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EU COHESION POLICY IN SCOTLAND:  
THE EFFECT OF PARTNERSHIP-WORKING AND NETWORK ACTIVITY ON THE  
PERFORMANCE OF EU POLICY PROJECTS

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This paper is part of a PhD research, which examines partnership working in the implementation of public policy and its performance, with a specific focus on EU cohesion policy. In relation to the principle of partnership within EU cohesion policy and the move towards more partnership based approaches in public policy implementation in general, this research will examine the conditions of partnership needed for effective and efficient policy implementation within EU cohesion policy.

General within public policy, and more specific in EU cohesion policy, there has been a move towards partnership-based approaches regarding implementation. This emerged due to the reforms in management of government functions and the ‘rescaling’ of regional policy. In addition, recent analyses on network governance argue that ‘embeddedness’ and ‘centrality’ of the actor in the network has significant effect on the performance of public policy implementation. The paper will therefore examine partnership within implementation of EU cohesion policy from a network governance perspective.

The paper will define partnership within EU cohesion policy, and analyse the aspects of partnership working. Also a measurement of performance of EU cohesion policy projects is proposed, which will be followed by the proposed framework for assessing the implications of network structure and what effect that has on the performance of partnership.

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Key words: Partnerships, cohesion policy, performance, Social network analysis.

# 1. INTRODUCTION

Public policy is increasingly implemented through networks. Studies of collaborative management and inter-organisational network theories show that the structure and quality of relationships between organisations strongly affects public policy performance. This relationship between network and partnership-based approaches and policy performance is a prominent issue in academic discourse and policy practice. This includes the field of regional economic development where policies face complex and multi-dimensional challenges. One argument is that in practice these challenges can be more efficiently met if projects are run in partnership. Policy coordination among partners ensures that the activities of different organisation are oriented to a common purpose while stronger partnership arrangements involve the pooling of resources in an integrated project or programme ‘owned’ and controlled mutually by partners through a formal institutional framework. The logic is that such inclusive partnerships lead to more effective policy outcomes through the development of a common stock of knowledge and other resources, better understanding of key policy challenges and stronger commitment to interventions. Within this framework governments and, particularly, sub-national authorities are increasingly seen as key facilitators of networks and partnerships rather than the dominant or sole agency of policy design or delivery.

The EU has taken up this approach. For over three decades, partnership has been a fundamental principle for Cohesion policy design and delivery. The EU’s ‘partnership principle’ is understood as the participation of national, sub-national and supranational actors in the design, implementation and monitoring of EU-funded programmes and projects. This involves partnership-working with public as well as private organisations. The ‘partnership principal’ tries to ensure that the expertise different partners possesses in their own areas of activity are effectively harnessed and ensure the most effective use of EU resources. It is a mechanism that reinforces the coordination between both vertically - between regional and local authorities, national governments and the EU - and horizontally - between these different levels, economic and social partners and civil society organisations. Scotland is a good example of this unique model of partnership. Over the years that EU cohesion policy has been implemented in Scotland, a prominent model of partnership has developed.

The legislative proposals for EU cohesion policy in 2014-2020, however, have a stronger focus on a top-down implementation. The Commission is proposing a greater focus on performance and intervention logics, and this is going to have significant implications for horizontal as well as vertical partnerships. This process which has been termed the ‘performance turn’ in EU cohesion policy making by ( [Mendez et al. \(2012\)](#) ) is characterised by the need to demonstrate value for money and efficient implementation. This involves a stronger emphasis on ‘performance management’ and includes the increased use of conditionalities; stricter project selection criteria; greater focus on efficiency analysis and explanation of the causal links between inputs, outputs and results; and strengthened monitoring and evaluation of policy impact ( [McCann and Ortega-Argilés, 2012](#) ). The increased performance orientation has implications for partnership-working. There will be stricter criteria for the selection of partners. Moreover, the strengthened focus on performance, may threaten more innovative or risky approaches to policy implementation,

including through innovative, partnership-based approaches. Therefore, it is arguable that by laying more emphasis on the control of the implementation process, the 'performance turn' in cohesion policy reflects to some extent the linear, hierarchical model of policy implementation that has often been considered in opposition to the partnership model. Therefore, in this current climate it is increasingly important to effectively spend EU Structural Funds. The financial crisis has caused pressure on the EU commission and EU cohesion policy spending, as well as pressure at the national level to spend the Structural Funds more effectively. These recent developments - the financial crisis and the new proposed regulations of the commission - have called for a review of the implementation structures in Scotland, resulting in more centralised approach.

This calls for the need to evaluate the implementation structures of EU cohesion implementation in and explain the variation in performance within and between the networks that are implementing EU cohesion policy in Scotland. As the literature is not yet conclusive about what ensures good performance in project partnerships. Although regional policy scholarship provide a number of normative accounts that partnership-working is effective, only little has been written about the causal mechanisms of partnership-working and performance from a partnership or network perspective. Therefore, this study explores the relationship between partnership-working and network activity of organisations within a public policy field and their performance by addressing the following two questions:

- What factors explain the success of individual organisations in securing high performance levels for EU cohesion policy projects? Within EU cohesion policy partnership working with different levels of governance and public and private organisations is believed to significantly influence the performance of EU cohesion policy projects.

