricting (England, Slovenia) and there are concerns that compliance work will divert resources away from results-orientation (Denmark). Czech partners fear that target values and other requirements related to programme results will be incorporated into contracts, thus putting the fulfilment of quantitative indicators over the quality of delivered services. In contrast, partners in Scotland are planning to use procurement more often for outputs and results in 2014-20 and therefore see related rules as playing a supportive role (the role of procurement was already increased in Wales in 2007-13).

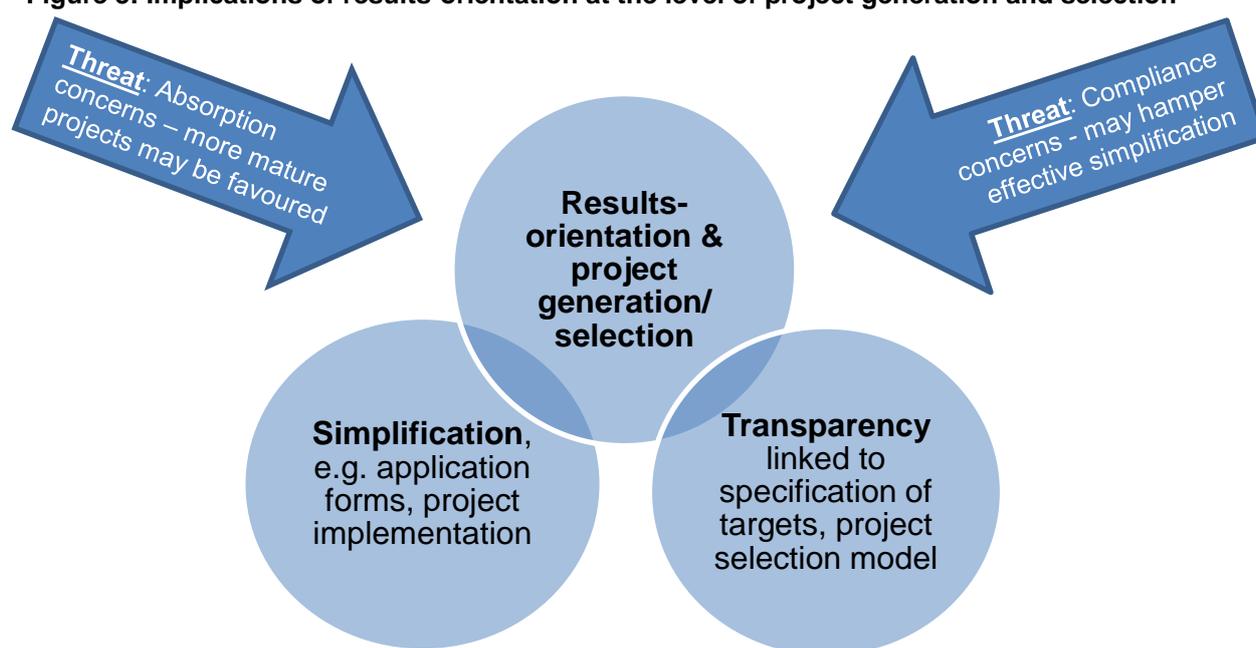
The Danish Managing Authority, which is hoping to see a move away from a purely compliance-based approach, has made intermediate bodies aware of the role of results-orientation and the connections between different requirements, illustrated by a diamond (see Figure 2).

Figure 2: Active balancing of conflicting considerations – Guidance provided to Danish IBs

Source: Adapted from figure by Danish Business Authority.

Looking ahead at potential issues around control and audit, it is hoped that the focus on results-orientation can be balanced with the continuing need to focus on compliance issues (England). There is a shared view that the attitude of auditors at all levels and their interpretation of the regulations/requirements is critical for the practical application of results-orientation (Czech Republic) and that the audit focus needs to shift to look at outputs and delivery as well as being more flexible (Scotland). Partners in Vlaanderen are concerned that the prospect of a project being subject to corrections despite having reached or exceeded its targets will discourage beneficiaries from participating. Also in Bizkaia, domestic funding sources are sometimes considered to be more flexible for achieving results and meeting objectives.

Figure 3: Implications of results-orientation at the level of project generation and selection



The complexity of the domestic context

In addition to Structural Funds rules and regulations, the **domestic regulatory context can be problematic** for specific project types due to inconsistencies or gaps in legal texts and guidance (e.g. Greece, Śląskie, Slovenia). Added to this, complexities arising from the **allocation of responsibilities and the coordination between the central and regional levels** can also be an issue. In addition, political turnover can increase uncertainty over future priorities and spending plans and impact on the results-orientation agenda for which strong political leadership is crucial.

In addition, the **wider economic, fiscal and policy context** needs to be taken into account. It can play a supportive role in regions that are relatively prosperous and have high levels of fiscal autonomy (e.g. Bizkaia, Nordrhein-Westfalen). Here a steady flow of projects with high potential in terms of results achievement can be expected and co-financing is secure. In contrast, Greece has experienced considerable problems with achieving indicators in 2007-13 at the level of regional OPs, partly connected to funds transfers. Results-orientation can therefore only work if the multi-annual funding framework remains stable.

There are also more **fundamental issues linked to the prevailing administrative and political culture**. This is the case in a few Member States, especially those with less developed regions, linked to capacity issues. Distrust between public administration bodies and the different levels of the implementation structure is observed in the Czech Republic. Politically, issues around absorption, decommitment and fraud receive most attention, and there is no systematic approach to capture the results-orientation concept and translate it into practice. A DG REGIO study has pointed to similar issues in Greece and urged for a change in thinking.⁷ The Portuguese Partnership Agreement also highlights the need to develop a new culture of results among stakeholders based on robust governance mechanisms and project selection criteria geared towards results.

Some of the key issues to take into account in Structural Funds management are identified in a highly relevant guide on results-based management. They relate to Structural Funds requirements but put them into a wider context, considering also the capacities, adaptability and resilience of the management system (see Box 1).

Box 1: Key elements to be addressed in Structural Funds management

Compliance	Process controls	Ensure funds are used for purpose and in manner decided to be acceptable ('honest and fair')
	Audit	Focus on high risk areas
Performance	Organisational capacity	Organisational structure, operating procedures and incentives to ensure efficiency and effectiveness ('lean and purposeful'); need to remain adaptable and open for innovation (BUT: increasing control and compliance mechanisms can prevent improvement)
Emergence	Capacity to anticipate and detect	Leadership, importance of overall country/regional performance, collaboration across boundaries, facilitation of innovation efforts, minimisation of workload to access funds
Resilience	Needs to be nurtured	Avoid dependencies/vulnerabilities, activate citizens and communities to sustain social capital, generate optimism by building on strengths

Source: Community of Practice on Results Based Management (2013) *Sourcebook on Results Based Management in the European Structural Funds*, pp. 58-60.

2.2 Approaching results-orientation at project level

There are a number of uncertainties surrounding the results-orientation concept. First, its definition is not straightforward and there are differences in understanding; second, there are issues about making it work in a Structural Funds context, which is characterised by a strong focus on accountability and control. This has implications for the approach to project selection and the types of project funded.

Definition of results-orientation – differences in understanding

There is no consensus on what a 'result' is (some also call it 'outcome'),⁸ and it is therefore not surprising that results-orientation is difficult to conceptualise. According to DG REGIO guidance

⁷ DG REGIO (2013) *Results Indicators 2014+: Report on pilot tests in 23 Regions/OPs across 15 MS of the EU*. Brussels.

⁸ For a detailed overview of concepts used by the OECD and the European Commission, see Community of Practice on Results Based Management (2013) *Sourcebook on Results Based Management in the European Structural Funds*, http://www.coprbrm.eu/sites/default/files/sourcebook_tusseninres.pdf, pp. 13.

'The intended result is the specific dimension of well-being and progress for people that motivates policy action, i.e. what is intended to be changed, with the contribution of the interventions designed.'⁹

IQ-Net partners have different ways of understanding what it is they want to achieve through 'results-orientation' and when this change will materialise:

- *short/medium-term*: regional economic growth and job creation (Denmark), enhancing competitiveness (Greece);
- *long-term*: achieving long-term impact and societal change (Finland), structural change (Scotland), and changing the well-being of people (Czech Republic).
- *focus on learning*: partners in Nordrhein-Westfalen and Finland think that results can be best achieved through new ideas and ways of doing things.

Broken down to project level, the view is that 'the best' or most appropriate projects should be selected that contribute most to programme objectives.

There is evidence of divergences in definition within Member States at different levels of the management and implementation system and between funds. In the case of ESF, results-orientation relates to direct support to people, whereas the link is more indirect for ERDF projects. Central-level authorities have started providing guidance to improve the understanding of the concept, e.g.

- in Denmark, where the Danish Business Authority runs courses and set up a task force to discuss the approach with the regional intermediate bodies (growth fora secretariats), especially on topics for which there is a lack of expertise; and
- in Finland, to emphasise the importance of results-orientation through training events and other communication.

However, guidance can itself be misleading when there are differences in interpretation of key indicators, which may hamper the implementation of some projects (e.g. telemedicine projects in Poland).

