

Master Thesis

What do the changing rules regarding the ERDF, Interreg and POP mean with regard to the rules of participation and financial regulation for the subsidies and what are the implications for PNO?

Abstract

In this master thesis the following research question is posed: 'What do the changing rules regarding the ERDF, Interreg and POP mean with regard to the rules of participation and financial regulation for the subsidies and what are the implications for PNO?' In order to answer this question 5 sub-questions are formulated.

The first research question contains the theoretical framework of this master thesis. The central theory that is being used to explain the choice of PNO by organizations is Transaction Cost Theory. This theory explains the factors that go into the outsourcing decision of an organization. In this research question the funding procurement process is also outlined. This theory will guide research question 2 and 3 on how the funds function.

The second research question is answered by a literature study of the three funding programmes. The programmes will be outlined in terms of budget, priorities, the functioning in the Netherlands and the main aim of the programme. The third research question will also have these elements and will contain an analysis of the main differences between the old and the new period.

The next step is to research why organizations decide to outsource the funding application process or why they do not. This is done via semi-structured open ended interviews with organizations that have used PNO and organizations that have not. The three aspects of transaction cost theory are used to guide the interviews. These three aspects are: asset specificity, uncertainty and frequency. From the interviews we can conclude that if there is high asset specificity, high uncertainty and low frequency organizations are more likely to outsource. This is especially the case for the European programmes because a lot of organizations indicated that the programmes are very difficult and that it requires a lot of work to do the application. The role of PNO is to reduce the uncertainty, supply the man power and experience to do the application.

The final research question combines the changes in the funds and the results from the interviews to see how the role of PNO changes in the new programme period. It also contains a SWOT analysis on the strengths, weaknesses, opportunities and threats for PNO with relation to these three funds. The main conclusions are that the role of PNO will not change significantly. They are still needed to supply the man power, the expertise and to reduce the uncertainty. However, the decrease in budget in the EFRO and POP programme mean that PNO will have to look at their approach to these programmes.

The main advice from this thesis is that PNO should not invest in the POP programme since their client base does not fit with the priorities and the revenues of the projects are very small. For the EFRO programme they should continue their current approach and they should invest in gathering the new information and disseminating this information across the organization. The Interreg programme is an interesting option for PNO because the budget is increased for the new programme period and the priorities that are available in the programmes fit the clientbase and experience of PNO. However, it requires a significant investment in this programme for PNO because they do not have a lot of experience with the programme.

Table of contents

Abstract	2
List of abbreviations	7
List of tables and figures.....	7
1. Introduction.....	8
1.1. PNO.....	8
1.1.1. General information	8
1.1.2. Grants	8
1.1.3. Process.....	8
1.1.4. Value	9
1.2. Approach thesis	9
2. Methodology	11
2.1. Research questions posed.....	11
2.2. Methodology	11
3. What transaction costs are present in funding procurement?	13
3.1. How does funding procurement work?	13
3.2. Choices organizations face	14
3.3. What are transaction costs?.....	15
3.3.1. Transaction Cost Theory.....	16
3.4. What transaction costs are present in funding procurement at the EU level?.....	18
Conclusion research question 1	21
4. How are the funds (ERDF, Interreg and POP) functioning during the period 2007-2013?	23
4.1. European funds	23
4.2. Chosen funds.....	24
4.3. The funds	25
4.3.1. European Regional Development Fund.....	25
4.3.2. Interreg 2007-2013.....	27
4.3.3. European Agricultural Fund for Rural Development (EAFRD).....	28
4.3.4. EAFRD and the Netherlands	29
4.4. Value chain in the application process of the funds	29
4.4.1. European Regional Development Fund.....	30
4.4.2. Interreg.....	30
4.4.3. POP	31
Comparison funds	32
ERDF.....	32
Interreg.....	33
POP	33
Conclusion research question 2	33

Table comparing the funds 2007-2013	34
5. In what way are the ERDF, Interreg and POP changing for the period 2014-2020 compared to earlier years with regard to the rules of participation and the financial regulation?	36
5.1. Context	36
5.2. Changes in the funds	37
5.3. European Regional Development Fund.....	38
5.3.1. Impact ERDF	38
5.3.2. Investment priorities	39
5.3.3. The ERDF guidelines and the Netherlands	40
5.3.4. The ERDF in the Netherlands.....	41
5.3.5. Developments for the Netherlands.....	41
5.4. Interreg.....	42
5.4.1. Developments Interreg programmes.....	43
5.5. EAFRD	44
5.5.1. POP	46
5.6. What do the changes mean	47
Table comparing the situation 2007-2013 and 2014-2020.....	47
Other important differences	49
Table comparing Interreg 2007-2013 and 2014-2020	50
Other important differences	52
Table comparing POP2007-2013 and 2014-2020.....	53
Other important differences	54
5.7. Change in transaction costs.....	54
European Regional Development Fund.....	55
5.7.1. Interreg.....	56
5.7.2. POP	57
Conclusion research question 3	58
General changes framework	58
Changes in ERDF	58
Changes in Interreg	59
Changes in POP.....	59
Changes in transaction costs	60
6. What role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?.....	61
6.1. Methodology	61
6.1.1. Method	61
6.1.2. Sample	61
6.1.3. Theory.....	62

6.2.	Results	63
6.3.	Findings per fund.....	64
6.3.1.	ERDF.....	64
6.3.2.	POP	64
6.3.3.	Interreg.....	65
	Conclusion research question 4	66
7.	How will the new rules affect the role of PNO in the market?	67
7.1.	Changes in transaction costs	67
7.1.1.	ERDF.....	67
7.1.2.	Role played by PNO in reducing transaction costs 2007-2013.....	68
7.1.3.	Changing role PNO in light of transaction costs	68
7.2.	Interreg.....	69
7.2.1.	Role played by PNO in reducing transaction costs 2007-2013.....	70
7.2.2.	Changing role PNO in light of transaction costs	70
7.3.	POP	70
7.3.1.	Role played by PNO in reducing transaction costs 2007-2013.....	71
7.3.2.	Changing role PNO in light of transaction costs	72
7.4.	SWOT analysis on the changes in the funds and the changes for PNO	72
7.4.1.	What is SWOT analysis?	72
7.4.2.	Method of using SWOT analysis.....	72
7.5.	Results	73
	Conclusion research question 5	73
	EFRO	73
	Interreg.....	73
	POP	74
8.	Conclusion Thesis	75
9.	Discussion and future research	76
9.1.	Limitations research	76
9.2.	Advice public institutions	76
9.3.	Future Research.....	77
	Sources Introduction	79
	Sources research question 1	79
	Sources research question 2	79
	Sources research question 3	81
	Sources research question 4	82
	Sources research question 5	82
	Source appendixes	83

List of abbreviations

Com.	Commission
DLG	Dienst Landelijk Gebied
ERDF	European Regional Development Fund
EU	European Union
POP	Plattelands Ontwikkelings Programma
SME	Small Medium Enterprises

List of tables and figures

Figure 1: graphic representation grant procurement process	p. 10
Figure 2: graphic representation grant procurement process	p. 14
Figure 3: choices for organizations in funding procurement	p. 16
Figure 4: structure EU funding programmes	p. 26
Figure 5: SWOT results ERDF	p. 85-86
Figure 6: SWOT results Interreg	p. 87
Figure 7: SWOT results POP	p. 89
Table 1: typification of transaction costs by Valentová	p. 19
Table 2: comparisons funds 2007-2013	p. 336
Table 3: comparing ERDF between 2007-2013 and 2014-2020	p. 48-50
Table 4: comparing Interreg between 2007-2013 and 2014-2020	p. 51-53
Table 5: comparing POP between 2007-2013 and 2014-2020	p. 54-55

Introduction

This thesis is conducted for PNO Consultants due to the upcoming changes in the European funds. Within this context PNO wanted to find the changes in the European Regional Development Fund, the Interreg programme and the POP programme. Furthermore, they wanted to have researched what these changes would mean for their company.

In order to fulfill the requirements that are inherit in a master thesis the changes in the funds and the corresponding changes for PNO are researched in light of the Transaction Cost Theory. This theory is about the make-or-buy decision of an organization or in other words the outsourcing decision. In relation to this thesis it is about the outsourcing decision with regard to funding application.

In this introduction I will first provide the background information to the company, for which this thesis was done, PNO, then I will outline the approach that was done in this thesis and finally the outline of the thesis is provided.

1.1. PNO

1.1.1. General information

PNO is a full-service independent grants consultancy. The firm tries to combine the wishes of the clients with the societal issues that are supported by government funding. PNO provides grant consultancy throughout Europe to a range of clients (PNO, 2012b).

PNO was founded in 1984 as a spin-off company from the University of Twente. They have 30 offices in the Netherlands, Germany, Belgium, France, Great-Britain, Italy, Czech Republic, Austria, Slovenia, Hungary and Romania with over 300 specialists across these countries. PNO is available for SME's, large companies, multinationals, public enterprises and knowledge institutions as well as partnerships between the Netherlands and Europe. Furthermore, they have partnerships with Eastern Europe (PNO, 2012e).

At this point in time PNO has over 2.000 customers and has an average success rate of over 80% (PNO, 2012b). The aim of PNO is to offer clients the best grant consultancy in Europe. In order to achieve this aim PNO provides his clients with a full grant consultancy service. PNO advises clients on possible grants, brings them into contact with other businesses for possible collaboration and applies for grants that are needed and possible (PNO, 2012c).

1.1.2. Grants

Both the EU and national governments offer grants and incentives. The EU focusses mainly on three factors: new (environmental) technology, public-private partnerships and the need for more people in knowledge-bases occupations.

There are four types of external funding:

1. Grants –where funding is secured ahead of a project's launch
2. Soft loans –where loans are secured for projects that banks are reluctant to finance
3. Tax incentives –that provide financial incentives for leading-edge R&D or capital programmes that contribute to achieving national government or EU strategy
4. Awards – that retrospectively recognize industry excellence (PNO, 2012a).

1.1.3. Process

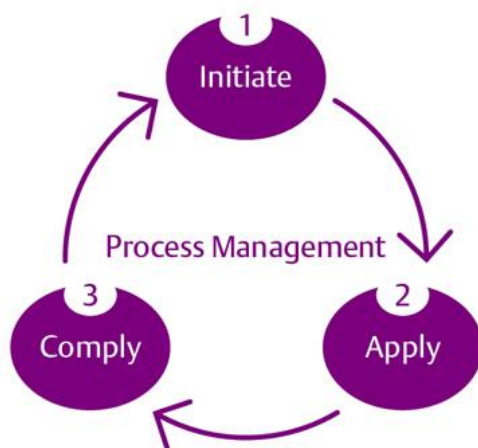
The process within PNO is the following. The first step to getting a grant is by identifying grant opportunities at the start of the project cycle. This means matching the objectives with funding programmes available.

The second step is the application phase. The role of PNO is to prepare and submit the grant application to the appropriate authority. There are several steps involved at this stage, namely: gathering information and preparing applications, drafting project business plans, finding the right project partners, providing advice on state aid rules, writing and filing grant applications, and providing assistance during proposal evaluation and contract negotiations (PNO, 2012d).

The next step is ensuring that administrative quality checks are performed, since grants are public funding. PNO helps an organization to organize the administration process (PNO, 2012d).

The final step is the management of the process. PNO provides management services which are aimed at ensuring effective efficient execution of the total grant procurement process. PNO provides specific support for differing organization. Such as for example: SME's, large and international companies, public sector and public-private relations (PNO, 2012d).

The model depicts this process graphically.



(Bekkers, van 't Land, 2007, p. 12).