- What is the relationship between the location of an organisation within the policy network and the level of performance of its EU cohesion policy projects? Recent studies on public policy performance emphasise that the network structure of a particular policy network has a significant influence on the performance of the policy.

## 2. THEORETICAL FRAMEWORK

Research in public policy implementation shows that network activity explains performance ([Schalk et al., 2010](#)). Studies in the field of sociology explain the outcomes of collective decision-making on the basis of inter-organisational network structure (cf. [Thomson et al. \(2003\)](#)). Studies in the field of public administration explain the performance of inter-organisational networks in terms of policy effectiveness ([Provan and Milward, 1995](#), [Provan and Kenis, 2008](#)) and accountability and legitimacy (Rhodes, 1997 and Klijn and Koppenjan, 2000). Performance in these studies are being studied at the collective network level, effects of network management are studied in terms of network design and compared with the effects of hierarchical structures on effectiveness, accountability and legitimacy ([Schalk et al., 2008](#)). "These studies consistently report that 'ties are beautiful': agencies headed by more actively networking managers perform better" ([Schalk et al., 2008, pp. 2](#))

The effects of network relationships and their characteristics are studied primarily from two perspectives: a) the Managerial Network Perspective and b) The Collaborative Network Perspective ([Akkerman et al., 2012](#)). The two perspectives mainly differ with respect to the level at which the effects of network relationships and their characteristics are studied. The Collaborative Network Perspective focuses on outcomes at the level of the network as a whole. The Managerial Network Perspective focuses on outcomes at the level of the individual organisation.

## 2.1 Individual partnership working

The Managerial Network Perspective focuses on the networking activity of managers in individual organisations. Networking activity refers to the characteristics of the relationships that an organisation maintains with other organisations and actors, such as suppliers, stakeholders, clients, alliance partners, regulatory agencies, or political institutions. Examples of characteristics of these inter-organisational relationships are the number of relationships, frequency of contact, reciprocity or perceived quality. This perspective proposes two main explanatory mechanisms to account for the association between managerial networking activity and performance. Developing and maintaining networking relationships with other organisations creates opportunities to exploit resources in the organisation's environment. Networking relationships also buffer environmental shocks, such as political, economic, and technical demands. For example, analysis of the Texas public school district data consistently reveal significant positive effects of the network activity of directors of Texas school districts on various indicators of performance of their district, such as pass rates and dropout rates ([O'Toole and Meier, 2004, 1999, Meier and O'Toole, 2003](#)). Effects of organisational network activity are also reported for firm performance, measured by increased survival rates, economic output, and innovativeness.

In an inter-organisational network, network activity is captured by the concept of *degree centrality*: the most active agencies are those who have the most network ties to other agencies in the network ([Wasserman and Faust, 1994, pp. 178](#)). This can be measured by an agencies degree centrality - "the degree of a node is a measure of 'the activity' of the actor it represents" On the basis of current research and literature in public administration, organisational sociology and regional development studies, it can be argued that agencies with a high degree centrality in the inter-organisational network have ample access to resources and a potential for learning and cooperation. Access to resources and information enables agencies to exploit their environment and buffer environmental shocks - such as changes in political, economic, and technical demands (Meier and O'toole, 2003). Consequently, agencies with high levels of network activity are expected to perform better.

In EU cohesion policy this would translate to organisations that have a higher degree centrality, e.g. relatively more connected within the policy network than other organisations, would be more aware if there are any changes being made in the implementation system, and therefore can respond easier, faster to these changes. Also technical requirements such as eligibility requirements can be anticipated upon if an organisation would be connected to organisations already having experience with the

Structural Funds. Thus it can be assumed that networking activity in EU cohesion policy can increase the performance of an organisation implementing a project because access to resources and information results in learning and cooperation and buffers against environmental shocks - such as changes in political, economic and technical demands.

*Hypothesis 1: A high degree centrality of an organisation has positive effects on the performance of its projects.*

However, this is not merely a count of relationships between actors; it also should take into account the quality and purpose of the partnerships and network activity between actors. Therefore five variables that characterise the structure of project partnerships are indicated as having an effect on the outcome of an EU cohesion policy project (see figure 1.).

**Figure 1. Characteristics of partnership structures.**



([EPRC and IGEAT, 2012](#))

## 2.2 Coordination within the overall network

The Collaborative Network Perspective focusses upon the coordination between organisations and argues that is the key explanatory mechanism. Coordination ensures close cooperation between otherwise autonomous organisations with conflicting goals. [Provan and Kenis \(2008\)](#) argue that the structure and governance of inter-organisational networks may affect the performance of networks of public organisations. Following this perspective, explanations for network performance are found in the organisations' pattern of relations and its network structure as a whole ([Akkerman et al., 2012](#), [Agranoff and McGuire, 2001](#)).