Inherent contradictions of the concept

At a more practical level, many programme managers are planning to use results-orientation as a tool for efficient and effective programme management in line with the intervention logic promoted by the Commission. However, there is an inherent contradiction in the concept as applied to the Structural Funds: The need to measure and give evidence of performance over the short term (i.e. the programme period) may prevent funding projects with the potential to initiate real change, notably risky and more complex interventions (see Figure 4). Also, a lack of time and capacity to discuss and follow the 'real results', i.e. a change in well-being of people, can be expected.

⁹ DG REGIO (2014) *op. cit.*, p. 4.

Figure 4: Inherent contradiction in results-orientation concept as applied to Structural Funds and implications at project level



Related issues have also been detected regarding a similar approach used extensively in development aid and under PHARE, the ‘Logical Framework Approach’ (see Box 2).¹⁰

Box 2: Criticisms of the ‘Logical Framework Approach’

- ‘LFA’s has a **mechanistic rationale, assuming a ‘linear’ progression of effects** which takes place quasi-automatic, i.e. irrespective of the actors involved or contextual conditions. But for instance, carrying out activities as planned is by no means a guarantee that expected results let alone impacts will be achieved, as there are many other important (external or internal) factors.’
- ‘The tendency of the responsible authorities to enforce strict implementation of predetermined plans (as defined in the Terms of Reference – ToR) led to a ‘tunnel vision’ of projects. **Projects were dissociated from their context and prior assumptions**, regarding their implementation, were often neglected. Important developments in the implementation context were either overlooked or downplayed as ‘undesired’ effects.’
- ‘Even though periodic reviews of plans were foreseen, the requirements and approval procedures had the effect that **modifications were only considered at periodic, pre-defined review steps**: if at all.’
- ‘This **‘accountability bias’** also reflects LFA’s fundamental assumptions of perfect advance knowledge and full control of implementation (...). When it is not envisaged that events can develop in unforeseen ways, no need is seen for a learning attitude and a corresponding evaluation style, which could help in fine-tuning implementation and would need to pay attention to a broader range of effects.’
- ‘LFA can become a **serious hindrance in situations where unintended effects or routes are important for understanding – and assessing – interventions**. Or when the relations between an intervention and its context are entangled and hard to foresee, intended routes are not well understood or based on prior experience. In short, when situations become increasingly complex or require innovative routes.’

Source: Hummelbrunner R (2010) ‘Beyond logframe: Critique, Variations and Alternatives’, in: Fujita N (2010) Beyond Logframe, Using Systems Concepts in Evaluation, *Issues and Prospects of Evaluation for International Development*, Series VI <http://users.actrix.co.nz/bobwill/Beyond%20Logframe.pdf#page=8>.

The fact that results-orientation in Structural Funds is closely linked to the performance framework reflects a strong emphasis on control. IQ-Net Partners have identified a number of risks, which have implications for project selection:

¹⁰ For more details, see Community of Practice on Results Based Management (2013) *op. cit.*, pp. 132-6.

- beneficiaries defining less ambitious targets (on the other hand, this could also be considered as more realistic or careful);
- applications promising to fulfil more indicators being preferred over qualitatively better proposals;
- use of incorrect definitions or irrelevant indicators, leading to problems when applying the reserve later in the period; and
- efforts slumping after the performance framework has been met.

There are also wider concerns about the practicability of the performance framework as conceived by the Commission. Programme authorities are unsure about what to measure (e.g. ESF-supported courses of variable duration), how to measure certain project elements (e.g. 'solutions') or new areas of programming, and how to capture complex objectives by very few result indicators. The main sticking point, however, is the requirement to prove a **causal relationship between Structural Funds support and change** at programme level. The view is that programme and project outputs which are small (relative to national/regional GDP) cannot be expected to influence macro-level problems, e.g. CO2 emissions or regional unemployment, which are affected by other factors (Finland, NRW, Vlaanderen). In addition, Structural Funds are in many cases 'continuation funding' that is used over several periods and is therefore already included in baseline data, i.e. it will be difficult to attribute changes to this long-term funding source. Additional problems arise where unrealistic targets are imposed by the Commission (e.g. employment levels, R&D expenditure in Greece). Also, during the negotiations, the Commission has suggested collecting additional data for monitoring programme results rather than project-level data (e.g. in Nordrhein-Westfalen), but this is not thought to be a good use of money; in other cases, the required data simply cannot be collected (e.g. data on Roma beneficiaries in Czech Republic). Overall, programme managers take a much more pragmatic view of what projects can actually achieve and which data can be accessed to report on this.

However, this does not mean that programme managers are not ambitious with regard to results-orientation. Some think that a **'cultural change' is required** to achieve an increase in project quality and bring about a change in implementation (France, Scotland). In Śląskie, the view is that a new understanding must be reached between the Managing Authority and beneficiaries, whose expectations are still based on traditional development models (e.g. high spending on infrastructure, support for relatively simple projects at the expense of development-oriented interventions). In any case, a careful balance needs to be struck between the risk a programme can take and the need for certainty in terms of achieving results (Vlaanderen).

2.3 Linking project generation and selection to results-orientation

Approaches to project generation and selection under IQ-Net partner programmes have mainly remained stable and the results-orientation requirement has in most cases not led to fundamental changes. A number of IQ-Net partners are planning to focus support on more strategic and integrated interventions in order to make it more effective. In line with this, appraisal and selection procedures are being adapted to increase the focus on results and make them more selective.

Linking the programme intervention logic with the project level

So how relevant is results-orientation for IQ-Net partners during project generation and selection? For some, **results-orientation makes more sense at project level** than at programme level as it is possible to set meaningful and measurable targets for individual projects (e.g. Czech Republic integrated regional OP). This is also the case for small programmes where external factors have a strong influence on overall programme achievements (NRW, Vlaanderen). Partners from Śląskie see project generation and selection as the key link between the intervention logic and results-orientation. More widely, it is considered important that applicants become aware of the connection between their project and its contribution to macro-economic objectives (Denmark).

When defining the **programme intervention logic**, programme authorities mostly saw the approach to project generation and selection as a logical extension of the programme strategy rather than considering it separately. Similarly, the involvement of beneficiaries in defining project application and selection processes has been mostly indirect, e.g. through public consultations on the programme as a whole. Partners in Wales have taken a more pro-active approach by extending the intervention logic down to the project level via the 'operation logic' (see Annex). Another example is Scotland, where the programming process has been turned around, with future beneficiaries taking a lead role in transforming thematic objectives into concrete interventions and defining desired outcomes.

According to IQ-Net partners, **results-orientation may be easier to achieve for some types of projects than for others**. This depends notably on the complexity of the project, the scope to quantify results, as well as on the capacity of the beneficiary, but also on the experience with these project types within the responsible administration (see Table 2):

Table 2: Suitability of results-orientation for different project types (examples)

Results-orientation and...	May be challenging for...	May be easier for...
Complex projects	Integrated urban projects (Austria), CLLD (Czech Republic); clusters (Slovenia)	Infrastructure and regeneration projects (Śląskie)
Scope to quantify / forecast results	Climate change (England), smart specialisation, RTDI (Greece)	Innovation, SME support (England); ESF projects (calculation of unit costs, forecasting) (Greece)
Capacity at beneficiary level	Disadvantaged areas (Czech Republic)	Infrastructure (Greece)

Many partners think that **more strategic and coherent projects** will promote results-orientation:

- In Śląskie, Integrated Territorial Investments (ITIs) are expected to achieve stronger and more sustainable effects (see Annex).
- Portuguese authorities think that maximum effectiveness can be achieved through interlinked interventions that are mutually reinforcing; stronger coordination of sectoral and territorial policies will also support results-orientation.
- According to partners in Vlaanderen, it would be logical to select larger and more strategic projects but no decision has been made on this.

Beyond results-orientation others also hope that large projects lead to simplification and reduce compliance problems. Working with fewer beneficiaries with higher capacity levels will help ensure co-financing and compliance (Scotland, Wales). In Austria, a minimum project size will be introduced to reduce the number of beneficiaries that have to cope with Commission requirements (formulating an intervention logic, setting targets). However, there are uncertainties associated to funding predominantly larger projects: Although their achievements may be more visible, they carry the risk of curbing programme performance if they are not successful.

Linking project generation and selection models with results-orientation

There has been **largely continuity in approaches used to project generation**. While some models have been adapted to focus more on results-orientation (e.g. 'chain of effects' in Denmark, Scotland, Vlaanderen, Wales – see Annex) others remain very much defined by procedures used for allocating domestic funding streams (e.g. Austria, Spain). Managing Authorities (together with intermediate bodies) tend to use a combination of project selection approaches and often tailor procedures to different project types, especially when they oversee large programmes (Czech Republic, Greece, Portugal, Śląskie). In the case of large or composite interventions, two-step systems may be in place with subordinate projects being identified in a second stage (e.g. direct contracting, procurement, aid schemes) (Scotland, Śląskie, Wales). Partners see both advantages and disadvantages for the use of different models in promoting results-orientation (see Table 3).