Figure 1: graphic representation of the grant procurement process

1.1.4. Value

Competition for grant funding is fierce and PNO helps in improving the application success. The added value of PNO is that they can help organizations find the right partners and transform the ambitions, ideas and goals of a company into fundable projects. Also, they can connect smaller companies with larger companies in order to improve cooperation. They view grants as a way to maximize the impact of projects, enhance the reputation of projects and secure a sustainable future (PNO, 2012c).

Another side to this thesis is that it will contain an advice towards public organizations. This advice will be as a result from the question: when is it beneficial to do the funding application internally? This question is answered using the theory of transaction costs and the findings in the thesis.

1.2. Approach thesis

In this thesis the first step is to find out how funding procurement works, what transaction cost theory is and how TCT and funding procurement are related. Following this, the three funds that are researched are outlined on how they function and what transaction costs are present.

The third research question concerns the changes in the funds for the period 2014-2020 and what these changes mean for the transaction costs for organizations seeking to obtain these funds. The fourth research question is a comparison of the transaction costs present for organizations using

PNO and organizations that have done the application themselves. Furthermore, the hypothetical situation is researched what the costs would have been for an organization if they had done the application themselves instead of using PNO.

The final part of this research will be research question five which is concerned with what the changes mean for the role of PNO in the market. Also, this part will contain the limitations inherit in this research as well as areas of future research that could be explored in light of the work done here.

The exact research questions are formulated as follows:

1. What transaction costs are present in funding procurement?
 - a. How does funding procurement work?
 - b. What choices are faced by organizations?
 - c. What are transaction costs?
 - d. What transaction costs are present in funding procurement at the EU level?
2. How are the funds (ERDF, Interreg and POP) functioning in terms of the phases in funding procurement and in terms of transaction costs during the period 2007-2013?
3. In what way are the ERDF, Interreg and POP changing for the period 2014-2020 compared to earlier years in terms of the phases in funding procurement and in terms of transaction costs?
4. What role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?
5. How will the new rules affect the role of PNO in the market?

The following part of this thesis will be the methodology chapter. In this chapter the manner of answering the research question is outlined as well as the sample included in this thesis.

2. Methodology

2.1. Research questions posed

In this master thesis the following research question is posed: 'What do the changing rules regarding the ERDF, Interreg and POP mean with regard to the rules of participation and financial regulation for the subsidies and what are the implications for PNO?' In order to answer this question 5 sub-questions are formulated. These sub-questions are:

1. What transaction costs are present in funding procurement?
 - a. How does funding procurement work?
 - b. What are transaction costs?
 - c. What transaction costs are present in funding procurement at the EU level?
2. How are the funds (ERDF, Interreg and POP) functioning in terms of the phases in funding procurement and in terms of transaction costs during the period 2007-2013?
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4. What role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?
5. How will the new rules affect the role of PNO in the market?

2.2. Methodology

In this part of the proposal it will be outlined how the sub-questions will be answered and what type of information will be used to answer these questions.

Question 1, what transaction costs are present in funding procurement, will be answered via the following sub-question:

- a. How does funding procurement work?
- b. What choices are faced by organizations?
- c. What are transaction costs?
- d. What transaction costs are present in funding procurement at the EU level?

The first sub-question will be answered by using the process of funding procurement as set out by PNO and in research question 1. The second sub-question, what are transaction costs, is a literature study of transaction costs. The third sub-question will also be answered via a literature study.

Question two is 'how are the funds (ERDF, Interreg and POP) functioning during the period 2007-2013? This question will be answered in two parts. The first part is general information on the funds which will be guided by the funding procurement process and an analysis of European Union documents on the funds. The second part will be an analysis of the transaction costs that are present in the application process. This will be done via an analysis of the theory and input by experts in the field.

Question 3: 'In what way are the ERDF, Interreg and POP changing for the period 2014-2020 compared to earlier years?', will be answered roughly in the same manner as question two. Thus, first an analysis of the documents as published by the EU, followed by interviews with experts in the field on the upcoming changes and finally an analysis in light of transaction costs.

The experts in the field will be chosen by using purposive sampling (Babbie, 2007, pp. 184). There will be two experts for the ERDF, two for the POP and two for Interreg. The experts will be a mix of provincial representatives as well as from the department of economic affairs.

The method used will be semi-structured open-ended interviews. It is assumed that by having this mix of experts it will be representative of the situation at hand even if it is not representative in the statistical sense.

The fourth question is: 'What role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?' This question will be answered by using the Transaction Cost Theory. The theory will act as a guide to find common transaction costs. Also, experts will be interviewed on what they think the transaction costs are involved in subsidy procurement and how PNO reduces these costs. Furthermore, documentation by PNO will be used to answer how PNO reduces the transaction costs for organizations.

The experts for this sample will again be chosen via purposive sampling (Babbie, 2007, pp. 184). A sample of the clients of PNO will be asked why they chose PNO instead of doing the application themselves.

The sample of clients will include organizations that have used PNO for the application phase to see what costs were involved in using PNO versus the hypothetical costs if they had done it themselves. Thus, the organizations are asked about the actual costs that they had when using PNO and they are asked for an estimation of costs they would have had if they had done the application themselves.

Another sample will include organizations that have not used PNO, but have done the application themselves in order to see what transaction costs are involved for them. By using both these samples it becomes possible to see what role PNO places in light of transaction costs for funding procurement.

The last research question is: 'How will the new rules affect the role of PNO in the market?' This last research question will be an attempt to combine the theory of transaction costs, the role of PNO in reducing transaction costs and the changes in the funds. It will be outlined how transaction costs change due to changes in the funds. This means that the choice organizations make for using PNO or not will change. This will result in an advice to PNO on how they should deal with the new situation.

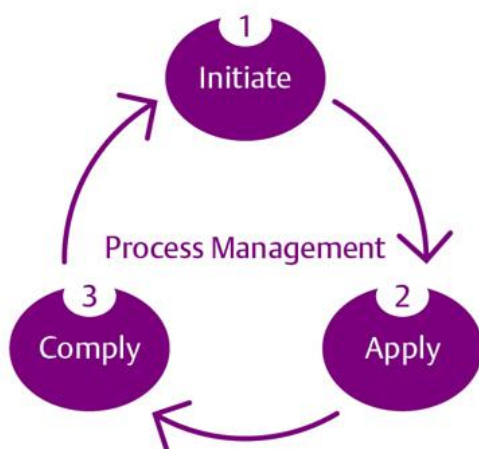
3. What transaction costs are present in funding procurement?

Research question 1

Research question 1 is posed to find out how funding procurement works and what kind of transaction costs organizations face when applying for funding. This is relevant for this thesis because one of the roles of PNO is to apply and get funding for organizations. In order to answer this research question the following sub-questions are posed and answered: how does funding procurement work, what choices are face by organization, what are transaction costs and what transactions costs are present in funding procurement? The first part of this research question will outline how PNO sees the funding process and this process will be the guiding principal in looking at the funds under consideration in this research thesis.

3.1. How does funding procurement work?

PNO has developed the following schematic for portraying the funding process:



(Bekkers, van 't Land, 2007, p. 12).

Figure 2: graphic representation of the grant procurement process

The first step is *initiation* in which ambitions and projects are matched with funding programmes. The second step is *applying* for the available funding and the third step is *complying* with the requirements set out by the programme. Throughout this process there needs to be *process management* (Schreurs, 2012a, pp.2).

The aim of the research is to find transaction costs for organizations in the application phase of EU funding. In this part of the assignment the phases for the funding procurement process will be outlined.

Initiation

This phase is meant to find the funding opportunities. Initiation can be project-based as well as being based on the general strategy of a company. In the strategy driven approach the organizational policy and goals of the organization are outlined and translated into project ideas. These ideas are formed with funding opportunities in mind. The main focus is on development and future funding possibilities.

The project driven approach is based on matching projects with funding. In this phase it is vital to develop choices that are well thought out in relation to funding programmes. This phase makes for a good preparation in terms of applying for funding (Schreurs, 2012a, pp.2).

Application

The application phase follows from the decision to apply for funding. Following this decision there needs to be further project development and information gathering on the project plan, project budget and other content specific descriptions.

The important aspect in this phase is to efficiently gather the required information. Furthermore, it is important to develop a sound application not just to the requirements of the programme, but one that has a real chance of being honored. Also, at this step it could be important to lobby and obtain information at the responsible body because this will increase the chance of the project being given funding (Schreurs, 2012a, pp.2).

Realization

The last phase in the subsidy process is the realization of the project. If the project is awarded funding, the project will have to be realized as specified in the project plan. This will have to be done with content specific documentation and a reliable project administration (Schreurs, 2012a, pp.2).

Process management

The process management is the overarching process of the value chain. In this phase the aim is to control the process and to assure that opportunities are taken in the initiation, the application and realization phase (Bekkers and van 't Land, 2007, p. 12).

In this research thesis the focus is on the application process. Initiation, realization and management of the process are important, but due to time constraints the choice was made to focus on the application phase. Future research also should look into initiation, realization and process management.

In the next part of this chapter transaction costs are outlined. Transaction costs are the guiding principles on which companies decide whether to do something themselves (make) or use another organization (buy). This means that transactions costs can be used to explain an outsourcing decision of a company. In relation to this thesis, transaction costs can explain what costs are present for organizations when applying for funding and when organizations decide to outsource the subsidy application. This is important information for PNO because they need to remain a viable option for companies. In order to do this they need to know what transaction costs are currently present and how these costs can change in the new programme period.

3.2. Choices organizations face

The aim of the EU funding scheme is to support and stimulate projects that are in line with the EU policies. However, in order to receive these grants an organization needs to undergo an application process as set out by the European Union. This process will involve transaction costs for the company trying to gain the funding. This can lead to several courses of action.

The first course of action is that the transaction costs are too high and therefore the organization will not apply for funding. This would lead to a sub-optimal outcome, since an organization will not use an available fund. By not using the fund the organization will miss out on funds and could ultimately decide not to do the project which could harm the economy and the organization.

A second course of action is that the organization will want to pursue the funding and then they have three options. They can attempt to gain the funding themselves (internal), they can use an external advisor (market approach) or they can use a network.

The previous explanation can be depicted as follows:

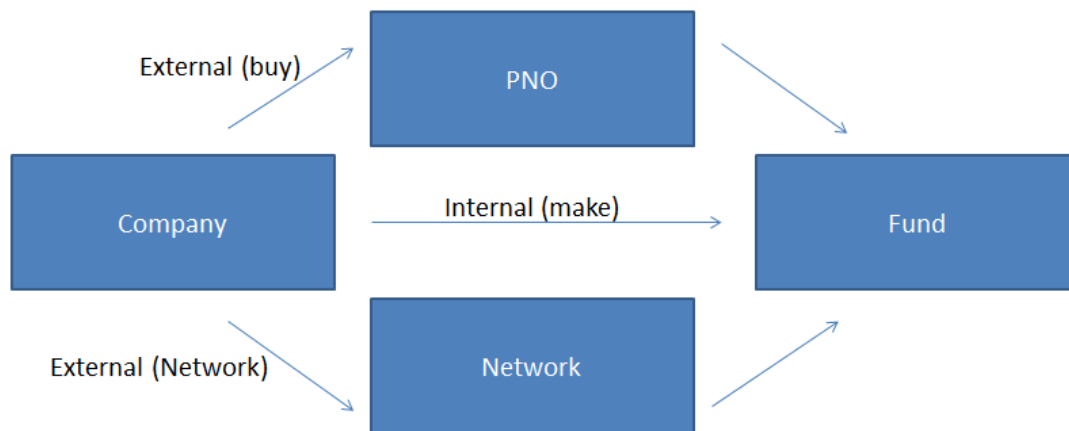


Figure 3: choices for organization in funding procurement.