For illustration, actor A is dependent upon actor B if A needs resources actor B possesses to create some kind of action. If B as the same time needs the resources which A possesses, they are interdependent. Strategic interdependence or collaboration networks by contrast are not exchanges of resources. In this scenario the actors have the necessary resources themselves to bring about the preferred change, but they are dependent upon the action of

other actors. If actor A's action is resulting in outcomes in the interaction with actions taken by actor B, C and D, then A's ability to implement his preferred action is dependent upon the strategic choices of B, C and D. The conclusion drawn from this is that interdependent actors cannot implement their goals without the assistance of other actors. Moreover, because interactions between the actors are frequently repeated, institutionalisation processes occur; i.e. shared perceptions, participation patterns and interaction rules develop and become formalised. Obviously resource dependencies and dependencies that generate strategic externalities are related, but it is necessary to make the distinction in order to understand how the strategic game in network governance influences the formation of networks. In order to realise a policy goal, it is necessary to form networks of actors who possess relevant and interdependent resources as individual actors are seldom in a position to achieve that goal on their own. Naturally it is easier to form a network when actors have shared interests, expectations and goals.

Governance theory-related assumptions also often are related to the idea that horizontal coordination (cooperation based on equal relations between parties and not hierarchical relations) leads to a combination of knowledge, information and skills, but that these should also be managed. ([Kickert et al., 1997](#), [Sørensen and Torfing, 2009](#)). This effort has led to a new form as governance referred to as meta-governance in the governance literature. 'Meta-governance' is identified as an explicit strategy in situations of interdependencies where the state can exert influence ([Blanco et al., 2011](#), [Kickert et al., 1997](#), [Koppenjan and Klijn, 2004](#)). Marinetto ([2003](#)) stresses it is important not to dismiss the central executive as completely powerless. Central government is still an important policy-making-body. It may have given up some of its main capabilities but it is still "more highly resourced in terms of authority, finance and control over coercion than any other domestic institution. Therefore, its centrality and control resources means it continues to have dominance over other organisations and networks" ([Marinetto, 2003](#)). While relinquishing a certain degree of direct authority over services as a result of market reforms, the government has extended financial controls so that public agencies and institutions are dependent on the centre for resources ([Marinetto, 2003](#)). A close and central role of government or a coordination body is expected to have a positive influence on the performance of projects.

***Hypothesis 2:** A centralised policy network will have a positive effect on the performance of projects within the policy.*

### **2.3 Project partnerships within the overall policy network**

Akkerman, et al, (2012) argue that these two studies are interlinked. Organisations in inter-organisational networks often participate in collaborative sub-networks within the inter-organisational network. A collaborative sub-network is a subset of two or more organisations that collaborate on a specific subdomain, or specific activity, within the network. Examples of such sub-networks are collaborative platforms for lobbying, consulting, or applying for grants. Sub-networks of EU cohesion policy in Scotland involve, for example, the joining up of organisations for the application of EU structural funds

grants. For example, Community Planning Partnerships in Scotland join up to strategically coordinate their applications as well as implementation of the Structural Funds. The Managerial Network perspective argues that the level of centralisation of an actor, e.g. the number of other actors with whom the actors maintains relationships with, within a network positively affects the performance of that specific actor. This is an argument about the individual network behaviour of an actor. However, individual behaviour might have profound implications for the structure of the network as a whole. If all organisations in an inter-organisational network were to follow the self-interested strategy of maintaining as many relationships as possible, the density of the inter-organisational network as a whole will increase. However, when looking at inter-organisational networks from a collaborative network perspective, it is predicted that the performance of the whole network is highest for centralised networks, meaning that only a small number of organisations should maintain relationships with all of the other organisations. Thus the benefits of individual organisations' network activity may counteract the benefits that the centralisation of their inter-organisational network would provide. These mechanisms resemble what [Provan and Kenis \(2008, pp. 502\)](#) refer to as a "trade-off" between the costs and benefits of two opposite characteristics of the inter-organization network: network centralisation and network differentiation ([Akkerman et al., 2012, pp. 661](#)).

### 3. THE PARTNERSHIP PRINCIPLE IN EU COHESION POLICY

The idea of 'partnership' broadly refers to a shift from the hierarchical mode of policy design and delivery to forms of organisation and structures that are more like a network and are based on collective action. Authority is determined more by knowledge and function than by position. Central governments remain vitally important to policy-making, but they do not have a monopoly of decision-making power. Instead, policy-making responsibility is now shared amongst a variety of partners at European, national and sub-national levels. Besides that, governmental actors are no longer analysed as the central actor but more so as one of the many actors influencing policy making. These institutional designs go by various names. In the United Kingdom, they are called 'partnerships'. Elsewhere in Europe, the generic term 'PPP' (Public-Private-Partnership) may be used. In the United States, the term 'collaborative public management' is commonly used ([Skelcher, 2010](#)). The EU has taken-up this approach and it is interesting to note that what the EU institutions define and promote as partnership, in academic literature often appears under the term of policy network ([Sobczak, 2007](#)). Scholars also refer to them as governance networks; the concrete manifestation of the dominant mode of 'network governance' in which interactive multi-sectoral and multi-organisational relationships predominate. Thus, this concept of 'partnership' or 'policy network' provides an alternative to the rational central rule approach (e.g. the conventional steering model or the Westminster model ([Bache and Marshall, 2004](#))).

Within EU cohesion policy partnership is present at three levels: Programme preparation; Monitoring Committees and Implementation. Partnerships in preparation and within monitoring committees are based on partnerships on a strategic level. The main of this

paper is to look at partnership from the perspective of ensuring performance of EU cohesion projects. There it mainly looks at the last level: partnerships in implementation.