Table 3: Advantages and disadvantages of different models in promoting results-orientation

Selection model	Advantages	Disadvantages	Suitable for... (examples)
Open calls (AT, CZ (IROP), DK, FI, PT, UK-Wal)	Leave applicants more time to prepare quality applications; administrative burden spread over time	Less targeted, do not provide sufficient incentive	Mainstream SME funding and advice
Competitive calls (GR (Dytiki Ellada), DE-NRW, PT, PL-Sla, SI, BE-Vla)	Comparative perspective allows selection of 'best' projects, works well when many potential beneficiaries compete	Preparation and specification of calls is demanding; challenging if projects are required to be very mature; danger for applications to set overambitious targets in order to be selected; need a sufficiently large pool of potential applicants	Stand-alone, standardised and less complex projects (e.g. ICT, R&D, education & transport infrastructure, social housing waste management)
Pre-selection at the start of the period (ES, GR)	More secure target-setting	Risk of failure to achieve results if projects do not succeed	Highway projects; road and rail infrastructure
Identification of strategic, integrated projects (PL-Sla)	Contribution to targets based on close partnership with beneficiaries	Time-consuming to develop; risk of failure to achieve results if projects do not succeed	Broadband/tourism/public cultural infrastructure, restoration of degraded areas, elimination of waste landfills, adaptation of buildings
Targeted invitation (CZ (IROP), PT)	Narrowing down the pool of applications (targeted geographical area, specific requirements)	Possibly issues with project quality/beneficiary capacity	Renovation of buildings
Targeted development of project pipeline (UK-En)/ strategic interventions (UK-SCO)	In consultation with partners, selection of strategic interventions with potentially high impact.	Programme may rely on few major beneficiaries to deliver, may exclude some beneficiary groups.	Supporting additional high-level college/uni places aimed at sectoral/regional need, apprenticeships and workforce devt, vocational pathways in target areas with schools/colleges (SCO)
Output-based financing (CZ (ESF OP))	Very targeted, direct benefit for end-user, low administrative burden during implementation	Expertise and resources required to prepare call	Basic, stable, large volume, well-understood services

The models vary in terms of their selectivity and degree of targeting, their timing - with more or less flexibility to adapt in the course of the period - and the burden involved in preparing and managing them. Most leave it to applicants to justify the project's contribution to programme objectives, but it is also possible to predetermine calls in order to look for specific solutions or pre-defined outputs. At a more practical level, the performance framework also has an influence on the timing of project selection, with partners being aware that they need to be able to report on indicators at mid-point.

Project appraisal and selection are set to become more focused and selective with an increased focus on results. There are concrete examples of linking procedures to results-orientation:

- **Greater selectivity**
 - The Danish Managing Authority expects results-orientation aspects to involve more time: The 'chain of effects' of applications will first be discussed in a pre-selection process followed by more critical appraisal. Applications are more likely to be

- returned and asked for improvements. Pre-selection will also be used in England (outline applications) and in Wales (a 'structured conversation' at pre-planning stage).
- Śląskie plans to strengthen the assessment of how applications address indicators. Up to now, it was sufficient for beneficiaries to select one indicator from the list, but for 2014-20, applications will be favoured that address several programme indicators and include higher levels of targets.
 - More targeted selection criteria are planned for the Czech integrated regional OP and may also be introduced in Slovenia.
 - **Preferential treatment of integrated projects**
 - In the Greek Dytiki Ellada region, projects with multiplier/leverage effects are expected to be favoured and greater use will be made of qualitative result indicators.
 - In Śląskie, extra points will be awarded for the complexity and integrated nature of projects (i.e. connections with other projects and funds).
 - **Increased focus on regional added value** - In Portugal, the project selection/ranking criterion of regional added value will be given greater weight and specific calls will be launched in line with the smart specialisation concept under the competitiveness strategic priority.
 - **Factoring in cost considerations**
 - Value for money will be a core selection criterion in England.
 - In Portugal, a cost-benefit analysis may be required from each project, but will be obligatory for projects exceeding total costs of €25 million – this may involve an assessment by an independent expert panel governed by a Framework Agreement procedure drawn up by the Agency for Development and Cohesion.
 - In Vlaanderen, beneficiaries will be asked to submit a detailed work package in relation to each output, including cost specifications. This will allow assessing the efficiency of different project aspects and gaining more insight on deliverables (see Annex).
 - **Keeping things flexible** – Some partners leave scope for adapting applications later in the process, for example in Vlaanderen, where approval granted by the Monitoring Committee is always conditional and the programme secretariat can adjust the project indicators even after selection. The Danish Managing Authority foresees the possibility to adjust the 'chain of effects' during project implementation to take account of changes.

In addition, **compliance considerations will be given equal or more attention**, especially in England, but also in Nordrhein-Westfalen, where procedures will be tightened up to ensure projects are fully compliant when they are proposed for appraisal by an external jury, which will focus on project quality (see Annex). At the same time, efforts are being made to **make project appraisal more objective and transparent** (e.g. Nordrhein-Westfalen, Vlaanderen).

2.4 The role of intermediate bodies and beneficiaries in results-orientation

Given the uncertainties surrounding the concept of results-orientation it will be very important to make sure that other bodies involved in programme delivery as well as beneficiaries are aware of what is required and are equipped for applying it in practice.

How to involve intermediate bodies (or similar) in results-orientation?

There are different ways of involving intermediate bodies (or similar, such as ITI leaders or the Scottish Lead Partners) in delivering results-orientation. These bodies are typically in charge of identifying suitable applications as well as making sure that projects deliver, but their role varies during project selection. They are crucial for results-orientation, especially if their role is to identify projects that contribute to integrated local/regional development strategies.

- Regional Growth Fora secretariats in Denmark meet applicants for a 'result meeting' to discuss the project's 'chain of effects' and contribution to regional priorities; they make sure indicators (including specific regional indicators) are ambitious as well as realistic; after projects have been selected by the Managing Authority, they are also involved in project monitoring and evaluation.
- In England, local partners will identify a project pipeline and will work with the Managing Authority to develop and design project calls; they will prioritise applications based on the local strategy for selection by the Managing Authority; they will then oversee the delivery of investments and outputs.
- Competitive calls in Nordrhein-Westfalen are designed by a working group associating the relevant intermediate body, the Managing Authority, other Ministries and an agency responsible for implementing thematic calls; application forms and scoring tables are prepared by the Managing Authority together with the intermediate body, who is then in charge for the remainder of the process (pre-assessment of eligibility/compliance, final selection based on jury recommendations, overseeing implementation).
- The new Lead Partners identified in Scotland to oversee project portfolios will play an important role. To help maintain focus on results the Managing Authority has set up an interim team to build relationships with the Lead Partners during the negotiation of strategic investments and the development of selection criteria. They will propose promising projects for selection by the Managing Authority and 'weeding out' those unlikely to deliver; they are also responsible for managing the performance of all agents involved in delivering the strategic intervention against agreed outcomes defined in contracts, grant agreements and in line with simplified or unit cost arrangements.
- In Śląskie, it is foreseen to involve the local partnerships responsible for implementing ITIs in the definition of selection criteria and giving them a role in selecting projects through participation in the programme Monitoring Committee.

The situation of ITIs is specific in that they are supported by local authorities and thus may potentially be prone to political influence. There are concerns in Vlaanderen regarding the implementation of ITIs with **questions over the level of control** by the regional government. Although the Managing Authority will assess projects according to centrally agreed criteria, a certain level of political interference is expected. Project ideas by ITIs are therefore pre-assessed to determine their strategic fit with programme objectives.

A solution is to **make funding to intermediate bodies conditional** on anticipated or actual achievements. Allocations to Czech intermediate bodies under the integrated regional OP (ITI and CLLD holders, self-governing regions) will depend – among other criteria – on their expected contribution to programme indicators and objectives. Different from past experience, results-

orientation will also play a major role in selecting ITIs and CLLDs in Greece. The view in Scotland is that sanctions may be more politically acceptable in future if projects do not deliver.

It is crucial to **ensure that intermediate bodies and other responsible organisations have the required capacity** to contribute to results-orientation at all stages, especially when identifying and selecting suitable projects. This is an important consideration in the management and implementation of ITIs in Śląskie. The Scottish Managing Authority will use Technical Assistance to support Lead Partners taking on responsibility in public procurement for the first time, e.g. by providing extra staff/expertise/ support with procurement. There are concerns in Finland, that programme management in general and, as a consequence, the implementation of a more results-oriented approach, will suffer due to reduced technical assistance levels.

What will be required from applicants to ensure results-orientation?

For beneficiaries, getting applications ready for selection is the single most costly task when benefiting from Structural Funds.¹¹ Still, expectations are set to increase in response to the results-orientation agenda. There is a greater focus on anticipated achievements from the application stage, and applicants will need to define clear goals and targets relating to broader result indicators. Although in many cases requirements were already in place in the 2007-13 period it is expected that these will be more strictly enforced in 2014-20 (England, Scotland, Vlaanderen). For the Czech integrated regional OP, the performance framework is intended to be translated at project level as an obligatory definition of objectives/indicators/targets in project calls, project proposals and project contracts. In Śląskie, beneficiaries will be required to select several qualitative result indicators and set out the project's contribution to the intervention logic and measure-level targets. Also, more care will be taken concerning the identification of indicators and deadlines when selecting large projects.