In the literature, the choice between doing it internally or externally is called the make-or-buy problem (Gibbons, 2010, p. 3). The basic question is whether a company should do the production itself or whether they should purchase it. This production can be production in the traditional sense thus manufacturing or for example IT outsourcing (Alaghehband et al., 2011).

3.3. What are transaction costs?

According to Williamson there are two types of cost: production and governance costs. Production costs are the costs of making a product – or rendering a service- and governance costs are the costs of planning, negotiating, monitoring and adjusting the transaction (Alaghehband et al., 2011, p. 127). Governance costs are the transaction costs of a process.

Alaghehband et al. (2011) present the decision on whether to outsource or not presented in the following manner.

ΔC : Production Cost difference (internal cost-market cost)

ΔG : Governance Cost difference (internal cost-market cost) (Alaghehband et al., 2011, p. 127-128).

Therefore:

$\Delta C + \Delta G > 0$, then use market activities.

According to Alaghehband et al. (2011), if production costs and governance costs are higher than 0, meaning that “the total production costs and governance cost of internal organization is greater than the total production cost and governance cost of sourcing through the market” (Alaghehband et al., 2011, p. 128), then it is best to use market activities.

$\Delta C + \Delta G = 0$

This means that “the total production cost and governance cost of internal organization is equal to the total production cost and governance cost of sourcing through the market, then there is indifference between market and internal organization” (Alaghehband et al., 2011, p. 128).

$$\Delta C + \Delta G < 0$$

This means that “the total production cost and governance cost of internal organization is less than the total production cost and governance cost of sourcing through the market” (Alaghehband et al., 2011, p. 128), then it is best to use internal organization.

In this research thesis we will look at the first option, thus if “the total production cost and governance cost of internal organization is greater than the total production cost and governance cost of sourcing through the market” (Alaghehband et al., 2011, p. 128). We will look at the decision of organizations to outsource their funding procurement. And the third option will be looked at, thus “the total production cost and governance cost of internal organization is less than the total production cost and governance cost of sourcing through the market” (Alaghehband et al., 2011, p. 128). This means we will also look at organizations that have done the funding procurement themselves. These two situations will be compared and it will be looked at what costs were taken into consideration for this decision.

The focus in this research thesis will be on three specific EU subsidy funds, European Regional Development Fund (ERDF), Interreg and Plattelands Ontwikkelings Programma (POP) and the transaction cost involved for actors seeking to obtain these funds.

In the next part of this chapter transaction cost theory will be outlined. The theory will be traced back to its beginning with the work of Williamson, followed by a general outline of the theory.

3.3.1. Transaction Cost Theory

A main contributor to the transaction cost theory is Williamson. According to Williamson transaction costs economics is based on two complementary fields of economic research, namely: New Institutional Economics and New Economics of Organization. The key behind both these fields is that they see the firm not as a production function, but as a governance structure (Williamson, 1998, p.23).

Transaction costs economics has a broad reach: “any issue that arises or can be reformulated as a contracting problem is usefully examined through the lens of transaction cost economizing” (Williamson, 1998, p.23).

The archetypal problem for transaction cost economics is the ‘make-or-buy-decision’ by organizations (Williamson, 1998, p.30). Furthermore, in his work he identifies that ‘...transaction cost approach... regard the transaction as the basic unit of analysis... transaction cost economizing is central to the study of organizations’ (Alaghehband, et al., 2011, p. 126).

Or in other words, the theory aims to identify the governance structures of different types of exchanges between parties in order to maximize the economies for a given organization (Alaghehband, et al., 2011, p. 126).

At the heart of TCT is whether a firm should make or buy. In other words whether a firm should solve a problem internally (make) or obtain outside help (buy). TCT addresses boundary decisions of a firm and it is based on an economic rationale (Alaghehband, et al., 2011, p. 125, Williamson, 1998, p. 30).

The first aspects of TCT are the make or buy decision. The second aspect, as defined by Williamson, is the description of human agents. In TCT human agents are described as having bounded rationality and being opportunistic. Bounded rationality means that behavior is intended to be rational but is limitedly so, or in other words: it is the condition of self-interestedness (Williamson, 1998, p. 30). Bounded rationality within TCT means that all contracts are unavoidably incomplete. Also, the self-interestedness of human agent is not frailty of motive but is a form of opportunism.

Opportunism is basic to the logic of organization, without it there is no contractual reason to supplant market by hierarchy (Williamson, 1998, p. 31).

The third aspect of TCT is the description of the firm as a governance structure which is an organizational construction. This is opposed to the neo-classical description of a firm as a production function (Williamson, 1998, p.32).

Within transaction cost economics adaptation is the central problem of economic organization. The idea is that transaction cost economics are 'an inter-temporal, adaptive, managerial exercise' (Williamson, 1998, p.32-33).

TCT aims to identify the governance structure of different types of exchanges between parties in order to maximize the economies for a given organization (Alagheband, et al., 2011, p. 126). Related to transaction cost is outsourcing. Outsourcing is '...the handover of an activity to an external supplier; it's an alternative to internal production' (Aubert, Rivard, & Patry, 2004, p. 922). Coase was the first one to describe this process in terms of transaction costs.

The essence of his argument is the following: When buying a service or a product one incurs costs. If these costs are too high, it is more appropriate to produce the product or service yourself. Thus, the use of the market is not frictionless (Aubert, et al., 2004, p. 922).

In transaction cost economics the basic unit of analysis is the transaction (Williamson, 1998, p.36). TCT proposes that there are several characteristics of a given transaction or activity which in turn lead to a type of governance structure for the transaction. Or as stated in Williamson (1998, p. 36): 'what are the attributes of transactions to which contractual hazards accrue and how can they be mitigated?' The three dimensions that are of importance in commercial transactions are:

1. Asset specificity
this can entail machinery, knowledge, location etcetera. The degree of specificity can be measured by the difference between the cost of the assets and the value of its second best use
2. Uncertainty (disturbances)
transactions are conducted under a certain level of imperfect information. For example, demand uncertainty, measurement
3. Frequency (with which transactions recur)
(Alagheband, et al., 2011; Aubert, et al., 2004, Williamson, 1998, p. 36)

Asset specificity is defined as: 'the degree to which the assets used to conduct an activity can be redeployed to alternative uses and by alternative users without sacrifice of productive value' (Alagheband, et al., 2011, p. 127). The major forms of asset specificity are: physical assets, human assets, site specificity, dedicated assets, brand name capital and temporal specificity (Williamson, 1998, p.36).

According to Williamson there are two key types of uncertainty: behavioral and environmental (Alagheband, et al., 2011, p. 127). Behavioral uncertainty is defined as 'strategic non-disclosure, disguise or distortion of information', while environmental uncertainty refers to 'uncertainty with respect to technology, demand, local factor supply conditions, inflation and the like' (Alagheband, et al., 2011, p. 127).

Frequency is defined as the buyer activity in the market or the level of recurrence of the activities (Alagheband, et al., 2011, p. 127). This means that transactions can be one time, occasional or recurrent and this will influence the transaction costs.

There are thus three key dimensions on which transactions differ. These characteristics, asset specificity, uncertainty and frequency, have an impact on the total transaction and production costs which will, in turn, determine the governance structure (Alagheband, et al., 2011, p. 127).

According to Aubert et al. (2004), a conclusion from TCT could be that: ‘companies with less experience in specific areas were better off outsourcing these activities, since the supplier could bring the investment (expertise) they lacked. Expertise and knowledge have been a key factor in explaining the success of outsourcing arrangements’ (2004, p. 923).

Transaction cost theory at its core is about the outsourcing decision of an organization; in relation to this thesis it is about the decision whether to do subsidy application internally (make) or via an external agent (buy). In order to see what goes into this decision, it will now be outlined what transaction costs are present in funding procurement of European Union funding programmes.

3.4. What transaction costs are present in funding procurement at the EU level?

Although, information on Transaction costs is plentiful the application of TCT on subsidies is harder to find. One notable exception is an article by Valentová on transaction costs of Energy Efficiency Subsidy Programmes in the Czech Republic. This article researches the transaction costs related to the Operational Programme Environment that is funded from the structural and cohesion funds. She identifies several transaction costs that are related to the process of funding at the EU level.

The first typology she makes is:

Organization	Ex-ante	Implementation	Ex-post
Public administration	Design of the programme	Validation and processing of the programme	Monitoring and verification
	Technical assistance (experts, legal advice)		Quantification of the results (savings, GHG emissions)
	Administration of the programme – validation of projects		Settling of legal disputes
Subsidy recipient	Search for information and its assessment	Negotiation of the contract, procurement, project validation	Monitoring
	Initial negotiations		Payment requests
	Development of application		Lawsuits
	Legal fees and band fees (credit)		

(Valentová, 2011, p. 2).
Table 1: typification of transaction costs in funding procurement at the EU level by Valentová

For this assignment the focus will be on the subsidy recipient (applicant) and how they incur costs due to applying for grants at the EU level (Valentová, 2011, p. 2).

Furthermore, in this thesis the ex-ante phase is called the initiation, implementation is called the application phase and the ex-post is called the compliance phase. The main focus in this assignment will be on implementation. However, in order to have the full theoretical picture all three phases are outlined here.

According to Valentová the main processes and activities of the funding administration are:

- Initial information on the programme and its requirements
- Decision on the project realization and on submitting the application
- Tender for preparation of the application
- Preparation and submittal of subsidy application
- Processing of tender documents for suppliers of energy efficiency measures and organization of the tender
- Realization of the project
- Preparation of support materials for and signing of the contract with State Environmental Fund (SEF)
- Preparation of obligatory supplements for request for payment
- Preparation of intermediate (monitoring) reports and final report from project realization (Valentová, 2011, p. 3-4)

Although this is specific for the environmental programme it does have some common actions that can be identified for all EU projects. In order to apply for EU funding and to receive funding, an interested party needs to follow three phases: initiation, application and complying with the funds.

Within the initiation phase, the first step is to gain information on the programme and the requirements. The next step is to determine whether the project fits with the requirements set by the EU. The third step is to decide on the realization of the project and whether to apply for EU funding.

The second phase is the implementation phase. Within this phase the applicant needs to develop an application to the fund. This will have to include all the necessary information asked by the EU and the correct format.

In the article by Valentová (2011) these steps are: preparation and submittal of subsidy application, processing of tender documents for suppliers of energy efficiency measures and organization of tender.

The third phase is the compliance with the fund. The final phase will include the realization of the project and the requirements set out by the EU, for example providing of progress reports, audit reports etc. For Valentová this means: realization of the project, preparation of support materials for and signing of the contract with State Environmental Fund (SEF), preparation of obligatory supplements for request for payment and preparation of intermediate (monitoring) reports and final report from project realization.

Thus the general steps can be outlined:

1. Find EU subsidy that fits the project
2. Gain information on the fund
3. Decide on whether to use the subsidy
4. Application process
5. Monitoring and compliance with the fund
6. End report

Related to these steps are several transaction costs, these costs can influence the decision whether to use an EU subsidy. If an organization decides to use a subsidy then it will influence the make (apply for the subsidy themselves) or buy (use an external advisor) decision. For these first two steps the costs are the gaining of knowledge and learning about all the requirements. This third step will be a cost-benefit analysis of sorts, which will also contain costs as this takes time and resources to perform.

The application process will have as transaction costs: gathering of all the necessary data, learning the requirements for the application and actually writing the application. The final steps will include the following costs: learning the judgment criteria, doing the administrative work and filling the necessary documents. In relation to types of transaction costs this leads to the following classifications.

The first two steps are about knowledge; in this case knowledge is related to asset specificity. The knowledge is very specific on an EU subsidy programme, thus it has a high degree of specificity because there is no real second best use for this information. Furthermore, it is related to human asset specificity because the knowledge of these subsidies resides in persons. Also, it is related to frequency. It will depend on the fund and the type of project, but the application to an EU subsidy will not be very frequent this can influence the make or buy decision.