**Programme preparation** includes contributing to the preparation of the National Strategic Reference Framework (NSRF)<sup>1</sup> through participation in the consultation process (Art. 28 Council regulation 1083/2006) and contributing to the drafting of Operational Programmes (OP)<sup>2</sup>, through cooperation with the designated bodies for drawing up the OP (Art. 32 Council Regulation 1083/2006). Partner involvement in preparation varies across the different regions within the Member States. Member States generally involved most partner groups at some stage in the process, although the major actors, especially central and regional government authorities, dominated the process. Local authorities, socio-economic partners and other bodies were sometimes represented in planning groups/committees but more commonly were consulted through events such as workshops, public meetings and conferences at key stages in the process, and/or they were invited to comment on programme drafts ([Bachtler et al., 2009](#))

**Monitoring Committees (MC)** provide the most important platform for formal partnership-working in all Member States. The MC's main function is, as the relevant Council Regulation puts it, to 'satisfy itself as to the effectiveness and quality of the implementation of assistance', or, simply put, to oversee SF management ([Batory and Cartwright, 2011](#)). Their tasks include: approving project selection criteria, signing off on the annual reports that are sent to the Commission each year, and to present proposals concerning the system of indicators. The composition of the committee varies across countries, but typically, includes the managing and paying authorities, regional and sectoral policy ministries, regional authorities and development bodies, trades unions, employer organisations, chambers of commerce, NGOs, educational organisations, RTDI bodies and the voluntary sector. The regulatory requirements ensured wide partnership representation, an important factor in countries where this is weak in other areas of policy making and where central and/or regional government authorities are dominating the process ([Bachtler et al., 2009](#)). In the current period, the participation of partners in Monitoring Committees is one of the more visible aspects of the application of the partnership principle in the Structural Funds. There seems to be an undisputed value added in strong partnership. The ÖIR ([2003](#)) study, for example, found 73% support for the idea that a "monitoring committee is necessary for the efficient implementation of the Structural Funds" ([ÖIR, 2003, pp. 67](#)). Also [Bachtler et al., \(2009\)](#) see the monitoring committees as "the main vehicle for partnership" ([pp.43](#)).

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<sup>1</sup> The National Strategic Reference Framework is a requirement of Structural Funds Regulations for 2007-2013, and will establish the high-level or national-level strategy for Structural Funds Operational Programmes. It is mainly a strategic reference framework for developing the Structural Funds Programmes. It provides an overview of the economic strengths and weaknesses of the respective country's regions, and sets out the approach to Structural Funds spending.

<sup>2</sup> An Operational Programme (OP) sets out a region's priorities for delivering the funds. Although there is scope for regional flexibility, a region's priorities must be consistent with the Member State's NSRF. There is an Operational Programme for each region in the EU. These OPs, just like the NSRF, have to be approved by the European Commission before any implementation

However, there are also some negative accounts about partnership-working in Monitoring Committees. As Monitoring Committees are relatively large bodies that meet only a few times a year, and deal with complex, highly technical issues which require expertise rarely available outside central government. Consequently, the 1999 thematic review of the Commission pointed out that;

“While some MC’s involve genuine joint decision-making, just as often Monitoring Committees do not even function as *committees*, and partnership, if present at all, takes place informally between a limited set of key partners” ([Tavistock Institute, 1999](#)).

Furthermore, [Piattoni \(2006\)](#) describes MC’s as “ranging from quasi-corporatist committees where some partner organisations enjoy a strong role, to window-dressing committees, which merely aim to fulfil the formal requirement of having such a body in place”(Piattoni, 2006) However, the actual composition and organisation of Monitoring Committees varies between Member States. In some Monitoring Committees, the social partners have a mere consulting role; in others they have full proposal and voting rights. Regardless of the specific arrangement of each Monitoring Committee, social partners have a hard time making a real contribution due to lack of expertise, time and information ([Piattoni, 2006, pp. 64](#)).

**Partnership in implementation** is linked to the principle of subsidiarity which implies that interventions funded under Cohesion policy should be implemented at the level most competent to carry this out. This refers to partners as beneficiaries of Cohesion policy projects and the use of different types of project and resource allocation instruments can foster partnership. Cohesion policy includes a range of intervention types and systems to allocate resources to projects and beneficiaries. These involve partners in a variety of ways. Even though the rules and procedures governing the Structural Funds have been described as ‘one size fits all’, evaluations and other studies demonstrate the great diversity of practice that exists. Variation is the result of different institutional contexts, administrative systems, funding levels and specific economic development policies ([Mairate, 2006](#)). The two most prominent systems for allocating funding to beneficiaries are call systems and allocating funds to intermediary bodies.

- *Call systems:*

Call systems are likely to be used to invite individual and smaller projects. They can help to target groups of potential beneficiaries, raise awareness for a certain initiative, introduce elements of competition or allow programme managers to gain an overview of the interest generated in a certain field. This ‘call system’ is basically an invitation to potential beneficiary organisations to submit project applications to the programme.