Where more systematic approaches will be used, applicants are required to **define causal chains**:

- Denmark – describe 'chain of effects', i.e. the connection between project activities, outputs, results and impact. This has to be clear, logical, and contain critical assumptions (if possible evidence-based) on whether the project will actually be able to realise the expected impact (see Annex);
- Finland – present clear idea on past achievements, intended changes, their connection to programme objectives and sustainability;
- Portugal – provide clear description of intervention logic and fit with intervention logic at programme level; results will be specified and quantified as commitments in financing contracts based on the principle of results contracting;
- Wales – fill in operation logic table, proving a logical link between specific objectives and final outcomes and between the targeted sector/groups and barriers/opportunities (see Annex).

Overall, **applications will have to be more detailed** in order to be successful (e.g. Śląskie). In Vlaanderen, applicants will be asked to include a visual map of project objectives based on key targets and milestones, which will also be used for monitoring purposes (based on experience with monitoring in 2007-13, projects are encouraged to include fewer indicators to allow for accurate reporting). Welsh authorities expect to fund **more focused projects** in terms of specific objectives in

¹¹ DG REGIO (2012) *Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds (ERDF and Cohesion Funds)*, p. 56.

the context of a set of operations that are similar to the ones implemented in 2007-13. **More attention to project quality** will be paid in Nordrhein-Westfalen and Scotland.

The overall **burden on beneficiaries is expected to rise** with higher demands linked to an increase in the number and complexity of indicators, which will be particularly challenging for new applicants. Some partners think that this can be eased by reducing the number of indicators and mostly focusing on project outputs (Vlaanderen). While some hope that the effort involved in developing a more structured approach to applications will be offset during implementation (Vlaanderen), others are more concerned about reporting requirements later in the period, which will have to be passed on to the project level (NRW). Similar to intermediate bodies, pressure on applicants may rise linked to plans by some IQ-Net partners to make **greater use of sanctions** based on payment by results or by withdrawing funds or deselecting operations if initial commitments are not met. Authorities in Portugal are planning to set out commitments and responsibilities of the managing authority and the beneficiary, including strict time limits for project completion and achievement of results. Based on a formal contracting approach, funding will be reallocated if beneficiaries do not comply with contractual obligations.

There are different views on the **maturity of project applications**: This is expected to be slightly less important in the case of the Czech Integrated regional OP due to the increased importance of results-orientation. In contrast, in Śląskie, the capacity of beneficiaries and the maturity of applications are seen as crucial for achieving results. As mentioned earlier, programme authorities in Greece are concerned that project maturity may again overrule more strategic considerations to ensure absorption. There are therefore **plans to set up support structures** at local and national level in Greece and pay consultancies to help weak beneficiaries (at local level but also within ministries). Technical assistance may also be used to enhance project preparation, for example by completing feasibility studies. Help with the preparation of documentation is also foreseen for beneficiaries in Śląskie and under the Czech integrated regional OP, particularly to support applicants from disadvantaged areas. There is general awareness of support needs among applicants (but also at the level of managing authorities and intermediate bodies) and different types of guidance are provided by IQ-Net partners to ensure results-orientation during programme delivery (see Table 4).

Table 4: Support provided to ensure results-orientation during programme delivery

	<i>Organised by...</i>	<i>Targeted at...</i>	<i>Info events</i>	<i>Training/ workshops</i>	<i>Guidance</i>	<i>Assistance</i>	<i>Web-based support</i>
BE-Vla	MA	Applicants	✓		✓		
DK	MA / Task Force	IBs		✓	✓	✓	
DK	IBs	Applicants				✓	
FI	MA	IBs		✓	✓		✓
FI	IBs	Applicants		✓			
GR	Coordination authority	IBs	✓		✓		✓
GR	Coordination authority, MAs	(Weak) applicants				✓	
PL	Ministry of Infr. and Devt, MAs	Applicants			✓		
PT	Agency for Devt and Cohesion	MAs			✓		
UK-En	MA, Local Enterprise Partnerships	Applicants	✓		✓	✓	
UK-Sco	MA, Lead Partners	Applicants	✓		✓	✓	✓
UK-Wal	MA	Applicants	✓	✓	✓	✓	✓

Notes: MA = Managing Authority; IB = Intermediate Body.

It is worth mentioning that **online application systems**, which are increasingly used in line with e-cohesion requirements, may relieve applicants to a certain extent. In the Finnish case, focus groups were organised to test the application process and to help fine-tune the application form, including results-orientation considerations.

3. CONCLUSIONS

The focus on results is an important new requirement, which programme managers will need to take into account at every stage of programme management and implementation throughout the 2014-20 period. The approach taken to generating and selecting projects is crucial in that it translates programme priorities and objectives into practice. It is also determining for what follows in terms of reporting and monitoring activities. It is therefore important to develop an approach that is both ambitious and viable.

In the absence of specific guidance by the Commission on how to generate and select projects that contribute to results-orientation, programme authorities are attempting to embrace the concept, mostly by adapting existing procedures, but there are also examples of more fundamental reforms and new approaches being trialled. While managing authorities see **scope for results-orientation to make a difference in the way projects are designed and implemented, there are challenges that may threaten any far-reaching progress**. Although they vary across programmes (e.g. depending on the programme size) these mainly relate to

- immediate absorption concerns;
- longer term compliance considerations;
- focus on the performance framework.

This focus on control and micro-management will have an impact on managing authority's ability to take risks and to support innovative or complex projects with scope to achieve greater results. It **may lead to a situation where programme managers continue selecting operations in line with the status quo** if not only to respond to absorption pressures (as in the pre-2014 periods) but, in addition, to ensure certainty of achieving results.

Stability of framework conditions is crucial in order to facilitate advance planning in otherwise uncertain circumstances. This concerns notably

- consistent regulatory frameworks (EU and domestic);
- stability of the multi-annual funding framework;
- foreseeable and constructive approach by auditors.

Where stability is not guaranteed (e.g. due to changes in legal frameworks or regarding the availability of domestic co-financing), care needs to be taken to build in scope for flexibility.

Beneficiaries are set to play an important role in increased results-orientation since (in most cases) they have to establish the link between their project and the programme objectives. And while there is general information on what they need to provide (e.g. in terms of a project intervention logic) there is **less visibility on how this will be assessed in practice when appraising and selecting projects**. Another issue relates to the potential use of sanctions by some managing authorities if expected

outputs and results are not delivered. This is bound to have implications for the type of beneficiaries applying for funding and required capacity levels. It is important to anticipate related needs and there are examples of targeted support during project application and to help weak applicants.

ANNEX 1: RESPONSIBILITIES FOR PROJECT GENERATION AND SELECTION IN IQ-NET PARTNER PROGRAMMES

	<i>Guidance on project generation & selection</i>	<i>Pre-selection/ invitation of projects</i>	<i>Design of calls</i>	<i>Design of application forms</i>	<i>Communication with IBs</i>	<i>Communication with applicants</i>	<i>Project appraisal</i>	<i>Project selection</i>
AT		Land-bodies responsible for the programme (former MAs)	IBs	IBs	MA, responsible Land-level bodies	IBs	IBs	IBs
BE-Vla	MA (Enterprise Agency)	n/a	MA	MA	n/a	MA	MA	MA, Monitoring Committee
CZ (integrated ROP)	National Coordination Authority, MA (Ministry for Reg. Dev.)	Bodies in charge of ITIs or CLLDs in cooperation with MAs	MA in consultation with thematic partners	MA supported by National Coordination Authority	MA	IBs, bodies in charge of ITIs or CLLDs	External experts, IBs (tbc)	IBs, external experts
DE - NRW	n/a	n/a	MA (Business Ministry), IB, other ministries	MA, responsible IB	MA	IBs (exceptionally: MA)	IBs (pre-assessment), external experts	IBs based on expert recommendation
DK	MA (Danish Business Authority)	n/a	MA, IBs (Growth Forum Secretariats)	MA, IBs (can add region-specific indicators)	MA	IBs	MA, IBs	MA, Regional Growth Fora
ES - Bizk	IB	IB, council departments	IB, council departments	Council departments	MA	IB, council departments	IB, council departments	IB, council departments
FI	MA (Ministry of Employment & Economy)	Regional Management Committees (if applied)	Regional Management Committees, IBs (regional councils and ELY-Centres)	MA	MA	IBs	Regional Management Committee and its secretariat	Regional Management Committee and its secretariat
GR	National Coordination Authority	Ministries, MAs	MAs, IBs (if applicable)	MAs, IBs (tbc)	MAs (tbc)	MAs, IBs (tbc)	MAs, IBs, external experts (tbc)	MA, IBs (tbc)
PL - Sla	Ministry of Infrastructure & Development, MA (Marshal office at regional level)	MA proposes projects to be agreed by Ministry of Infrastructure & Development	MA	MA (uses centrally defined key indicators, can add region-specific indicators)	MA	MA, IB where relevant	Regional Monitoring Committee and its secretariat	Regional Monitoring Committee and its secretariat
PT	National coordination agency (ADC), MAs	ADC, MAs	MAs	MAs	ADC, MAs	MAs, IBs	MAs, IBs	MA, IBs
SI	MA	n/a	MA, IBs	MA, IBs	MA, IBs	MA, IBs	MA, IBs	MA, IBs
UK-En	MA, Local Enterprise Partnerships (LEPs)	LEPs		MA	MA (only one IB: London)	MA, LEPs	MA, Local Management Committee, sub-committee	Local Management Committee, MA
UK-Sco	MA, Lead Partners	MA with Lead Partners	MA, Lead Partners	MA	No IBs, MA supports Lead Partners	Lead Partners	Lead Partners	Lead Partners
UK-Wal	MA	n/a	MA	MA	n/a	MA	MA	MA

Source: IQ-Net country write-ups, Spring 2014.