Related to funding procurement is uncertainty in the form of supply uncertainty. If an organization decides to aim for the EU subsidy it is by no means certain that they will obtain the subsidy. Although they can do an analysis and attempt to predict their chances of success, it is still surrounded in uncertainty. This could mean that any potential costs that are made in the application process will turn out to be a waste of resources.

The application process is again a form of asset specificity because there needs to be a lot of information on the company, the project and the process of applying to EU funding. This asset specificity is related to human asset specificity and the asset has a high degree of asset specificity. Furthermore, it is also related to frequency. It will depend on the fund and the type of project, but the application to an EU subsidy will not be very frequent this can influence the make or buy decision.

The final steps are concerned with the administrative aspect of the subsidy application process. This is related to knowledge and thus asset specificity. It is needed that a company knows the requirements of the subsidy, the way to report on the project and the gain the deadlines. Furthermore, time is also an asset specific cost in that the application process will take up a lot of resources and these resources can only be spent once. These resources are human asset specificity in that a person can only spend his time once and the application process will require a lot of hours.

There are also several characteristics that are specific to the funds that can cause transaction costs for the subsidy applicant. These are:

1. If the fund requires a partner for a project – then the transaction costs increase due to the time it takes to find a partner. Also, this increases uncertainty since one can never be sure of another's intention.
2. If the fund makes use of a tender procedure – this can lead to transaction costs since there is a deadline and this will increase the pressure on an applicant. Also, the EU tenders are usually on short notice, this means that a lot of work needs to be done in a short amount of time.
For example for the new Daphne Programme the tender was set in March 2013 and by February 2013 there was still no information available on the call of the tender.
3. The language of the application - although most funds can be applied to at a national body, some like the Interreg programmes need to be applied for in other languages. This also increases the transaction costs since it usually takes more time and also a different kind of knowledge.
4. The subsidy percentage by the EU – since the EU does not fund a project up to a 100%, an applicant needs to find the remaining money which again takes time and expertise.

For the three steps in funding procurement, initiation, application and compliance, an organization should consider whether to do the step themselves (make) or use an external advisor (buy). In general, the external advisor, like PNO, will have the necessary knowledge and human asset specificity in order to do the subsidy application and the monitoring of the process. However, an external supervisor will come with its own costs and therefore an organization should weigh the options of whether it is worth to have these costs in comparison with doing it themselves.

Conclusion research question 1

In this conclusion a short answer to the research question is "How does funding procurement work and what kind of transaction costs do organizations face when applying for funding?" is given. The question was answered by asking the following sub-questions: how does funding procurement work, what are transaction costs and what transactions costs are present in funding procurement? These sub-questions will first be answered followed by an answer to the central research question.

The first sub-question is: how does funding procurement work? Funding procurement exists out of four phases: initiation, application, realization and project management. This first phase is to find funding opportunities for an organization or project. The second step is to apply for the funding and the third step is to comply with the funding after the funding is award. The overall process is managed by project management. In this research thesis the application phase will be looked at in terms of transaction costs.

The application process will be looked at from the viewpoint of transaction costs. It will be researched how funding procurement is influenced by transaction costs that organizations face. In order to structure this, two sub-questions are answered. The first of these sub-questions is: what are transactions costs? Transaction costs are costs that are present when doing a certain activity. In relation to this thesis it is about the make-or-buy decision of funding application. An organization can either do the application themselves (internal) or they can use an external party (external). There are three types of characteristics that determine which governance structure (thus internally or externally) is best.

These are asset specificity, frequency and uncertainty (Alaghehband et al., 2011, p. 127). These three characteristics determine whether it is best to do an activity internally or externally, this is also known as the make-or-buy decision (Gibbons, 2010, p. 3).

TCT can also be used to look at funding procurement. The main idea behind this is that an organization can do the funding procurement themselves (internally, make) or consult with an external party (externally, buy).

The third sub-question is what transaction costs are present in funding procurement? We assume that all the three characteristics are present in funding procurement, thus asset specificity, frequency and uncertainty. The characteristics are further researched in the fourth research question; however they will be shortly outlined here. Asset specificity is present in funding procurement in terms of knowledge. An applicant will have to have knowledge about the fund in order to be able to apply for it. It is assumed that there is a high level of asset specificity since the knowledge needed is very case specific and not easily transferred to another usage. Within funding procurement there is also the matter of frequency, in that if an organization will do the application more frequently it will be easier for them to do it then if they use it infrequently. Thus it is assumed that if frequency is low then an organization will outsource the process. The final aspect is uncertainty, in that there is uncertainty in the application process whether the application is done correctly and also whether the project will gain the funding. The decision on whether to outsource the funding procurement or not will be influenced by the amount of transactions costs involved in the process.

The research question: how does funding procurement works and what kind of transaction costs organizations face when applying for funding, is answered by these three sub-questions. The rest of the thesis will be structured as followed: first the three funds will be outlined on how they are functioning for the period 2007-2013, and then the funds will be outlined for 2014-2020. The next step is to find the transaction costs that are present for companies when they have used PNO for funding procurement (outsourcing) and when they have done the application themselves (internally). The final part of the thesis will contain a summary of the research and will contain an analysis of the consequence from the new framework for PNO.

In the next part of the assignment research question 2 is answered which is: how are the fund (ERDF, Interreg and POP) functioning during the period 2007-2013.

4. How are the funds (ERDF, Interreg and POP) functioning during the period 2007-2013?

Research question 2

In order to answer this question the following items are included: general information on the funds and the transaction costs in the application process. The first part of this chapter will include general information on the European Union funding scheme, it will constitute a background to the specific funds under consideration in this thesis. Following this, the three different funds are outlined. The first one is the European Regional Development fund (ERDF), the second the Interreg programmes and thirdly the Plattelands Ontwikkelings Programma (POP). The outline of the funds contains general information on the funds such as the priorities, the budget etc.

The second part of this chapter is an outline of the activities that organizations need to do for the application process to the funds. These activities are researched in terms of transaction costs that are present for applicants to the funding. This outline will be structured by the application process as set out in research question 1.

4.1. European funds

The aim of European grants is to implement projects or activities that contribute to European Union policies. These grants can be awarded in very diverse fields, such as for example research, education etc. Every programme has its own specific conditions, but there are some basic principles. The grants of the EU:

- Are forms of complementary financing;
- Enable a given operation to break even financially and cannot lead to a profit for its beneficiaries;
- Cannot be awarded retroactively for actions already completed (European Commission, 2012).

The maximum amount of money available for each broad category is set out in the multi-annual framework (European Commission, 2012b). The money available for the funds comes from contributions of the member states, import duties on products from outside the EU as well as a percentage of the value-added tax levied by each Member State (Europe.eu, 2012b).

In the treaty of the Functioning of the European Union it is stipulated that there needs to be a multiannual financial framework. This practice has been in place since 1988. The multiannual financial framework contains the provisions on the inter-institutional cooperation and budgetary discipline (European Commission, 2010, p. 3).

The EU subsidies exist to tackle specific problems faced by the European Union. In the following introduction it is set out in what way this is done for the ERDF, Interreg and Pop programmes. It is outlined which societal problems the programmes attempt to tackle. Furthermore, it is set out what the focus is of the overall financial framework of the EU for the period 2007-2014.

The amount of money that is available for a policy area is thus determined in the multiannual framework of the EU. This framework is agreed upon between the European Parliament, Council and Commission and it is an inter-institutional agreement. The policy areas are called 'headings' and in the framework the overall annual ceiling on payment and commitment appropriations per heading are set out (European Commission, 2010, p. 3). The aim of the Commission is to award money in the form of grants in order to implement projects or activities in relation to European Union policies (European Commission, 2012).

For the period 2007-2013 the multi-annual framework is guided by the priorities set out by the Lisbon agenda. The central premise of the Lisbon strategy is to strengthen national power of competition (Ministerie van Economische Zaken & Ministerie van Sociale Zaken en Werkgelegenheid, 2012, p. 18). The priorities of the Lisbon strategy are the guiding principles of the EU cohesion policy 2007-2013.

The four priorities of the Lisbon strategy are:

- Investing more in knowledge and innovation;
- Unlocking business potential (particularly of SMEs);
- Improving employability through flexicurity;
- Better management of energy resources (Europe.eu, 2009).

The cohesion policy aims, through the structural funds, to reinforce economic and social cohesion in the EU. It does this by redressing the main regional imbalances through support for the development and structural adjustment of regional economies. The ERDF, ESF and the Cohesion fund are part of the cohesion policy (European Commission, 2011, p. 66).

Cohesion policy has three objectives: convergence, regional competitiveness & employment and European Territorial Cooperation. The convergence objective is to promote growth-enhancing conditions and factors leading to real convergence for the least-developed EU member states and regions. The Regional Competitiveness and Employment objective aims at strengthening competitiveness and attractiveness, as well as employment through a two-fold approach. Firstly, through the development programmes and secondly, more and better jobs will be achieved by adapting the workforces and investing in human resources. The European Territorial Co-operation objective will strengthen cross-border co-operation (European Commission, 2011, p. 67).

The CAP exists to address the challenges in the EU rural areas. It attempts to do this by having a: flexible, strategic, thematic and integrated approach. The programme is structured via four axes which are explained in research question 1 (European Commission, 2011, p. 70-71).

The three funds under consideration find their roots in the multi-annual framework for 2007-2013 and the Lisbon strategy. The background to the specific funds will now be outlined followed by the application process of the specific funds.

4.2. Chosen funds

The illustration on the following page is a schematic representation of the European Funding Structure. The Cohesion policy consists of three objectives: convergence, regional competitiveness & employment and the European Territorial objective. The Common Agricultural Policy (CAP) consists of two pillars: direct payments and rural development policy. The funds being researched in this thesis are in black, underlined and bold in the schematic.

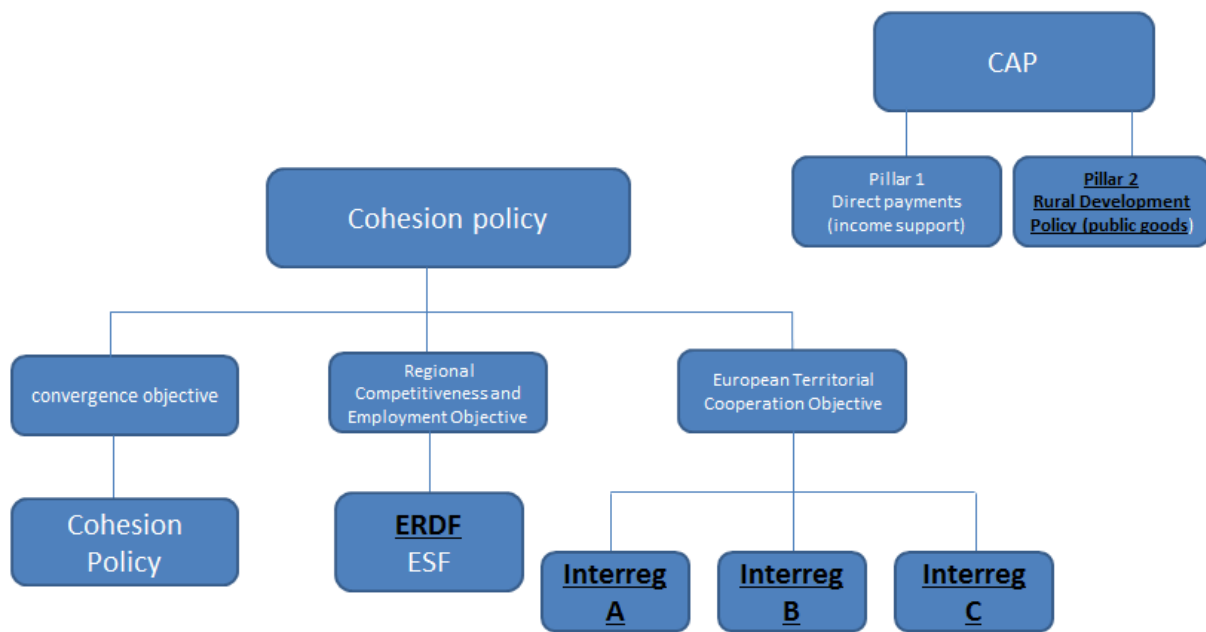


Figure 4: Schematic representation of the funds in the European Union.