Competitive calls were introduced in Nordrhein-Westfalen and according to the Managing Authority the competitive calls were bringing considerable benefits. The benefits included that actors were supported in making own initiatives, the selection criteria and the procedures are more transparent, competitive calls facilitate comparisons between project proposals, it also allowed for a more efficient approach to building on the existing strengths

of the sub-regions. It also facilitated the managing authority with information on approaches, networks etc. in the sub-regions, so that policy could be designed more efficiently ([Ferry et al., 2007](#)). This approach is beneficial to partnerships as the calls are open to all partners, ensuring a pluralistic approach to the selection of partners. As well as that all partners have an equal opportunity to contribute to the Structural Funds implementation.

*- Intermediary bodies:*

Devolving substantial shares of the overall financial envelope may be managed by Intermediary Bodies. These bodies may be located at central level (e.g. line ministries or national agencies). In other cases, it may be appropriate to allocate parts of the programme envelope to bodies or partnerships at the sub-national or sub-regional level which cover a specific thematic or geographic field. There are a number of ways to allocate funding to these bodies. Single-stream budgets or ‘funding pots’ are created by combining Structural Funds with domestic funding to create a co-funded budgetary stream or programme.

Another approach is to distribute tranches or ‘blocks’ of funding to specific administrative organisations, which are then responsible for managing and allocating the funding. This can be done through the use of pre-determined co-financing organisations (e.g. Scotland), co-financing competitions, where agencies or ministries bid to become co-financing bodies (e.g. Nordrhein-Westfalen), global grants, where funding for a specific group of projects is delegated to a body (e.g. France) or the use of thematic or geographic partnerships, where sub-national partners take responsibility for managing a part of the programme budget (e.g. UK Action Plans (2000-06), Denmark, Sweden) ([Ferry et al., 2007](#)).

Allocating funding ‘blocks’ allows part of the management/administrative workload to be devolved. It can facilitate the integrated treatment of projects, improve the coordination of Structural Funds and domestic development strategies and exploit existing training and experience in delivery organisations. Global grants have proved to be extremely efficient in bringing the management of the funds closer to the beneficiaries and their needs. Such grants have been instrumental in funding small projects, strengthening ownership by the beneficiaries for instance SMEs in the social economy. This approach depends, however, on the availability of delivery organisations with the capacity and the willingness to become involved in the implementation process. For partnership-working this means that partners have less of an administrative burden, lower risk of securing match funding and the prospect of long-term partnerships is more likely. This will make it easier of partners to implement their projects and focus on the actual performance of the partnership.

In this context, it is worth noting that for the next financial perspective, the European Commission has proposed strengthening the local agenda in Cohesion policy, namely through: the concept of community-led local development. This involves following the LEADER approach, investing at least 5 percent of ERDF funds for sustainable urban development through ‘integrated territorial investments’ ([Commission, 2011](#)), and, the establishment of an urban development platform to promote capacity building and

exchanges of experience, and the adoption of a list of cities for an urban development platform ([Committee of the Regions, 2012](#)).

### 3.1 Performance of EU cohesion policy projects

Efficient performance in the Cohesion policy context can be interpreted in a number of ways. A number of quantifiable interpretations are available but this only looks at what a project is achieving in the sense of inputs and outcomes. Even when it is assumed that certain projects are reaching the necessary objectives set out from the start, a comparison between different projects is difficult as they all have different indicators that are used to evaluate their progress. Thus it is safe to conclude that it is difficult to achieve an objective measurement of project efficiency or project performance.

How, then, is it possible to measure the efficiency of outcomes of projects? To get the most inclusive picture of the project results, this research takes another perspective on measuring performance. An as most as possible realistic measure of performance and efficiency is created by first of all, measuring quantifiable measures, financial and physical progress. Second, there will also be a third approach of measuring performance, namely the judgements of the stakeholders on the performance of the project. This is an approach that has been used more often (see for example Klijn et al, 2006 and Kort, 2011).

Since outcomes in governance processes such as those under study here are strongly dependent on the process and on the judgements of the people involved, items that are connected to both the content and the process will be used to measure overall outcomes (Kort and Klijn, 2011). This triangulation of measuring performance will create an overall measure of efficiency.

#### *(1.1.i) Content outcomes: financial and physical progress*

Efficiency in Cohesion policy can relate to minimising the administrative cost and the workload incurred in Cohesion policy implementation ([SWECO, 2010](#)). As such, efficiency is understood as the comparison between the planned use of inputs (costs) and their actual use. Then by establishing a positive or a negative quantitative ratio between planned and actual inputs a measure of efficiency can be identified ([ÖIR, 2003](#)). Costs then will include the absolute costs of implementation expressed in the amounts spent on technical assistance, number of people employed, costs of human resources employed.

Another perspective on efficiency is the absorption capacity of a Member State. This relates to the technical absorption of the maximum level of Cohesion policy funding available: efficiency as an “EU receipts maximising instrument” ([Worstner, 2008](#)). Absorption capacity is defined as “the extent to which a Member State is able to fully spend the allocated financial resources from the Structural Funds in an effective and efficient way” ([NEI, 2002, pp. 2](#)). The ability of the Member State to spend the allocated funds is related to the macro-economic situation, the co-financing situation and the administrative capacity. This is important because, under the automatic de-commitment principle, if a sum committed to a programme has not been claimed by the end of the second year following the programme's adoption (or the third year in the case of EU10 Member States) any unpaid

money ceases to be available to that programme. Related, efficiency can concern minimising the level of irregularities and risk incurred in implementation.