Notes: MA = Managing Authority; IB = Intermediate Body. The bodies in brackets refer to the IQ-Net partner administrations, i.e. several other managing authorities may be involved in project generation and selection in the relevant Member State.

ANNEX 2: SELECTED PARTNER APPROACHES TO PROJECT GENERATION AND SELECTION IN THE LIGHT OF RESULTS-ORIENTATION

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2.	Promoting results-orientation and simplification via output-based financing in Czech Republic (ESF)	26
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5.	Competitive calls to select 'the best' projects in Nordrhein-Westfalen - Germany (ERDF)	32
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7.	Preparing operations according to an 'Operation Logic' in Wales (ERDF/ESF)	36

1. INCREASED RESULTS-ORIENTATION DURING PROJECT APPRAISAL IN VLAANDEREN - BELGIUM (ERDF)

In Vlaanderen, competitive calls were implemented successfully in 2007-13. In 2014-20 this approach will be continued and further strengthened: scoring criteria have been adapted to focus more on deliverables and indicators, and applicants are required to submit 'work packages' to illustrate the mechanisms through which each intended output will be delivered and how it will contribute to programme goals. This new approach is intended to make projects more focused, as well as enable a more straightforward appraisal of the projects' value for money and results-orientation.

What is the rationale?

Vlaanderen is of the opinion that result-orientation concerns selecting the most appropriate projects that contribute directly to the Programme's priorities, mostly through their outputs. It is considered a horizontal principle which applies to all projects and which the Programme will monitor at all stages of the programme and project cycle.

How does it work?

The project application process and form (one form for the whole programme) include several criteria by which the results-orientation of a project can be assessed: scope, budget and indicators. These criteria already existed in 2007-13 but have increased in importance for 2014-20. The scoring table used for appraising projects is shown in the Table. It includes a comparison of scoring criteria in 2007-13 and 2014-20.

Call-specific criteria will also become more important. It is foreseen that future calls will be very clear and explicit in terms of their objectives and expected results.

Appraisal criteria 2014-20	Score (comparison with 2007-13)
1 Scope	25 (20)
1.1 Problem analysis	5
1.2 Objectives	5
1.3 Work packages	5
<u>1.4 Outputs – Deliverables</u>	10
1.5 Call-specific criteria	tbc
2 Quality	25 (30)
2.1 Organisational structures	5
2.2 Personnel specifications	5
2.3 Innovative characteristics	5
2.4 Long-term impact	5
2.5 Horizontal themes	5
3 Budget	20 (10)
3.1 Costing	5
3.2 Costing plan per work package	5
3.3 Project financing	5
3.4 Project income	5
4 Communication	10 (n/a)
4.1 Mandatory communication activities	5
4.2 Targeted activities	5
5 Planning	10 (5)
5.1 Completeness / detail	5
5.2 Achievability	5
6 Indicators used	10 (5)

As in 2007-13, competitive calls will be launched under the different programme priorities. Calls will be directly linked to the programme indicators, and projects will have to contribute to programme objectives. At the same time, this will not entail developing calls that are too narrow or specific.

The scoring is carried out by two people independently who then confer on their results and come to a joint assessment. This assessment is then considered by a technical working group who recommends a decision to the Monitoring Committee. Thematic experts can be involved to assist in the scoring of projects in the case of very specific calls or on themes of which the Managing Authority has little experience. The programme Secretariat can request changes to project indicators even after selection.

Project beneficiaries are forced to consider the results of their project more concretely in the proposal. Appraisal services can ask for more specific adjustments to applications or reject certain elements and make projects more focused.

Were any lessons learnt?

Based on past experiences with project appraisal, efforts were made to get greater visibility of the value for money of different project outputs and to make appraisal more objective and transparent.

2007-13	2014-20
<p>Expected project outputs were appraised separately from costs. Applications often included a long list of outputs and a detailed overview of costs, but the link between costs and outputs was not always clear. Due to a lack of expertise, staff were not able to appraise the achievability of different types of outputs or ask for changes in the application.</p>	<p><u>Beneficiaries are asked to submit a detailed 'work package' in relation to each output</u> (including cost specifications) as well as milestones. This gives appraisal services the opportunity to create more focus in projects. The burden on beneficiaries will increase, but they will also be forced to consider project outputs more concretely. In order to keep the administrative workload to the minimum, the Managing Authority will only demand the estimated cost of each work package as a whole.</p>
<p>The absence of detailed guidance to inform project appraisal has been an issue in 2007-13, leaving (limited) scope for political interference and lobbying.</p>	<p><u>The scoring process is examined in order to make it more transparent.</u> Issues being discussed include:</p> <ul style="list-style-type: none"> - whether to use an extended scale (e.g. 1-1000 instead of 1 – 100 or 1 - 10) in order to differentiate better between projects; - how to justify the score to make the process less subjective. <p>More detailed indicators and guidance will be developed for each scoring criterion to limit political interference and lobbying.</p>

The programme Secretariat will also implement a more hands-on approach, e.g. with more monitoring visits, controls and active dialogue with project holders, to ensure that projects deliver their targets according to schedule.

Further information

http://www.agentschapondernemen.be/sites/default/files/documenten/ef_20100301_praktischegids_projectindiening_0.pdf (in Flemish).

<http://www.agentschapondernemen.be/artikel/praktische-gidsen-en-sjablonen#2> (in Flemish).

2. PROMOTING RESULTS-ORIENTATION AND SIMPLIFICATION VIA OUTPUT-BASED FINANCING IN CZECH REPUBLIC (ESF)

In the Czech Republic, a new approach to selecting projects has been introduced based on World Bank methodologies. Output-based financing has been used to contract out service provision in childcare with payments made after the delivery of specified outputs. Applicable to simple, standardised services, this approach frontloads the administrative effort at call preparation stage, and substantially reduces the administrative burden on project holders during implementation, allowing them to focus on delivering the expected outputs.

What is the rationale?

The approach has been developed in the context of foreign development aid, based on principles used by the World Bank:¹²

- **targeting of subsidy:** it is clear to whom, why and for what the subsidy is provided. End-users are intended to benefit directly;
- **accountability:** payment occurs only after delivery of pre-agreed and verified outputs. This shifts risk from the granting authority to the grant holder;
- **innovation and efficiency:** aspects of *how* the results will be obtained are left to the grant holder;
- **using incentives to serve the intended target group:** it encourages service providers to serve those they might otherwise disregard;
- **output verification and monitoring:** monitoring of outputs is more reliable and accurate as payment is bound to this; and
- **sustainability:** focus on affordability for users (who pay user fees they can afford and are willing to pay), cost recovery for service providers and future sources of funding.

How does it work?

The Programme Management Office prepares a blueprint for standardised intervention based on a theory of change. Expected outputs are identified in advance and payments and controls are linked to these rather than to financial documentation on expenditure achieved. This means that considerable effort must be put into the preparation stage, however project implementation - especially financial management - is simplified both for beneficiaries and the Managing Authority, given that projects are required to submit a more limited range of evidence and documentation for payment.

Project example – Employer-based childcare facilities “Kindergruppe”

- **Goal:** to enhance participation in the labour market by reducing barriers for parents with small children through the provision of long-term childcare at affordable cost
- **Funding:** c.€10 million under the ESF Employment NOP
- **Duration:** December 2010 (launch of call) – June 2015 (project completion)
- **Basic features:** childcare facilities for children from six months for employees provided by employer or consortium of employers; group size 7 – 24
- **Output indicators, sources, baselines and calculation of support:**

¹² Kváča V (2014): *Delivery Mechanisms 2: Output Based Financing*. Presentation given at European Academy for Taxes, Economics, and Law. See also Community of Practice on Results Based Management (2013) *Sourcebook on Results Based Management in the European Structural Funds*, p.160-69.