As mentioned above, in this thesis the European Regional Development Programme, CAP pillar 2 (POP) and the Interreg programmes are being researched. The aim of this research question is to find out how the funds function now and how they are applied in the Netherlands.

4.3. The funds

The funds are set out in the following manner: first the aim of the programme, than the budget and finally the application process of the fund in the Netherlands is briefly set out.

4.3.1. European Regional Development Fund

The regulations of the ERDF set out that it contributes to the financing of projects that aim to reinforce economic and social cohesion. It does this by redressing the main regional imbalances through support for the development and structural adjustment of regional economies (Moussis, 2011). This includes the conversion of declining industrial regions and regions that are lagging behind, support for cross-border, transnational and interregional cooperation (Moussis, 2011).

The focus of the ERDF is on assistance on a number of thematic priorities. These priorities reflect the nature of the ‘convergence’, ‘regional competitiveness and employment’ and ‘European Territorial cooperation’ objectives (European Funding, 2012). The ERDF chiefly contributes to the financing of:

- a) **Productive investment** which contributes to creating and safeguarding sustainable jobs, primarily through direct aid and investment in small and medium-sized enterprises (SMEs);
- b) Investment in **infrastructure**;
- c) Development of **endogenous potential** by measures which support regional and local development, including support for and services to enterprises, in particular SMEs, creation and development of financing instruments such as venture capital, loans and guarantee funds, local development funds, interest subsidies, networking, cooperation and exchange of experience between regions, towns, and relevant social, economic and environmental actors;

- d) **Technical assistance** which, either at the initiative of the Commission or at the initiative of the Member State, may finance the preparatory, management, monitoring, evaluation, information and control activities of operational programmes together with activities to reinforce the administrative capacity for implementing the funds (Moussis, 2011).

The ERDF is used to reduce the differences between the different European regions. Underdeveloped regions are supported through programmes aimed at development and structural reforms. The more developed regions, like the ones in the Netherlands, are supported in strengthening the regional competitiveness and enlarging employment rates.

Support by the ERDF is done via operational programmes formulated by the Member States for the regional levels. The regional policy for 2007-2013 has the following three aims:

1. Regional employment – creation and maintenance of jobs via sustainable investments
2. Regional infrastructure – construction and maintenance of transport and communication networks
3. Regional Small Medium Enterprises(SME)'s: stimulate the development and rise of regional SME's by investments (EuropaNU, 2012).

The budget of the ERDF in 2007-2013 is €201 billion for all member states. For the Netherlands €830 million is reserved (EuropaNU, 2012).

For the period 2007-2013 the ministry of Finance, Agriculture and Innovation is responsible for the coordination of the ERDF in the Netherlands. In the Netherlands there are four regions in relation to this fund, namely:

1. North
2. East
3. South
4. West (EuropaNU, 2012).

There are four priorities within the operational programme. These priorities are:

1. Innovation, entrepreneurship and knowledge economy
2. Attractive regions
3. Attractive cities
4. Technical assistance (Europe.eu, 2010).

An important guideline is that the programmes focus on the Lisbon agenda and its priorities. The programmes need to be aimed at strengthening the innovation climate of the Netherlands (Ministerie van Economische Zaken & Ministerie van Sociale Zaken en Werkgelegenheid, 2012, p. 15). The Ministry of Economic Affairs coordinates the spending of the structural funds in the Netherlands. The Netherlands are set out in four regions, as mentioned before, and these coordinate the regional projects (Interreg4C, 2012a).

The following bodies can apply for the ERDF: governmental organizations, provinces and companies. These bodies do not need a partner in order to be eligible for the funds (European Commission, 2012d). The subsidy rate for the ERDF is 50% for a project, under the condition that this is doubled by either the Dutch government or private bodies (EuropaNU, 2013). The ERDF in the Netherlands is based on first-come-first-serve, but there is the option to give out tenders (Ministry of Economic Affairs, 2007, p.4).

4.3.2. Interreg 2007-2013

The funds that are available through Interreg come from the European Regional Development Fund and are supplemented by the Member States. The regulation is the same as for the ERDF.

The money is used for quality projects that are the best in their field, meaning that funds are not given to member states but to projects (AgentschapNL, 2012).

The aim of the Interreg Programmes is to provide a framework that facilitates the exchange of experiences between regional and local institutions from different countries.

The Interreg programmes try to stimulate cooperation in areas where countries all face common challenges. These areas are for example globalization, demographic change, energy supply and climate change.

The Interreg programme consists of three strands:

A – Cross border cooperation
the development of cross-border economic, social and environmental activities through joint strategies for sustainable territorial cooperation (European Commission, 2012c).

B – Transnational cooperation
strengthening of transnational cooperation through actions related to the Community priorities, and promoting integrated territorial development (European Commission, 2012c).

C – Interregional cooperation
reinforcement of effectiveness of regional policies by promoting inter-regional cooperation through exchange of experiences at appropriate territorial level (European Commission, 2012c).

The aim of the cross-border cooperation, Interreg A programme, is to reduce the negative effects of borders. These negative effects can be administrative, legal or physical barriers, but also common problems and untapped potential. The aim is to strengthen cooperation by joint management of programmes and projects, mutual trust and understanding (European Commission, 2012c).

For the Netherlands the programmes under IVA are:

- a. The Netherlands – Germany
- b. Flanders and the Netherlands
- c. Euregion Maas-Rijn
- d. Interreg IVA 2 Sea's

Interreg B programme, transnational cooperation, is focused on cooperation between regions from several EU member states. This cooperation can take place on matters such as communication corridors or flood management. The transnational programmes are designed to add an important additional European dimension to regional development. There are currently 11 transnational programmes in place in the European Union (European Commission, 2012c).

For the Netherlands the programmes under IVB are:

- a. Northwest Europe
- b. North Sea

The Interregional cooperation works at the pan-European level; it includes the 27 member states, Norway and Switzerland. The aim is to build networks to develop good practice and facilitate exchange and transfer of experience by successful regions.

It is structured around two priorities: innovation & knowledge economy and environment & risk prevention (European Commission, 2012C).

For the Netherlands the programmes under IVC are:

1. Interreg IVC
2. ESPON
3. Interact
4. Urbact (Rijksoverheid, 2012).

There are four requirements in order to be eligible for Interreg funds:

1. There has to be a common cause;
2. The cooperation around a theme or subject needs to have added value for all parties concerned;
3. Investment within the different regions would not be possible without the other party;
4. The project fits the stipulation set out in the submission round (AgentschapNL, 2012).

The reserved Interreg budget for the Netherlands is €247 million (European Commission, 2012E, p. 2). Applicants to the fund can be governments, knowledge institutions and companies (AgentschapNL, 2012b). In order to use Interreg a body applying for the fund will have to have at least one partner. The subsidy rate is between 50 and 70% (Rijksoverheid, 2012b). The fund is based on first come first serve with application deadlines (AgentschapNL, 2012B).

4.3.3. European Agricultural Fund for Rural Development (EAFRD)

The European Agricultural Fund for Rural Development (EAFRD) is one of the two financial instruments of the CAP, the other being the European Agricultural Guarantee Fund (EAGF). The aim of the programme is to strengthen the EU's rural development policy and simplify its implementation (Europe.eu, 2012a).

The fund tries to contribute to the competitiveness of agriculture & forestry; the environment & the countryside and the quality of life & the management of economic activity in rural areas.

The budget for the EAFRD 2007-2013 in the Netherlands is reserved at €96 billion. The budget is made up of €486 million from the EAFRD and is supplemented by €1.5 billion by the Dutch government (EuropaNU, 2012b). The strategic approach in this fund is that every member state will draw up a national strategy plan (POP) which is line with the strategic guidelines as set out by the Community. These national strategy plans are handed in to the commission.

The EAFRD consists of four axes. These axes are the following:

- Axis 1: Improving the competitiveness of the agricultural and forestry sector
- Axis 2: Improving the environment and the countryside
- Axis 3: Quality of life in rural areas and diversification of the rural economy
- Axis 4: LEADER (Europe.eu, 2012a).

4.3.4. EAFRD and the Netherlands

The current operational programme in the Netherlands is Plattelands Ontwikkelings Programma 2 (POP 2) for the period 2007-2013. POP2 is a nationwide programme which is not divided into regional or provincial programmes ([Regiebureau POP, 2012b](#)). The budget for the Netherlands for the period 2007-2013 is € 486 million (EuropaNU, 2012b).

The European Union does not pay the whole cost of the programme, but it contributes 50% on top of national and regional government spending on rural policy. The estimation is that there will be an investment of €2 billion in the Dutch countryside through the POP2 programme (Dienst Landelijk Gebied, 2012). The directing agency of the POP2 programme in the Netherlands is the 'POP directing agency' (Regiebureau POP) and the responsible ministry is the ministry of Ministry of Economic Affairs, Agriculture and Innovation (Dienst Landelijk Gebied, 2012).

The Netherlands have focused on four aspects with regard to the EAFRD. The first aspect is the improvement of the competitiveness of the agricultural and forestry sector. The second aspect is the improvement of the environment and countryside. Thirdly, they have focused on the quality of life in rural areas and diversification of the rural economy. Finally, the Netherlands have focused on entering the LEADER approach (Regiebureau POP, 2012).

The aim of these projects is to contribute to a vital Dutch rural area. Within this area there is cohesion between agriculture, nature and environment, livability and the recreational enjoyment of the countryside (Dienst Landelijk Gebied, 2012b).

There are two institutions that can issue the funds. These institutions are the DR-desk and the Province. It differs per axes which instance is responsible. For the first two axes this is primarily the DR-desk and in special cases it is the Province. For the third axis the responsible body is the province and within the fourth axis it is also the Province (Regiebureau POP, 2012).

The following bodies can apply for funds under POP: public bodies, private bodies and individuals (Regiebureau POP, 2012)¹. Under POP it is not necessary for an applicant to have a partner. The subsidy rate is 50% on top of the expenditure by the national and regional bodies for the rural policy (Regiebureau POP, 2012). The approach of POP is first come first serve.

4.4. Value chain in the application process of the funds

In order to be able to compare the application procedure in the current and future situation the application structure proposed by PNO is used. Thus we will look at application phase and the actions they have identified that need to be taken in order to do an application for funding. The activities that have been identified will lead to transaction costs for organizations seeking to obtain funding. This approach is chosen because it will make the results comparable for the current and future situation. The assumption is that there will be changes within the new framework, but there will also be a lot of similarities such as for example the gathering of information on the project and organization.

As mentioned before in the theoretical framework, there is a so called 'value chain' of a subsidy process. This means that all the steps have to be followed in order to arrive at a successful application. These steps are: initiation, application, realization and process management.

¹ For a specific list see appendix 1.

In this thesis the application phase will be researched for all three funds. In this paragraph the general steps for application will be outlined first, followed by a recount for every programme of the subsidy percentage, if having a partner is required, the amount of budget available in the Netherlands, who can use the programme and the responsible body for application. This is followed by the application process for every fund guided by the structure set out by PNO.