This can be achieved by taking stock of the indicators that were planned and the amount of them that are achieved, and also taking into consideration the financial side, e.g. were there any irregularities, or other problems with money.

*(1.1.ii) Process outcomes:*

The efficiency issue, that is, the question concerning how good partnership is in achieving results, has been almost completely surrendered to a growing evaluation industry surrounding the EU Structural Funds ([Bauer, 2002, pp. 776](#)). Partnership-effectiveness defined by Provan and Kenis, (2008), as the attainment of positive partnership-level outcomes that could not normally be achieved by individual organizational participants acting independently. For the purposes of this research, Cohesion policy efficiency is understood as a means for delivering set objectives, i.e. the extent to which Cohesion policy interventions have achieved what was set out in strategic decisions. From this perspective, the design of the implementation and administrative structures among different partners (at EU, Member States, regional and project levels) is crucial. Efficiency of implementation structures is not solely based upon the cost-effectiveness and absorption capacity of a Member State or region. Even if all the money received from the EU is spent according to the Structural Funds rules and regulations, the effectiveness of the project in contributing to the main aim of Cohesion policy is not automatically achieved.

A realistic measure of efficiency as close as possible is created by combining the above mentioned quantifiable measures (on financial and physical progress) with a process satisfaction criterion that takes into account the perceptions of actors involved in the partnership. Concerning the methodological challenges, taken together, these three strands can be a realistic measure of efficiency.

## **4. EU COHESION POLICY PROJECTS AND NETWORKS IN SCOTLAND**

This next section will briefly introduce the EU cohesion policy situation in Scotland, the current situation of the Operational Programme as well as the proposed changes for the next period. It also includes a description of the different institutional arrangements that are in place in Scotland.

### **4.1 EU cohesion policy in Scotland:**

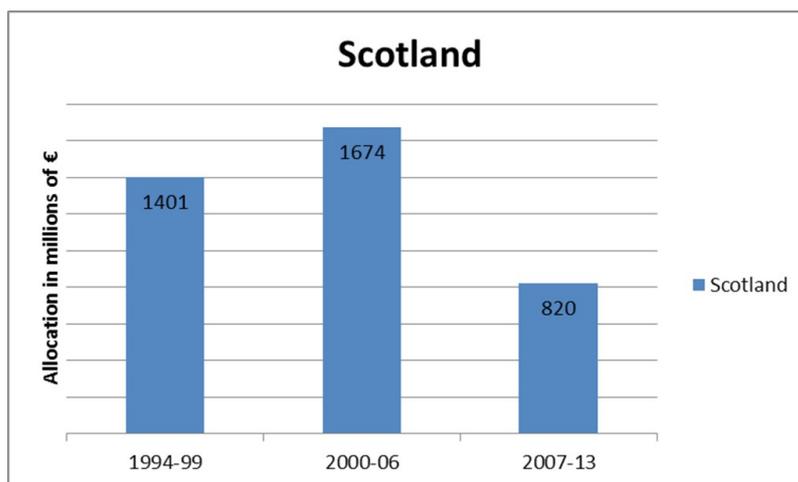
It is estimated that between 1975 and 2006 a total £3.4 billion (at 2000/2001 prices) was allocated to various regions within Scotland and a further £674 million which was not geographically specific meaning that over £4 billion (at 2000/2001 prices) has come to Scotland from EU Structural Funds ([Bachtler et al., 2002](#)). Traditionally Scotland has received a disproportionate share of Structural Funds in the UK in relation to its population size. Over the period 1975-1999 Scotland's average share of UK Structural Funds was 20%

([Bachtler et al., 2002, pp. 11](#)). However in the period 2000-2006 Scotland's share of the UK allocation fell to 10.8%, roughly in line with its population. In addition, the absolute amount of money provided for Scotland from the Structural Funds has been declining. In the 1994-1999 period the four regions of Scotland in receipt of Structural Funds, Highlands and Islands, Western Scotland, Eastern Scotland and Southern Scotland received a total of £1113.6 million (2000/2001 prices) compared to £721 million (2000/2001 prices) in 2000-2006. The average amount available per annum in 1994-1999 was £180.6 million compared to £103 million in 2000-2006; this represents a fall in real terms of around 43% [figures derived from Bachtler et al. (2002, pp. 17-20)] ([Campbell and Mcsorley, 2008](#)).

The institutional arrangements in Scotland recently have seen significant changes, which resulted in a markedly different involvement of partners. First of all, the devolution process has a significant impact on how structural funds are managed. During the preparation of 2000-06, the devolution process in Scotland was still in its formative stages. For the preparation of 2007-13 the devolution process had taken shape and this resulted in a stronger steering role of the new territorial government, the Scottish Government. Instead of being led by the partners themselves (through partnerships assisted by drafting teams made up of consultants), the programmes were drafted by internal Scottish Government teams, albeit in consultation with the partners (via workshops and formal consultations). This process, tried to introduce a streamlined approach which had previously been very protracted, proved controversial at the time. In fact, however, programme authorities argue that partners continued to have a substantial input, as "there were some things, like the number of priorities, what should be funded under the priorities, how much money you give them (on which the Scottish government) was genuinely open" (interviewee quoted from ([Polverari and Michie, 2009](#))).