Indicator	Grant per unit	Primary data source	Verification source	Reason for indicator	Calculation of unit costs
Maximum capacity (places created)	c.€888	Monitoring report	Spot checks	Cover substantial part of investment costs	Review of previous similar real-cost based ESF projects, market research
Capacity used (no. of FTE childcare places attended each month)	Maximum support of €213, graded as follows: (a) If attendance rate is more than 70%: - 100% in Stage I (€213), - 75% in Stage II (€159.75) - 50% in Stage III (€106.50) (b) If attendance rate is between 40 and 70%: - 60% in Stage I (€127.80) - 45% in Stage II (€95.85) - 30% in Stage III (€63.90); If attendance rate is below 40%: 0%.	Monitoring report, online attendance sheet	Spot checks, interviews	Places occupied should be main incentive	Review of previous similar real-cost based ESF projects

- **Costs:** Methodology for standard costs calculation based on objective benchmarks and discussed with Payment and Certifying Authorities and the European Commission
- **Project selection:** criteria based on objective quantitative criteria (e.g. share of weighted headcount and capacity of the facility, regional need, financial health of the applicant), this determines the following benefits:
 - Automatic scoring: no need for external experts/appraisal committee.
 - Applicants can calculate the score of their intended project, which discourages applicants to submit projects that are not competitive and encourages them to fulfil as much as possible the call's expectations before they submit their application.
- **Controls:** Costs actually incurred by the facility operator are not verified. Controls focus solely on outputs and procedural correctness: quantity of attained units; compliance with quality requirements; compliance with public procurement and State aid rules.

Did the project work well?

Interest was lower than expected with around 50 percent of available funds allocated to 65 projects. Problems related to unit prices that applicants considered being too low (although this was intended, i.e. to provide a leverage effect, as other sources of financing have to be involved). Half of applicants were private companies, the rest hospitals, universities/research institutes or municipalities.

Were any lessons learnt?

From the experience in 2007-13 it emerges that the approach is mainly applicable to simple, standardised services, not to innovative topics. Call preparation is very resource intensive and costly since it requires deep knowledge of the given issue to properly set all detailed requirements; however, this is offset by low administrative burden during implementation. The consultation of relevant partners (including potential applicants) is crucial during the preparation process and will be enhanced in 2014-20 to adjust the scheme and unit costs to their needs.

Further information

<http://www.esfcr.cz/vyzva-b5> - link to the project call information (in Czech)

3. DEVELOPING PROJECTS AROUND A 'CHAIN OF EFFECTS' IN DENMARK (ERDF/ESF)

The Danish Business Authority (DBA) is enhancing results-orientation for the design and selection of projects, based on the explicit identification of a 'chain of effects' that each project is expected to achieve. This new approach will be implemented through: more targeted application forms that link explicitly investments, outputs and programme goals; direct support provided to project applicants by the Managing Authority and Intermediate Bodies; and regular reporting to identify and address bottlenecks including, where necessary, through the adaptation of planned activities and targets during implementation.

What is the rationale?

The focus on results increased in the course of the 2007-13 period: prior to 2011, the main emphasis was on establishing new networks and collaborations, and on simplification of delivery. Since then, applicants have had to provide information on the expected chain of effects of their investments. This included: a clear description of planned activities and of the causal links between these and the results anticipated; a plan of the implementation steps; and an illustration of the overall contribution of their projects to regional economic growth. Nevertheless, a 2013 evaluation¹³ and an Audit Office Report concluded that many projects did not have a clear chain-of-effects approach, and that it was difficult to understand project objectives and the related expected results. On this basis, and supported by the new regulations on results-orientation, the national government aims to gain a better understanding of the results of public intervention.

How does it work?

The DBA has further refined the application forms in preparation of the 2014-20 programming period, so as to enhance the link between project investments, outputs and programme objectives. Importantly, it provides training on the chain-of-effects approach to regional project advisors, who are also supported by a dedicated task force. Each regional Intermediate Body (Regional Growth Forum) selected a list of national indicators applicable to its area, supplemented by a number of region-specific indicators (in some cases based on results of mid-term evaluations undertaken in 2007-13 on selected projects). For each programme priority, a targeted application form has been developed with a focus on the specific objectives. Applicants only need to provide information relevant to the priority their project relates to. The following steps are involved in project application and selection:

- **Pre-application support/screening** - Before submitting their application, potential beneficiaries are invited by their Growth Forum Secretariat to attend a 'result meeting' to discuss the project's chain of effects and its contribution to the goals of regional priorities.
- **Project application** - Applications are submitted online on a platform that allows saving drafts and making changes before final submission. As part of a simplification process, application forms have been tailored better and can be filled in and signed more easily by firms (e.g. improved information on State aid and eligibility rules). Improvements to the IT system are expected to further simplify the application and subsequent reporting processes.

¹³ Damvad (2013) *Mål, midler og effekter i strukturfondsindsatsen: En temaevaluering udarbejdet af DAMVAD for Erhvervsstyrelsen*, Damvad, Copenhagen
http://regionalt.erhvervsstyrelsen.dk/file/407059/temaevalueringsrapport_damvad_juni_2013.pdf (in Danish).

- **Project appraisal criteria** - Projects are assessed based on the information provided on activities, outputs and effects ('success criteria') as well as the approaches declared to measuring them (data source and responsible staff). The following indicators must be included as part of the online application form:
 - programme indicators (contribution to ERDF/ESF OP objectives);
 - region-specific indicators (contribution to the Regional Growth Strategy); and
 - complementary project-specific indicators (where needed).
- **Project appraisal/selection process** - The Growth Forum Secretariats check whether the required indicators are included in the application form and whether they are both ambitious and realistic, vis-à-vis the project's budget and beneficiary's track record. This is followed by a critical assessment of the chain of effects at the level of the DBA, who may return project applications and ask for improvements before they are approved.

During project implementation the **indicator table and associated 'success criteria' are used as a basis for reporting through six-monthly 'status reports'**. The reports take into account the chain of effects and report on results and potential changes to the project plan. Monitoring of effects is carried out in cooperation with Statistics Denmark gathering statistics on individuals (ESF) and companies (ERDF) throughout the programme period and after the programme has ended; this ensures that both short-term and long-term effects are measured in real time and ex post.

Ongoing project monitoring and detailed project follow-up for projects that are adjusted during implementation are intended to allow assessment of programme performance in real time and detection of potential issues. Where needed, there is **scope to adjust the chain of effects during project implementation by reviewing activities, outputs and effects** (as well as associated indicators and success criteria). In case of minor changes, these have to be approved by the DBA. However, where significant changes are required, the relevant Regional Growth Forum needs to be consulted before final decision by the DBA. In case of substantive adjustments, new indicators may have to be added to the project's list of deliverables.

As in 2007-13, some of the Regional Growth Fora may choose to conduct mid-term evaluations of projects, whether internally or externally (normally with the focus on larger, more significant projects). At this stage, **projects which are not performing well may be terminated**, but based on conditions defined at the application stage. Where unexpected problems, requiring significant changes, arise, a hearing of the Growth Forum is to be held before a decision by the DBA can take place on whether to discontinue the project.

Were any lessons learnt?

The approach builds on experience during 2007-13 and on evaluations and audits conducted on 2007-13 projects. In addition, the Regional Growth Forum Secretariat in North Denmark, in its advisory role, plans to draw on further lessons from project mid-term evaluations¹⁴ and from final project reports (e.g. regarding the time required for projects to have an effect on the market). In this sense, the approach described is set to evolve, as new lessons, which could improve projects' ability to deliver their and the programmes goals, emerge.

¹⁴ COWI (2012) *Tværgående evalueringsrapport. Afsluttende rapport, februar 2012. Vækstforum Nordjylland - http://www.rn.dk/~media/Rn_dk/Regional%20Udvikling/Regional%20Udvikling%20sektion/Analyser%20og%20rapporter/COWI_Midtvejsevaluering_VaekstforumNordjylland_februar2012.ashx* (in Danish).

4. LINKING THE APPLICATION PROCESS TO THE PERFORMANCE FRAMEWORK IN FINLAND (ERDF/ESF)

In Finland, results-orientation is being strengthened mainly through the simplification and better targeting of the application form, by making the link between expected results and investments more explicit. While efforts have been made to streamline the application process and make it more logical, filling in the new forms is expected to prove challenging concerning the new focus on results. It is foreseen that ad hoc support will be provided by the Intermediate Bodies, especially to new applicants.

What is the rationale?

In Finland, changes towards results-orientation have happened partly due to the new EU regulatory requirements (including the performance reserve) and partly as a result of a domestic political will in response to reduced funding levels. Policy-makers are aware that the limited funds need to be targeted at projects with real added value. This has been translated into a more focused project application form (one form for the whole programme) with the performance framework at its heart.

How does it work?

Development of the new application form started at an early stage with support from focus groups, including representatives from ministries and regions. The form is available online and contains specific sections on: (i) needs; (ii) objectives; (iii) target groups; (iv) expected results; and (v) implementation arrangements. Sections five and six of the application form require applicants to provide information relating to the performance framework, according to the questions illustrated below. There is a particular focus on new ways of working and innovative thinking.