Application phase

In the application phase the following general steps are needed:

1. Gathering relevant information for the project
2. Development of project plans
3. Develop and formulate subsidy application
4. Sign subsidy application
5. Hand in subsidy application
6. Correspondence with subsidy providers (Schreurs, 2012b).

The end result of this phase is that there is a subsidy application with the relevant additional information, a controlled application resulting in a decision of application and communication with the funding provider (Schreurs, 2012b).

In the next part of this chapter the application phase for every fund is set out. The first is the ERDF, the second the Interreg and finally the POP programme.

4.4.1. European Regional Development Fund

Application process

The ERDF is based on first come first serve, the subsidy percentage is 50% for a project and the reserved budget for the ERDF in the Netherlands is €830 million for the whole period.

There is no need to have a partner for an ERDF project and the following bodies can use the programme: the realm, provinces and companies. The Ministry of Economic Affairs is the coordinating body of the fund, but the regions of the Netherlands are divided over 4 regions which determine where the funding goes.

The application process for a project in the ERDF looks as follows:

1. The regulation for the ERDF needs to be read.
2. The information of the projects needs to be gathered.
3. Development of the Project Plan.
4. The application needs to be written in the format as prescribed by the EU for an ERDF project.
5. The application needs to be signed and handed in it in at the appropriate desk. There are four desks in the Netherlands; these are divided over the regions. For example a project in Limburg needs to be handed in at the South Stimulus.
6. Correspondence with the subsidy providers would then also be with the responsible desk.

4.4.2. Interreg

Application process

The Interreg programme has the same regulation as the ERDF therefore the stipulations are similar. The Interreg programme is based on first come first serve, with application deadlines. The subsidy rate is between 50% and 70% and the available Interreg budget for the Netherlands is €247 million.

In all the Interreg programmes it is needed to have a partner and the programmes set out which requirements have to be met in selecting a partner. The bodies that can use the funds are: governmental bodies, knowledge institutions and companies.

For an Interreg project the steps are similar to the ERDF process. However, a step after the development of the project plans would be to find partners and to set up agreements how the cooperation is organized. The desk at which to apply depends on the programme, for example a project between regions in the South of the Netherlands and Belgium could apply to the programme Flanders-The Netherlands. The steps would be the following:

1. The regulation for the Interreg needs to be read.
2. The information of the projects needs to be gathered.
3. Development of the Project Plan.
4. Find partners and set up partnership agreements.
5. The application needs to be written in the format as prescribed by the EU for an Interreg project.
6. The application needs to be signed by all the partners and handed in it in at the appropriate desk. The desk depends on the Interreg programme being used. For example a project under the Interreg programme Euregion Maas-Rheine needs to be handed in at the management authority in Limburg.
7. Correspondence with the subsidy providers would then also be with the responsible desk.

4.4.3. POP

The POP programme is based on first come first serve and it has a maximum subsidy rate of 50% on top of the expenditure by the national and regional bodies for the rural policy. The budget for the POP programme is €486 million. It is not necessary to have a partner. The bodies that can use the fund are: public bodies, private bodies and individuals. The responsible bodies are: the province and the DR-desk. For both these bodies there is a different application phase.

Application process

The application process for a POP project depends on whether the application is done under Axes 1 and 2 or Axes 3 and 4. For Axes 1+2 the application process goes through the DR-desk. For application under Axes 3 and 4 application goes through the province.

The application process is similar for both the DR-desk and the province, but the desk differs and the types of projects that can receive funding also differ.

The following steps need to be taken:

1. The regulation for the POP programme 2007-2013 needs to be read.
2. The information of the projects needs to be gathered.
3. Development of the Project Plan.
4. The application needs to be written in the format as prescribed by the EU for a POP project.
5. The application needs to be signed and handed in it in at the appropriate desk. The desk depends on the axes. For axes 1 and 3 the application goes through the DR-desk and for axes 3 and 4 it goes through the province.
6. Correspondence with the subsidy providers would then also be with the responsible desk.

Comparison funds

In this paragraph a short comparison between the funds will be outlined. In this comparison the application for the funds will be outlined as well as some general features. The basic features of the funds will be highlighted since these will influence the transaction costs for organizations, which are outlined in chapter 4.

The general steps for funding application are:

1. Gathering relevant information for the project
2. Development of project plans
3. Develop and formulate subsidy application
4. Sign subsidy application
5. Hand in subsidy application
6. Correspondence with subsidy providers

For the ERDF this means that the project information needs to be gathered, the ERDF regulation will need to be read and the requirements from the ERDF need be known. The next step is to develop the project plan and consequently formulate the subsidy application that is in line with the requirements of the ERDF. The final steps are related to delivering of the application at the appropriate desk these steps are the signing of the application and the handing in of the application. The application desk for the ERDF differs per regions, thus it is important to look at the requirements set out by the specific desks in order to be eligible for funding.

The process for an Interreg application is similar, with one important difference: there needs to be cooperation across the border, thus a step after the project plan is developed is the finding of partners. Then the application is developed, following this the application needs to be signed by all the partners. With the Interreg programme there are different programmes per region, thus the desks also differ on which to apply.

The POP programme is divided into four axes and these axes have different desks that handle the management of the funds. For axes 1 and 2 it is the DR-desk and for axes 3 and 4 it is the province. It is thus important to know which funding belongs to which desk. The application process is similar for both desks. The relevant information of the fund and the project need to be gathered. The following steps are the development of the project plan and after this the development of the subsidy application. The final steps are the signing of the application and the handing in of the application at the appropriate desk.

ERDF

The ERDF programme is based on first-come-first serve for the period 2007-2013. The subsidy percentage is 50% and The Ministry of Economic Affairs is the coordinating body of the fund. The budget that is reserved for the Netherlands for 2007-2013 is €830 million.

The responsible desk is divided up per region. For example in the South of the Netherlands it is South Stimulus. Under the programme for 2007-2013 there are three priorities for the Netherlands, these are:

1. Regional employment – creation and maintenance of jobs via sustainable investments
2. Regional infrastructure – construction and maintenance of transport and communication networks
3. Regional SME's: stimulate the development and rise of regional SME's by investments

The following bodies can make use of the fund: public and private bodies.

Interreg

The Interreg programme has the same regulation as the ERDF therefore the stipulations are similar. The Interreg programme is based on first come first serve, with application deadlines. The subsidy rate is between 50% and 70% and the available Interreg budget for the Netherlands is €247 million. In all the Interreg programmes it is needed to have a partner and the programmes set out which requirements have to be met in selecting a partner. The bodies that can apply for funding are: governments, knowledge institutions and companies. The desk on which to apply depends on the Interreg programme that is being used, every programme has its own specific desk.

POP

The POP programme is based on first come first serve and it has a maximum subsidy rate of 50% on top of the expenditure by the national and regional bodies for the rural policy. The budget for the POP programme is € 486 million. It is not necessary to have a partner. The bodies that can use the fund are: public bodies, private bodies and individuals. The responsible bodies are: the province and the DR-desk. For both these bodies there is a different application phase.

The application process for a POP project depends on whether the application is done under Axes 1 and 2 or Axes 3 and 4. For Axes 1+2 the application process goes through the DR-desk. For application under Axes 3 and 4 application goes through the province. The application process is similar for both the DR-desk and the province, but the desk differs and the types of projects that can receive funding also differ.

Conclusion research question 2

In this conclusion a short answer is given to the research question posed; 'How are the funds ERDF, Interreg and POP functioning during the period 2007-2013?' In order to answer this question a table is made comparing the general features of the funds for the period 2007-2013. This table represents the general features of the funds.

In the table the aim of the programme is outlined, the budget, the desk the priorities in the Netherlands and whether it is tenders or first come first serve. These six aspects are the main features that determine the functioning of the programmes.

Table comparing the funds 2007-2013

	ERDF	Interreg	POP
Budget 2007-2013 for the Netherlands	€830 million	€247 million	€486 million
Aim	Reinforce economic and social cohesion by redressing the main regional imbalances through support for the development and structural adjustment of regional economies.	The aim of the Interreg Programmes is to provide a framework that facilitates the exchange of experiences between regional and local institutions from different countries and strengthen the regional economy as well as the social cohesion.	Strengthen the EU's rural development policy and simplify its implementation.
Desk on which to apply	<ol style="list-style-type: none"> 1. North SNN www.snn.eu (regional project) 2. East Province Gelderland www.go-oostnederland.eu (regional project) 3. South Stimulus www.op-zuid.nl (regional project) 4. West Kansen voor West www.kansenvoorwest.nl (regional project) 	<p>Interreg IVA:</p> <ol style="list-style-type: none"> 1. Netherlands-Germany Secretariat Kleve 2. Flanders - Netherlands Albert Building Antwerp 3. Euregion Maas-Rheine Foundation Euregion Maas-Rijn EUPEN 4. Interreg IVA 2 seas Province of Zeeland <p>Interreg IVB:</p> <ol style="list-style-type: none"> 1. North-west Europe Agentschap-NL 2. North-Sea Secretariat in Viborg, Denemarken 	<p>Axes 1 and 2: DR-desk</p> <p>Axes 3 and 4: the province</p>

Desk on which to apply		<p>Interreg IVC</p> <ol style="list-style-type: none"> 1. Interreg IVC Ministry of Infrastructure and environment – international affairs 2. ESPON ESPON Coordination Unit 3. Interact INTERACT Programme Secretariat Bratislava 4. Urbact Secretariat in Saint Denis (France) 	
Priorities NL	<ol style="list-style-type: none"> 1. Innovation, entrepreneurship and knowledge economy 2. Attractive regions 3. Attractive cities 4. Technical assistance 	<p>Same regulation as ERDF, thus:</p> <ol style="list-style-type: none"> 1. Innovation, entrepreneurship and knowledge economy 2. Attractive regions 3. Attractive cities 4. Technical assistance 	<ol style="list-style-type: none"> 1. Agriculture Nature and landscape 2. Quality of life in the rural areas 3. Recreation and region 4. LEADER
Tender or first come first serve	Mostly first come first serve	Mostly first come first serve	Mostly first come first serve

Table 2: comparison of the three funds for the period 2007-2013

5. In what way are the ERDF, Interreg and POP changing for the period 2014-2020 compared to earlier years with regard to the rules of participation and the financial regulation?

Research question 3

In this part of the assignment research question three is answered. The research question is the following: 'In what way are the ERDF, Interreg and POP changing for the period 2014-2020 compared to earlier years with regard to the rules of participation and the financial regulation?' In order to answer this question the following steps are done. The context will be explained as to why this research question is relevant. Following this general information on the direction of the funds is outlined. This information is obtained through publications on the internet by the relevant organizations as well as interviews with experts in the field. The last part of the assignment will include an analysis as seen from transaction costs to see how these will change in the new situation.

5.1. Context

For the period 2014-2020 the Commission has proposed a number of important changes with regard to the design and implementation of the Cohesion policy. The following changes are proposed:

- Concentrating on the Europe 2020 strategy's priorities of smart, sustainable and inclusive growth
- Rewarding performance
- Supporting integrated programming
- Focusing on results- monitoring progress towards agreed objectives
- Reinforcing territorial cohesion
- Simplifying delivery

These changes follow the adoption of a proposal for the next multi-annual financial framework by the Commission in June 2011. It was decided that Cohesion policy should remain an essential element of the next financial package and it was also underlined that it plays a pivotal role in delivering the Europe 2020 strategy (European Commission, 2011b, p. 1).