Another reason why there were distinctive changes made to the organisation structure is the fact that the funds for Cohesion policy in Scotland are declining (see figure 6 below). However, in combination with the financial crisis, the amount of money Scotland receives through the Structural Funds is still a significant amount. The financial crisis is prompting Member states to consider innovative implementation solutions to overcome the challenges posed by austerity. This includes implementation approaches that are more targeted or focused, either territorially or thematically and also the exploration of new routes to access or lever in match funding from the public or private sector.

**Figure 6: Cohesion Fund allocations for Scotland 1994 - 2013**



#### 4.1.1 Current implementation structures in EU cohesion policy

Scotland in existing administrative boundaries is divided between the Lowlands and Uplands, and the Highlands and Islands. Within these two regions there are different institutional arrangements that implement EU cohesion policy in four different themes (See table 3). The different institutional arrangements are:

- ① University of the Highlands and Islands (UHI)
- ① Scottish Enterprise
- ① Highlands and Islands Enterprise
- ① Community Planning Partnerships
- ① Challenge Fund
- ① National Delivery Bodies

These six different institutional arrangements have their own influence on the partnerships that are created for implementing EU cohesion policy projects. As well as the network activity of the organisations involved in these partnerships.

**Table 3: Scotland's implementation structure**

Scotland

	Lowlands & Uplands	Highlands & Islands
- RTD & Innovation	- Scottish Enterprise	- Highlands & Islands Enterprise
- SME & Competitiveness	- CPP's	
- Low Carbon & Renewable Energy	- Challenge Fund	- University of the Highlands and Islands
- Economic and Social inclusion		- Challenge Fund

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*(1.1.i) Community Planning Partnerships:*

'Community planning is the process by which councils and other public sector bodies work together, with local communities, the business and voluntary sectors, to plan and deliver better services and to improve the lives of people who live in Scotland' ([Audit Scotland, 2011](#)). Community planning was given a statutory basis by the Local Government in Scotland Act 2003. Under the Act, councils have a duty to initiate, facilitate and maintain community planning. The different levels of planning needed for effective economic development combined with the range of organisations involved, has resulted in a complex partnership landscape across Scotland. Some partnerships work at a national level, some at a regional level and other within smaller areas. Some involve CPPs, while others operate separately from community planning.

Local Public networks, such as CPPs, are a special type of inter-organisational network constituted around a governmental body. Within these networks it is always a lower governmental body such as a city district or a municipality that governs the network based on a variety of roles, with the local government held accountable for the satisfactory delivery of public goods and services. Local public networks have general characteristics that pertain to most such networks, such as the networks' nature, structure and performance. Other characteristics act as contingency factors and may vary between networks ([Span et al., 2012](#)).

Organisations collaborating in the network with the local government participate because they are dependent on the public (monetary) resources that it provides. Structural network studies use concepts such as network density and centrality to predict network performance. Local public networks typically have a lead organisational structure that is dense and central. The central position of the local government derives from its legal authority. Local governments provide administration for the networks and/or facilitate the activities of member organisations to achieve network goals ([Span et al., 2012](#)).

Organisations in local public networks collaborate to comprehensively treat clients through integrated, jointly produced services. For example, a person having difficulty finding a job in the current economic crisis may simultaneously need extra training, mentoring, and a

suitable position or traineeship in a company. CPPs in Scotland in relation to priority 5 the skills pipeline ensure that those services are delivered. To safeguard these services, local authorities have to govern the organisations within their local network. The various services are provided by different organisations and only the bundle of services together fulfils the total demand of the unemployed person.

Lawrence and Lorsch (1967) showed that there is no universal best way to govern organisations. The same holds in respect to governing local public networks. The literature is not conclusive about the variables that predict network effectiveness of these Local Public networks. Different contexts may lead to different performances. As network contexts are reflected by network contingencies, these contingencies may help explain these inconsistent results. ([Span et al., 2012](#)). Empirical evidence suggests that contingency factors are likely to have a significant impact on the performance of local public networks. Span et al, propose to use contingencies at the network level, contingencies could for example include: Network age, network size, network diversity and customization of services. These factors can be considered to influence the relationship between governance roles and network performance.

Community Planning Partnership	Local Council	Priority
Fife Employability Pathway	Fife Council	1,5* 3 **
Inverclyde Employability Skills Pipeline	Inverclyde Council	1,5* 3 **
Glasgow Works 2011-13	Glasgow City Council	1,5* 3 **
West Lothian Employability and Skills Pipeline	West Lothian Council	1,5* 3 **
Backing Falkirk's Future	Falkirk Council	5
West Dunbartonshire Skills Pipeline	West Dunbartonshire Council	1,5* 3 **
Stirling's Pipeline	Stirling Council	5
East Ayrshire Works	East Ayrshire Council	1,5* 3 **
South Lanarkshire Works 4 U	South Lanarkshire Council	1,5* 3 **
Edinburgh Partnership Strategic Skills Pipeline	City of Edinburgh Council	1,5* 3 **
Renfrewshire Employment Partnership - RWf+ Programme	Renfrewshire Council	1,5* 3 **
Clackmannanshire Works 2011	Clackmannanshire Council	1,5* 3 **
Dundee European Programme Phase 3	Dundee City Council	1,5* 3 **
Work 4 U	Aberdeenshire Council	1,5* 3 **
North Lanarkshire's Working Skills Pipeline	North Lanarkshire Council	1,5* 3 **
North Ayrshire Employability Pipeline	North Ayrshire Council	1,5* 3 **
Youth Employment Scotland - Aberdeen City	Aberdeenshire Council	5