Section 5: Needs, objectives and target groups	Section 6: Implementation and results
<ul style="list-style-type: none"> • What need or problem is the project seeking a solution for? How has the project been developed? How has project development taken results from previously funded projects into consideration? • What are the objectives of the project? • What are the novelty and added value of the project? What change in working methods is pursued through the project? • What are the (a) actual and (b) indirect target groups of the project? 	<ul style="list-style-type: none"> • Which concrete project activities are foreseen to fulfil the project's objectives? • What results are expected to be achieved with the project? What are the short- and long-term impacts? • How will the actions of the project be sustained and results and experience utilised after the project has been completed?

In addition, Section 12 of the application form requires applicants to provide estimates of project outputs and results. For this, the electronic application form prompts guidance on fund-specific indicators that the applicant is required to select and quantify. While it is expected that the application process will be simpler for applicants than in the past period, the different new requirements may present challenges, and new applicants especially may need support on establishing baselines and targets. The Intermediate Bodies will play an important role in ensuring that applicants are aware of what the priorities of the application form are (i.e. where most focus ought to be placed) and that they adequately answer key questions.

Were any lessons learnt?

The development of a more comprehensive, simpler and more logical application approach is expected to reduce the burden for beneficiaries and speed up the application process, in line with the needs that emerged during past implementation. The electronic process does not only reduce the time spent with the processing of funding and payment applications, but it also allows the storing of application forms and other documents in electronic archives. Unnecessary or overlapping data and attachments have been removed, and the different elements in the electronic application system have been linked together in a more consistent way. One specific change is that beneficiaries will only input data once. In addition, more help is provided to beneficiaries with regards to the information required from other relevant authorities (e.g. on taxation).¹⁵ The approach to results-orientation in the project generation and selection phase is still at an early stage and there is scope for adapting it in the course of the programme period should there be a need to do so.

Further information

<http://www.rakennerahastot.fi/miten-haen-rahoitusta> - central website with information about Structural Funds in Finland, including on how to apply for funding (in Finnish).

¹⁵ Draft Structural Funds OP, Kestävää kasvua ja työtä 2014-2020, Suomen rakennerahasto-ohjelma, 23 January 2014.

5. COMPETITIVE CALLS TO SELECT 'THE BEST' PROJECTS IN NORDRHEIN-WESTFALEN - GERMANY (ERDF)

Competitive calls have been used very successfully in Nordrhein-Westfalen in 2007-13 and will be further refined and adjusted in 2014-20. This approach – of launching high-profile competitive procedures, aimed at high quality projects, involving transparent selection criteria and external expert juries – is considered to have generated projects of a much higher quality than were seen in previous periods.

What is the rationale?

Nordrhein-Westfalen introduced competitive calls for a large percentage of ERDF programme funding in 2007-13. The publication of high profile calls on specific themes, where only 'the best' projects are funded, aims to stimulate a larger number of applications and to create an atmosphere of competition in order to raise project quality and contribution to regional strengths. Further objectives relate to improving the efficiency and effectiveness of support, enhancing the objectivity and transparency of project selection, as well as the mobilisation of target groups. The approach is considered to have generated projects of a much higher quality compared to previous periods (when funding was, however, confined to structurally weaker micro-regions).

How does it work?

Competitive calls will be used to select projects relating to technological innovation in the *Land's* eight priority sectors (*Leitmärkte*) (namely: mechanical and plant engineering/production technology; new materials; mobility and logistics; information and communication; energy and environment; media and creative sector; health; and life sciences). This funding is included in Priority 2 (Research, technological development and innovation) and represents c. 40 percent of the programme envelope. Calls are prepared and implemented as follows:

- **Preparation of project calls** by working groups (Managing Authority, Intermediate Bodies, thematically relevant *Land* Ministries and a dedicated agency responsible for the thematic calls (*Leitmarktagentur*). Application forms and scoring tables are prepared by the Managing Authority/Secretariat and the Intermediate Bodies, and comprise information on the goals; formal requirements; selection criteria; members of the selection jury; and a timetable.
- **Selection procedure** – Applications will be pre-assessed by the responsible Intermediate Body to check eligibility and compliance. Project applications that meet basic eligibility criteria are forwarded to a jury of external experts, which makes recommendations on the basis of a scoring table. The Intermediate Body will then take the formal decision on project selection, based on the jury's recommendations. The key selection criteria will be
 - the *innovation content* of the applications,
 - the *potential for economic application*, and
 - the *scope for knowledge transfer*.

In addition, call-specific criteria will be set out.

Were any lessons learnt?

In 2007-13, the OP did not experience difficulties in attracting large numbers of high quality project applications for the competitive calls. On the contrary, funding was reprogrammed during the 2007-13

period away from other instruments/themes towards the competitive calls. There were nevertheless some procedural issues regarding the timing of a) assessing whether project applications complied with all formal rules (notably eligibility, proof of own co-financing), and b) assessing the quality of project applications by the jury. In 2014-20, some changes in procedures will be introduced in order to ensure a clearer and more consistent approach:

	Reduced number of calls	Streamlined management of calls	Tightened appraisal procedure	More varied jury membership
2007-13	54 calls with single submission dates	Different IBs responsible for different call stages leading to inadequate coverage of procedural requirements	Sometimes applications were transferred to the jury which did not meet basic eligibility criteria	Mainly composed of technical experts with expertise linked to the theme of the call
2014-20	8 calls with several submission dates (potentially followed by another 8) to enhance consistency and predictability	Single IB in charge of each call from design to final reporting	Applications only go forward to expert jury <i>if</i> they meet basic eligibility criteria appraised in pre-assessment by responsible IB	Still include technical experts but also experts on <i>Land</i> administrative requirements, financial aspects, eligibility etc.

Further lessons underline the importance of

- **careful budgeting of calls** (they can use up large amounts of funding, if many good and large project applications are put forward);
- **strong communication work in advance of project submission dates**, in order to ensure that the OP does not simply reach the same old recipients; and
- **clear guidance to the juries**, notably regarding the scoring table; it is also important to instruct them that they cannot ask applicants for fundamental changes to applications.

The Nordrhein-Westfalen authorities feel that they have learnt a great deal from their experiences, and changes in 2014-20 were informed by internal reflection and the results of two evaluations of procedural aspects.¹⁶ The revision of the calls approach has also involved extensive coordination and communication with actors outside the Managing Authority and Secretariat, notably the Intermediate Bodies and various *Land* ministries, as well as socio-economic partners. A further evaluation of the 2007-13 competitive calls is currently being planned and will focus on content issues, i.e. on the extent to which the 2007-13 calls have contributed to key programme goals such as innovation and sustainability. The 2014-20 approach is also likely to be subject to evaluations and an on-going review process, and further changes and refinements may be introduced as the new project calls are rolled out and their functioning is reappraised.

Further information

Extensive information on the calls is available at:

http://www.ziel2.nrw.de/2_Wettbewerbe_und_weitere_Foerdermoeglichkeiten/index.php (in German).

¹⁶ MR Gesellschaft für Regionalberatung and GEFRA Gesellschaft für Finanz- und Regionalanalysen (2008) *Wettbewerbe des Landes NRW* http://www.ziel2.nrw.de/3_Ergebnisse/080917-NRWwettbewerbe_Entwurf_FINAL.pdf and Deloitte & Touche (2013) *Evaluierung von wettbewerblichen Auswahlverfahren des Ziel 2-Programms (2007-2013)* http://www.ziel2.nrw.de/3_Ergebnisse/Evaluierung_Wettbewerbsverfahren/index.php.

6. PRE-SELECTING COMPLEX PROJECTS THROUGH SUB-REGIONAL ITIs IN ŚLĄSKIE - POLAND (ERDF/ESF)

Śląskie trialled a new approach to project selection in 2007-13, based on the pre-selection of strategic projects by partnerships established at the level of four sub-regions. This approach is considered to have been very effective and will thus be continued in 2014-20. Some changes will be introduced, based on past experience, to strengthen the projects' strategic contribution to overarching programme goals, to enhance the role of local partners, and to streamline the tasks of project generation and appraisal.

What is the rationale?

The Śląskie region has a polycentric structure with four major agglomerations. In order to involve municipal and district authorities in the process of implementing EU Funds, four sub-regional platforms were created. Each sub-region developed partnership arrangements involving self-government administrations at NUTS IV and NUTS V level. Despite slightly lower than average funding absorption, the strategies were evaluated to be successful in identifying projects that addressed complex territorial challenges and contributed to programme targets.

How does it work?