There are five targets set out by the EU that need to be achieved by 2020, these are:

1. Increasing the employment rate of the population aged 20-64 to 75%
2. Investing 3% of GDP in R&D
3. Reducing carbon emissions by 20% (and by 30% if conditions permit), increasing share of renewable energies by 20% and increasing energy efficiency by 20%
4. Reducing the school dropout rate to less than 10% and increasing the proportion of tertiary degrees to 40%
5. Reducing the number of people threatened by poverty to 20 million

In order to achieve these objects the EU has set out seven flagship initiatives:

1. Innovation union – support the production of innovative products and services, in particular concerning climate change, energy efficiency, health and the ageing population
2. Youth on the move – to enhance the performance of education systems, non-formal and informal learning, student and researcher mobility, but also young people's entry to the labor market
3. Digital agenda for Europe – to promote the creation of a digital single market, characterized by a high level of trust and a clear legal framework. Furthermore, fast and subsequently ultra-fast internet should be accessible to the population as a whole

4. Resource-efficient Europe – to support the sustainable management of resources and the reduction of carbon emissions, while maintaining the competitiveness of the European economy and its energy security
5. Industrial policy for the globalization era – to help businesses to overcome the economic crisis, to integrate into world trade and adopt more environmentally-friendly production methods
6. Agenda for new skills and jobs – improve employment and the sustainability of social models. The aim is to encourage the strategies of flexicurity, worker and student training, but also gender equality and the employment of older workers
7. European platform against poverty – to increase cooperation between EU countries, and to follow the Open Method of Coordination in the areas of social exclusion and social protection. The objective of the Platform is to be the economic, social and territorial cohesion of the EU and the social inclusion of people experiencing poverty (Europe.eu, 2013).

In the Europe 2020 initiative the European Commission sets out the role of regional policy for 2014-2020 to achieve the Europe 2020 objectives.

Another change that the Commission is proposing is the simplification of the Cohesion policy. With the simplification the Commission wants the Cohesion policy to become easier to implement, but recognizes that some changes might mean simplification for some member states while it means more administration for others. With simplification the Commission proposes simplification through, for example: harmonization of rules for several funds, increased flexibility, increased proportionality, clarification of rules to improve legal certainty and digitalization of documents and processes (European Commission, 2012, p. 3).

5.2. Changes in the funds

The next multi-annual financial framework was adopted on June the 29th 2011 by the Commission; the framework is called *A Budget for Europe 2020*. Within this proposal the Commission decided that the cohesion policy should remain essential in the next financial package and that the cohesion policy will play a pivotal role in delivering the Europe 2020 strategy (European Commission, 2011a, p.2).

However, in order to play this role a number of changes were needed in the implementation and design of the cohesion policy. The main change is that the focus of the Cohesion policy will be on a smaller number of priorities linked to the Europe 2020 strategy. The focus will be on results, the monitoring of progress toward agreed objectives, the increased use of conditionalities and the simplification of the delivery. These four objectives are the major hallmarks of the proposal (European Commission, 2011a).

Another significant change within the ERDF is that the 'architecture' of the cohesion policy will change. Instead of competitiveness & employment, convergence and territorial cooperation, the focus will now be on the differences between regions. The new classification is: less developed, transition and more developed regions (Smets, 2011), meaning that the member states will be classified in terms of these regions. This means, for example, that the Netherlands is classified as a more developed region under the new ERDF framework and this will have consequences for the application of the fund in the Netherlands.

For the cohesion policy and the EAFRD (POP) the Commission has proposed to have macroeconomic conditionality. If a member state does not comply with the macroeconomic guidelines as set out in the partnership agreements, the commitments set out by the EU could be suspended. The suspension of payments needs to be proportionate and effective, but also take into account the economic and social circumstances of the Member State concerned (Matthews, 2012).

The idea behind these commitments is to establish closer links between the EU cohesion policy and economic governance. The Commission believes that sound economic policies are essential to ensure that the funds are spent efficiently. This was also confirmed by Eva Reuling in the interview about the changes and she posed that this would mean stricter rules set by the Commission (Personal Communication Reuling, march 11, 2013). According Buiting and Kramer (2013), the European Parliament is against this proposal as, according to them, it would imply ‘... that regions and cities are punished for something that has gone wrong at a national level. And the proposal undermines what you want to achieve, namely economic development and reduction of the budget deficit’ (Buiting and Kramer, 2013).

The macroeconomic conditionality is already in place for the cohesion funds and has only been used once in the case of Hungary in 2012, so it remains to be seen how often this rule will be applied. The performance targets are more likely to succeed, however the EP insists on fewer monitoring moments than the Commission.

For the Structural funds another idea is put forward, namely the performance targets of a programme. The proposal by the EC is that 5% of the structural funds are withheld until the performance targets of the programme are met. After evaluations in 2017 and 2019 the remaining 5% could be paid. For this proposal the EP is again in doubt as to whether this system will work or whether it will just increase the administrative load (Buiting and Kramer, 2013).

In the regulation of the European Parliament and of the Council - on specific provisions concerning the European Regional Development Fund and the Investment for Growth and Jobs goal and repealing Regulation (EC) No 1080/2006, the provisions are set out that govern the European Regional Development fund (European Commission, 2011a, p. 2). In the following part of this thesis the main points of the new ERDF framework are outlined.

5.3. European Regional Development Fund

5.3.1. Impact ERDF

The main aim of the European Regional Development Fund (ERDF) is to strengthen economic and social cohesion in the EU. This objective is attempted through correcting the imbalances between the regions. The ERDF is an instrument that supports regional and local development, mainly through co-financing schemes in research and development and innovation; climate change and environment; business support to SMEs; services of common economic interest; telecommunication; energy and transport infrastructures; health; education and social infrastructures; and sustainable urban development (European Commission, 2011a, p. 2).

The ERDF will focus on two public goods, namely;

1. Contributing to employment, R&D and innovation through enterprise support
2. Investing in basic infrastructure (e.g. transport, energy, environment, social and health infrastructure).

Other areas are not addressed because these have not been identified as particular problems that are related to the scope of intervention of the ERDF (European Commission, 2011a, p. 3).

The provision lays down that in order to be in line with the Europe 2020 strategy and to address the specific needs of the ERDF, the cohesion policy should support the need to deliver smart, sustainable and inclusive growth.

Another way in which the ERDF contributes to the EU 2020 strategy is the concentration on the priorities of the Union. The support of ERDF should be concentrated on research innovation, small & medium-sized enterprises and climate change mitigation.

However, this degree of concentration takes into account the level of development of a region as well as the specific needs of regions who GDP per capita for the 2007-2013 period was less than 75% of the average of the GDP of the EU-25 for the reference period (European Commission, 2011a, p. 8).

5.3.2. Investment priorities

There are 11 investment priorities for the ERDF; namely:

1. Strengthening research, technological development and innovation
 - a. Enhancing research and innovation infrastructure (R&I) and capacities to develop R&I excellence and promoting centers of competence, in particular those of European interest
 - b. Promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialization
 - c. Supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production in Key Enabling Technologies and diffusion of general purpose technologies
2. Enhancing access to and use and quality of ICT
 - a. Extending broadband deployment and the roll-out of high-speed networks
 - b. Developing ICT products and services, e-commerce and enhancing demand for ICT
 - c. Strengthening ICT application for e-government, e-learning, e-inclusion and e-health
3. Enhancing competitiveness of SMEs
 - a. Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms
 - b. Developing new business models for SMEs, in particular for internationalization
4. Supporting the shift towards a low-carbon economy in all sectors
 - a. Promoting the production and distribution of renewable energy sources
 - b. Promoting energy efficiency and renewable energy use in SMEs
 - c. Support energy efficiency and renewable energy use in public infrastructures and in the housing sector
 - d. Developing smart distribution systems at low voltage levels
5. Promoting climate change adaption, risk prevention and management
 - a. Supporting dedicated investment for adaption to climate change
 - b. Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems
6. Protecting the environment and promoting resource efficiency
 - a. Addressing the significant needs for investment in the waste sector to meet the requirements of the environmental acquis
 - b. Addressing the significant needs for investment in the water sector to meet the requirements of the environmental acquis
 - c. protecting, promoting and developing cultural heritage
 - d. protecting biodiversity, soil protection and promoting ecosystem services including NATURA 200015 and green infrastructures
 - e. action to improve the urban environment, including regeneration of brownfield sites and reduction of air pollution;
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures
 - a. supporting a multimodal Single European Transport Area by investing in the Trans-European Transport Network (TEN-T) network
 - b. enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure
 - c. developing environment-friendly and low-carbon transport systems and promoting sustainable urban mobility;

- d. developing comprehensive, high quality and interoperable railway system;
- 8. promoting employment and supporting labor mobility
 - a. development of business incubators and investment support for self-employment and business creation;
 - b. local development initiatives and aid for structures providing neighborhood services to create new jobs, where such actions are outside the scope of Regulation (EU) No [...]/2012 [ESF]
 - c. investing in infrastructure for public employment services
- 9. Promoting social inclusion and combating poverty
 - a. investing in health and social infrastructure which contribute to national, regional and local development, reducing inequalities in terms of health status, and transition from institutional to community-based services;
 - b. support for physical and economic regeneration of deprived urban and rural communities;
 - c. support for social enterprises;
- 10. Investing in education, skills and lifelong learning by developing education and training infrastructure;
- 11. Enhancing institutional capacity and an efficient public administration by strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the ERDF, and in support of actions in institutional capacity and in the efficiency of public administration supported by the ESF (European Commission, 2011a, p. 12-15).

5.3.3. The ERDF guidelines and the Netherlands

The Netherlands are said to be a developed region within the EU. Therefore the Netherlands are required to focus the largest part of the available budget on energy efficiency and renewable energy, competitiveness of SMEs, and innovation.

The mechanism proposed provides that:

- At least 80% of resources are focused on energy efficiency and renewables, research and innovation and SME support (European Commission, 2011a, p. 5). This means a focus on priorities 1, 3 and 4 of the ERDF framework.

Other areas mentioned with regard to ERDF are:

- Increased focus on sustainable development this aim is supported by the earmarking of a minimum of 5% of ERDF resources for sustainable urban development, the establishment of an urban development platform to promote capacity building and exchange of experience, and the adoption of a list of cities where integrated actions for sustainable urban development will be implemented (European Commission, 2011a, p. 5).
- Increased orientation on results of funding by defining common indicators related to physical outputs as well as results relating to the final objective of funding (European Commission, 2011a, p. 6).
- Special attention in operational programmes to specific difficulties of regions with severe and permanent natural or demographic handicaps (European Commission, 2011a, p. 6).
- Specific provisions for the use of the specific additional allocation for the outermost regions (European Commission, 2011a, p. 6).

For the more developed regions in the EU at least 80% of the ERDF means need to be invested in themes 1, 3 and 4. At least 20% of the budget needs to be spent on theme 4 (Supporting the shift towards a low-carbon economy in all sectors). Also, at least 5% of the European means need to be invested in sustainable urban development (Pancras, 2012, p. 4, European Commission, 2011, p.6).

Co-financing rate EU: 50% for the more developed regions (ERDF) and no higher than 85% for Interreg (European territorial cooperation) (European Council, 2013, p. 21).

5.3.4. The ERDF in the Netherlands

The ERDF in the Netherlands is developed following specific steps. The first step is that there is a position thesis for every region in the Netherlands. For example the position thesis on the south of the Netherlands was presented on the 8th of November 2011. Following this there was stakeholder consultation (Ruijters, 2013, slide 6). The next step was for the regions of the Netherlands to develop 'houtschoolschetsen' in which they set out on which priorities they will focus. The focus will be on the ERDF priorities in general and they will be applied to the four regions. These regions are:

1. North
2. South
3. West
4. East

Every region has determined on which priorities they want to focus and thus what type of projects can receive funding under the ERDF.

The fourth step is that the EC develops a position thesis for the whole period 2014-2020 for the Netherlands. In this position thesis the requirements for the Netherlands will be set out, these requirements will need to be addressed in the programmes developed by the Netherlands. According to the position thesis developed by the Commission the Netherlands need to focus on an innovation friendly business environment, improving the availability of jobs and social inclusion to improve the labor market participation and an environmentally friendly and resource efficient economy with an emphasis on less carbon use (Pancras, 2012, p. 4).