### *(1.1.ii) National Delivery Bodies*

National Delivery Bodies comprise Skills Development Scotland, Scottish Further & Higher Education Funding Council, Scottish Trades Union Congress, and Scottish Council of Voluntary Organisations (fronting the Third Sector Consortium). The National Delivery Bodies are defined as: the statutory body with responsibility for delivery of Scottish Government national outcomes and objectives. They became involved as Strategic Delivery Mechanisms in the context of the LUPS PMC decision in 2010 to vire all remaining funds from ESF Priorities 1, 2 and 3 into a newly created Priority 5 which would fund the development of transferable skills. Scottish Government would be looking to partners to deliver relevant skills enabling individuals to access and retain jobs for the future. There would be no overlap with current provision. Applications for funding were expected from CPPs, STUC, SDS and the Scottish Funding Council.

Formed in 2008, Skills Development Scotland (SDS) is the national skills body supporting the people and businesses of Scotland to develop and apply their skills. SDS is a non departmental public body, responding to and delivering the Scottish Government's skills strategies. Having secured ESF support from both the LUPS and H&I programmes since 2008, the introduction of LUPS Priority 5 saw SDS apply for ESF grant of £20.7m, in support of a "Local Training Opportunities" project, aimed at supporting 27,950 beneficiaries under the Local Training Opportunities (L-Tops), Get Ready for Work (GRfW) and Training for Work (TfW) schemes. Delivery is through contracts with Training Providers with provision jointly planned, procured and reviewed in-year with Community Planning Partnerships.

The Scottish Further and Higher Education Funding Council ([SFC](#)) is the national, strategic body that is responsible for funding teaching and learning provision, research and other activities in Scotland's 37 colleges and 19 universities and higher education institutions. In the context of Priority 5 the Council developed a national bid involving a total of 35 colleges across Scotland aimed at improving the content and outcomes of local employability development services through the strategic skills pipeline. Some £13.7m of ESF was sought for activity during 2011-13, with an aim of continuing the project in 2013/14.

STUC had run Union Learning projects with ESF support for a decade. These were work-based learning projects. Since 2011, those in the LUPS area have been modified to cohere with the provisions of ESF Priority 5 and deemed strategic activity.

SCVO was invited to become a National Delivery Body, but lack of match funding and the risks associated with Accountable Body status prevented it from proceeding. Instead, it coordinated and facilitated a set of bids from large and specialised NGOs (The Third Sector Consortium) with the intention of stimulating delivery across all of the CPP areas participating in ESF Priority 5. However, applicants who did not have their own match funding had to conclude deals with CPPs on an area-by-area basis.

*(1.1.iii) Intermediary Bodies: Scottish Enterprise, Highland and Island Enterprise, University of the Highlands and Islands*

With the goal of achieving greater strategic alignment (i.e. between Scottish Executive/Government objectives and objectives driven by the Lisbon Agenda) the Operational Programmes identified Strategic Delivery Bodies and the anticipated scope of their involvement in the Programmes as follows:

- ⌚ **Scottish Enterprise:** LUPS ERDF Priority 1 (Research and innovation).
- ⌚ **Highlands and Islands Enterprise:** H&I ERDF Priority 1 (Enhancing business competitiveness, commercialisation and innovation).
- ⌚ **University of the Highlands & Islands:** H&I ERDF Priority 2 (Enhancing key drivers of sustainable growth) and ESF Priority 3 (Access to Lifelong Learning).

## 5. DISCUSSION AND CONCLUSION

As the commission is going to be focused a lot more on the performance of EU cohesion policy, it seems as a good start to understand the relation between performance of EU cohesion policy projects and the characteristics of implementation. What are the preferable characteristics of partnerships to ensure high performance? Also, as research in public policy demonstrates network activity of organisations and the overall structure of the network policy has an influence on performance.

However, as mentioned above, partnerships at the implementation level within EU cohesion policy are not straight forward. Every project implemented in EU cohesion policy has a different way of working that reflects its aims, priority, and the institutional arrangements in which the project is embedded. Next to these characteristics, it is argued that network activities of these organisations have a considerable effect on the performance of the individual organisation as well as on the overall policy network and thus EU cohesion policy implementation as a whole.

In addition, performance of EU cohesion policy projects can be interpreted in different ways. This paper has sought to conceptualise performance in such a way it is possible to operationalize it as a measurement. In this way this research aims to analyse the different partnership arrangements and the influence they have on the performance of projects.

The next step of the research is to carry out interviews and collect data on the performance levels of projects as well as on the network activity of organisations involved in the partnership that implements the respective projects. Information from the interviews should serve as creating qualitative insights into the partnership working within different projects as well as their position within the overall network. Information from network activities will seek to explain the position of the organisation within the network and the effect that has on the level of performance.

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