In 2007-13, part of the regional ERDF OP was delivered through projects which were pre-selected in the framework of Sub-regional Development Programmes. The approach will be continued in 2014-20, when it will be implemented through Integrated and Regional Territorial Investments (one ITI in Central Śląskie, funded from an envelope set aside at national level with running costs covered by the Technical Assistance OP, and three 'Regional Territorial Investments' (RTI) in the West, North and South funded by the regional OP). Funding is allocated according to different socio-economic indicators. The following steps are involved in developing and implementing the ITI and the RTIs:

- **Development of a strategic plan** containing an analysis of the sub-regional socio-economic context, a set of strategic priorities, a list of projects, a financial plan, a description of the implementation system, and a description of the consultation process carried out. This is based on a template and guidance note by the Managing Authority:
 - *Strategic objectives* in line with the specific objectives of the regional OP - ITI/RTIs will contribute to ERDF and ESF Priorities (SME competitiveness; energy efficiency, renewable resources, low-carbon emission; environmental protection; employment; adaptability of workers; social cohesion; education and training);¹⁷
 - *Project list* agreed among key stakeholders in the sub-regions in consultation with local authorities and socio-economic partners; projects must contribute to the development of the sub-region and improve the life of its inhabitants.
- **Appraisal process** involving initial checks at the programme development stage, followed by an assessment according to general selection criteria as for projects identified through competitive calls, drawing on expert advice (however not involving any weighting and scoring).

¹⁷ Urząd Marszałkowski Województwa Śląskiego (2014) *Regionalny Program Operacyjny Województwa Śląskiego na lata 20014-2020 (RPO)* wersja 5.1 <http://rpo.slaskie.pl/zalaczniki/2014/04/11/1397213994.pdf>.

An important element of implementing the ITI/RTIs relates to the **institutional capacity to participate in the management of the platforms** and at programme level via institutionalised forms of partnership among units of local government in the sub-regions. An agreement will be concluded between the entity representing the partners of the ITI/RTIs and the programme Managing Authority. **Measuring projects' results in the ITI/RTIs will be linked directly to the system of programme indicators** and will be part of the reporting and monitoring system. The entity managing the implementation of the ITI/RTIs will have to fulfil all associated requirements.

Were any lessons learnt?

The experience of the projects pre-selected in 2007-13 has been positive with **investments contributing to programme goals in line with the needs and ambitions of specific territories**. Indeed, the pre-selection of projects is considered to have delivered a more effective use of EU funds compared to projects selected through competitive procedures. The approach notably allows solving distinct problems in specific areas. Its success is linked the partnership method used during project preparation, providing scope to work with beneficiaries to set realistic indicators and targets.

However, there were issues related to the lack of motivation among beneficiaries due to guaranteed funding. Further lessons and scope for improvement from the 2007-13 experience include:¹⁸

- **strengthening the strategic nature of pre-selected projects** – e.g. by increasing the importance of strategic coherence compared to other project assessment criteria;
- **tackling application delays** – there were significant delays linked to revisions required in applications (sometimes applicants withdrew during the process); it has therefore been recommended to shorten application preparation and improve monitoring through two-monthly reports by the leader of the sub-region;
- **streamlining project appraisal** – projects were assessed twice, initially in the pre-selection process (formal and quality criteria), followed by a second appraisal on meritocratic grounds together with mainstream project applications; it has been recommended to reduce duplication during the different appraisal stages; and
- **clarifying the leadership of the sub-regional platforms** – it is recommended that local authorities appoint a separate unit for this task instead of them playing a dual beneficiary/ leadership role. This will make the coordination of the sub-regional platforms and the representation of beneficiaries before the Managing Authority more objective.

Importantly, **project selection will be made more needs-based and strategic by giving partners, including municipal authorities, a greater role** in (i) defining selection criteria; and (ii) selecting projects through participation in the programme Monitoring Committee. In addition, cooperation with beneficiaries will be enhanced to help them prepare their applications as well as during implementation.

Further information

http://rpo.slaskie.pl/?grupa=1&art=1253789278&id_m=188 – Sub-regional programmes in 2007-13 (in Polish).

¹⁸ PSDB (2012) *Wstępna ocena realizacji i efektów Regionalnego Programu Operacyjnego Województwa Śląskiego na lata 2007-2013*.

7. PREPARING OPERATIONS ACCORDING TO AN ‘OPERATION LOGIC’ IN WALES (ERDF/ESF)

Results-orientation in the 2014-20 Welsh programmes will be achieved through extending the intervention logic approach down to project level, by requiring project applicants to think carefully about how they will achieve results and to clearly illustrate this through a redesigned application process. It will involve a two-stage submission process, streamlined selection criteria, more consistent scoring, and structured management of operation portfolios.

What is the rationale?

In order to contribute to greater results-orientation interventions must demonstrate a logical progression between actions and thematic objectives, as well as the ability to measure achievements. The terminology used by the Managing Authority will be changing in line with Commission terminology: ‘projects’ will be called ‘operations’, each of which will have multiple projects within them with single beneficiaries/activities. Projects are expected to be similar to those implemented in 2007-13, but more focused in terms of their specific objectives. As at present, many are likely to be led by Welsh Government.

How does it work?

In 2014-20, operations will be prepared based on an operation logic table and a business plan:

Stage 1: Completion of Operation Logic Table to ensure that no proposal is submitted without having thought carefully (and concisely) about where it fits into the programme, what it intends to deliver against the programme goals and how this will be achieved. This stage replicates the function of the former Expression of Interest, but is not a formal part of the process. It is conceived as a **‘structured conversation’ with the applicant at pre-planning stage** before the project is entered into the monitoring system. There will be one logic table template for ERDF and one for ESF applications.

The Operation Logic Table template consists of a basic information text box, including title and synopsis details on the proposed operation, as well as which Programme/Priority/Theme and geographical area the proposal would operate under. Two tables have to be filled in to prove the consistency and strategic alignment of the operation:

Requirement	Details	Purpose
1) Prove logical link between specific objectives and final outcomes	Specify how objectives will be achieved and potential contribution towards programme indicators	Gauge whether proposed operation has clear objectives and clear understanding of how they would be achieved
2) Prove logical link between targeted sector/ groups and particular barriers faced/ opportunities present for those groups	Specify actions to be undertaken to overcome barriers/realise opportunities and alignment/added value to demand drivers under Wales’ Economic Prioritisation Framework (EPF)	Gauge whether proposed operation understands need and target groups/ sector for proposed operation and effective alignment with demand drivers and existing provisions under the EPF

The operation logic table is viewed as an early test, and it foreshadows what comes up under the next stage of the process.

Stage 2: Completion of the Business Plan and project appraisal structured around nine project selection criteria. Three core aspects are assessed first:

1. **Strategic fit** with the ten economic opportunities identified in the Welsh Economic Prioritisation Framework, a guidance and planning document developed to help guide the use of EU funds over the 2014–20 period by providing a broader investment context;
2. **Delivery arrangements**;
3. **Financial plan and compliance**.

In the following, six further criteria are completed one at a time, which dig further into each of the three core criteria. These criteria are tackled in an order that best allows any issues to be addressed and each of them is a potential gateway to exit the process. One of these additional criteria covers 'Indicators and Outcomes', where applicants are required to provide a detailed narrative of the expected outputs, results and impacts:

- an analysis of the predicted **longer-term benefits** associated with the operation;
- details of **output and result indicators and associated targets** that will be achieved in the short and medium term;
- details of the **activities** that will be undertaken to achieve these indicators and outcomes.

A **clear logical flow** should be demonstrated between the planned activities, the short and medium-term indicator achievement and the long term benefits. Details of the identified post responsible for delivery and monitoring of each identified indicator must be provided. A **delivery profile** is attached as an annex to the Business Plan, including achievement of all key activities, indicators and outcomes in a set of realistically timetabled milestones over the duration of the operation. A monitoring and evaluation plan for the operation must also be included. Information on the assessment criteria will be available on the Managing Authority's website. The **scoring framework** will be similar to the one used in 2007-13, with high, medium, low and minimal ratings. The Managing Authority is anticipating creating moderation groups to assess criteria ratings and check they are being used consistently.

Operations will be managed through portfolios under the different programme priorities. Development Officers will lead the contact with beneficiaries. Each will have a portfolio of 4-5 operations and they will assess and recommend operations for approval. 'Priority Controllers' will approve operations and ensure that they cover the portfolios properly. Heads of Branch within the Managing Authority will manage the portfolios for each programme priority (one head per priority).

Were any lessons learnt?

A number of lessons from the implementation of 2007-13 programmes were learnt, and appraisal and selection procedures will be more targeted as a result:

- reduction and streamlining of the number of project selection criteria;
- staging of the selection appraisal process based on a prioritisation of criteria;
- improved mechanisms for dealing with applicants' queries, which will be referred to the programme management teams by the Managing Authority's communications team and helpdesk.

The revised approach will involve a **learning curve among beneficiaries and require a change in mind-set**. In order to support beneficiaries workshops were held for potential applicants to introduce the methodology, selection criteria etc.

Further information

Applying for EU Funding – Part 1: The Pre-Planning Stage: First Contact with WEFO and Completing the Operation Logic Table

<http://wales.gov.uk/docs/wefo/publications/140325applyingforfundingpart1en.pdf>.

Proposed Application Process for 2014-2020 Programmes: Draft Q&A for WEFO Beneficiaries

<http://wales.gov.uk/docs/wefo/publications/applyingforfundingguidance/140117qandaapplyingforfunds en.pdf>.

Initial guidance document: the 2014-2020 appraisal process

<http://wales.gov.uk/docs/wefo/publications/140117appraisalprocessguidanceen.pdf>.

Business Plan Template not yet available online.