The fifth step is that the regions will develop Smart Specialization Strategies in which the 'houtschoolschetsen' and the position paper are further developed into concrete Operational Programmes. These operational programmes outline the approach taken to implement the ERDF in the regions in the Netherlands (Ruijters, 2013, slide 6).

5.3.5. Developments for the Netherlands

In the new period 2014-2020 there will be more emphasis on Innovation according to Anette Pancras (Personal communication, February 27, 2013). This is a continuation of the current direction of the funds, but it is also a result of the Europe 2020 goals. One of the flagships is the Innovation Union and this will be seen in the Operational Programmes of the Netherlands.

For the ERDF the regions would like to use financial instruments, such as revolving funds (Ministerie van Economische Zaken & Ministerie van Sociale Zaken en Werkgelegenheid, 2013, p. 37). This has been indicated in the National Strategic Report as well as in interviews with the experts. The idea is that since there is less money available, this money should be used in a better way (Personal communication Pancras, February 27, 2013). Revolving funds for example are already in use in the JESSICA and JEREMY instruments the ERDF and could be used in the new programme period in other areas of the ERDF as well. According to the businessdictionary (2013) a revolving fund means: 'An account that is established to finance a continuing cycle of operations through amounts received.'

The JEREMY instrument uses the financial instrument of revolving funds. It will now be outlined how this works in JEREMY. The JEREMY instrument allocates the contributions from the ERDF in the form of loans, guarantees or venture capital funds to invest in enterprises. These investments can be in the form of equity, loans and/or guarantees. The returns from the investments are then reinvested in enterprises.

This form of allocation ensures that there is a pool of funds that can be re-used several times, recycling public funds, leveraging capital and increasing the sustainability and the impact of the public resources allocated to SMEs (European Commission, 2013).

The use of new financial instruments is encouraged by the Commission. This fact is established in the proposals by the Commission on the new Cohesion policy structures for 2014-2020. According to the Commission the new financial instruments will represent a resource efficient way of implementing the new programmes. According to the Commission there are obvious advantages of recycling funds for the long term, but there are also benefits in the short run. The Commission states that financial instruments help to ‘...mobilize additional public or private co-investments in order to address market failures in line with Europe 2020 and cohesion policy priorities’ (European Commission, 2011d, p. 2).

In the new programme period the Member States can still decide themselves whether to use tenders or first-come-first serve. It seems that there is direction more towards tenders especially in the field of innovation (Personal communication Pancras, February 27, 2013). The ministry of Economic Affairs has indicated that they would support the move towards more tenders as they wish to ensure that the best projects are honored, not the projects that fit with the requirements and are handed in at the appropriate time as could happen with first come first serve (Personal communication Reulings, March 11, 2013).

Another development is that the procedures and legal regulations will be streamlined into one approach for the whole country. This means that the application process and the requirements will be the same for all the regions. This is different from the current situation in that it now also depends on the region how the programme is implemented, for the new period this will be more streamlined (Personal communication Pancras, February 27, 2013).

The budget for the ERDF will be less for this period than in the previous period meaning that there is less money available. However, according to the experts Anette Pancras and Dominique Ruijters, the ERDF will not lose ground politically. It will still remain the wish of the Netherlands to be in line with the European agenda and this agenda is also found in the priorities of the ERDF (personal communication Pancras, February 27, 2013 and Ruijters, March 4, 2013). This is reinforced by the Ministry of Economic Affairs (Personal communication Reulings, March 11, 2013).

An important development for all the funds is that the EU requires partnership contracts between the funding programmes in the member states. Thus, it is required that the programmes are developed in synergy with each other and that they are handed in at the same time in Brussels (personal communication Pancras and Mensink, February 27, 2013 and Personal communication Reulings, March 11, 2013).

In the next part of this chapter the Interreg programme will be outlined which will follow roughly the same structure as the outline of the ERDF programme.

5.4. Interreg

The current Interreg programme IV will end in 2013 and the new Interreg programme has been given the roman number V (Euregio Maas-Rhein, 2012).

The new Interreg programme contains the same 11 themes as the ERDF programme. For the Interreg A programme there are no restrictions on theme selection, but there is a maximum of four themes that can be chosen (Pancras, 2012, p. 4). For the transnational programmes (B) the countries can also choose a maximum of four themes to focus on.

The themes are selected on the basis of an analysis of the programme area and negotiations between the concerning member states and the European Commission. Furthermore, transnational programmes may focus on the development and execution of macro regional and the financing of basin-strategies, this is done within the theme 'Enhancing institutional capacity and an efficient public administration' (Brouwer, 2012, slide 20).

The current time-line for the new Interreg programme is the following: in 2012 the Member States will negotiate about the plans. At the end of 2013 the results of these negotiations are expected. In 2014 the plans will come into action and the money available within the programme will be distributed across project plans (Euregio Maas-Rhein, 2012).

The proposal of the commission for the budget for the whole EU is the following: € 8.948 million. For Territorial Cooperation, with:

- €6.627 million for A programmes (Cross-border cooperation)
- €1.822 million for B programmes (Transnational cooperation)
- €500 million for C programmes (Interregional cooperation) (European Council, 2013, p. 11).

The proposal is thus that the new budget for the whole of the EU is €8.948 million which represents an increase as compared to the budget for the period 2007-2013 which was €7.750 million. Co-financing rate EU: 50% for the more developed regions (ERDF) and no higher than 85% for Interreg (European territorial cooperation) (European Council, 2013, p. 21). The expectation is that there will be more budget for the Interreg programmes, but it is not yet known what the amount will be (Personal communication Hendriks, April 2, 2013).

5.4.1. Developments Interreg programmes

Within the Interreg programmes there is also the idea to work more with tenders instead of first come first serve as is the expectation within the ERDF programme. According to Angelique Hendriks in the Interreg programme there is a discussion to have more use of tenders as opposed to first-come-first serve, but it is not yet clear how this will be done. There is the discussion, for example, that every priority will have its own tender (Personal communication Hendriks, April 2, 2013).

It is clear that the desk that handles the application will remain the same and there is still the requirement to have a partner. However, the organizations that can apply for funding are not yet outlined. The expectation is that there will be more budget available of the Interreg programmes. The expectation is that the Interreg programme will gain in importance in the Netherlands since there is more money available (Personal communication Sijsma, March 12, 2013).

An important change within the new programme period is that organizations will need to prove before the start of the project that they are capable of being a good project partner meaning that they need to be able to supply the necessary funds at the start of the project (Personal communication Hendriks, April 2, 2013).

Another important change is the focus on durability of the projects, thus that a project has potential for future development and future benefits for the region. This fits with the expectation of more tenders, since then it will be looked at which project is the best (Personal communication Hendriks, April 2, 2013).

Furthermore, there will be an attempt to include SME's into projects beside the regular institutions. This also fits with priority 3, but it is also a general wish of the programme to have more cooperation with SME's (Personal communication Hendriks, April 2, 2013).

A final point that was made by Angelique Hendriks, is that she believes that the Interreg programme will grow in importance for the Netherlands since it will probably have a bigger budget. This is a significant development because the expectation was that the EU funding programmes in general would lose ground due to the negative attitude of the previous government. The previous Dutch government wanted the Netherlands to refrain from using EU money, however this will not be implemented in the new programme period and the EU programmes will be available in the Netherlands. Therefore, Angelique Hendriks believes that the Interreg programme will gain in importance because the programme will continue to be available and it will have a larger budget than it had in the previous programme period (Personal communication Hendriks, April 2, 2013).

The next part of this chapter will outline the development for the EAFRD and more specifically the POP2 programme in the Netherlands.

5.5. EAFRD

The current proposal of the Commission is that the CAP will continue to exist with its two pillars. Pillar two contains the EAFRD and for the Netherlands the Plattelands Ontwikkelings Programma. Thus while there are some changes in content and focus, the main structure will remain.

The EAFRD is seen to contribute to the Europe 2020 strategy because it promotes sustainable rural development. This is done in a complementary manner to other instruments of the CAP, the cohesion policy and the common fisheries policy. The main aim remains that the programme tries to contribute to a more territorially and environmentally balanced, climate-friendly and resilient innovative Union agricultural sector (EUtrainingsite, 2012).

The Commission has proposed a budget of €84.936 million for pillar II for the period 2014-2020 for the whole European Union (European Council, 2013, p. 28). Primarily, rural development is said to contribute to the competitiveness of agriculture, the sustainable management of natural resources and climate action and the balance territorial development of rural areas (EUtrainingsite, 2012).

In order to be in line with the Europe 2020 strategy, there are six EU-wide priorities. Within the six EU-wide priorities, there are activities that can receive support through the EAFRD. The priorities and the supported activities are listed here:

1. Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas with a focus on the following areas:
 - fostering innovation and the knowledge base in rural areas;
 - strengthening the links between agriculture and forestry and research and innovation;
 - fostering lifelong learning and vocational training in the agricultural and forestry sectors.
2. Enhancing competitiveness of all types of agriculture and enhancing farm viability, with a focus on the following areas:
 - facilitating restructuring of farms facing major structural problems, notably farms with a low degree of market participation, market-oriented farms in particular sectors and farms in need of agricultural diversification;
 - facilitating generational renewal in the agricultural sector.

3. Promoting food chain organization and risk management in agriculture, with a focus on the following areas:
 - better integrating primary producers into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organizations;
 - supporting farm risk management.
4. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, with a focus on the following areas:
 - restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes;
 - improving water management;
 - improving soil management.
5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following areas:
 - increasing efficiency in water use by agriculture;
 - increasing efficiency in energy use in agriculture and food processing;
 - facilitating the supply and use of renewable sources of energy, of byproducts, wastes, residues and other nonfood raw material for purposes of the bio-economy;
 - reducing nitrous oxide and methane emissions from agriculture;
 - fostering carbon sequestration in agriculture and forestry.
6. Promoting social inclusion poverty reduction and economic development in rural areas, with a focus on the following areas:
 - facilitating diversification, creation of new small enterprises and job creation;
 - fostering local development in rural areas;
 - enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas (EUtrainingsite, 2012).

In order to provide technical assistance and network actions, the EAFRD will finance the set-up of a European development and national rural network, the EIP network. This network is a European evaluation network for rural development and a national rural network. EIP means European Innovation Partnership 'Agricultural Productivity and Sustainability' (EUtrainingsite, 2012).

The LEADER approach has proven its use in the past; therefore it is continued in the new approach for 2014-2020. 'Support to LEADER local development from the EAFRD should cover all aspects of the preparation and implementation of local development strategies and operation of local action groups as well as cooperation among territories and groups which carry out bottom-up and community-led local development. In order to enable partners in rural areas not yet applying LEADER to test and prepare for the design and operation of a local development strategy a "LEADER start-up kit' should also be financed. Furthermore, it is stipulated that at least 5% of the total EAFRD contribution to the rural development programme shall be reserved for Leader' (EUtrainingsite, 2012).

The EAFRD is implemented in the Member States through rural development programmes. These programmes are designed to meet the Union priorities for rural development through a set of measures. The aim is to have consistency between support from the EAFRD and the measures that are financed by the European Agricultural Guarantee Fund (EUtrainingsite, 2012).

It is possible for a Member State to submit a single programme for the entire region or the MS can submit a set of regional programmes. In addition, a member state with regional programmes may also submit for approval a national framework containing common elements for these programmes without a separate budgetary allocation (EUtrainingsite, 2012).

Member States may include within their rural development programmes thematic sub-programmes. It is important that these sub-programmes contribute to the Union priorities. These programmes need to address specific needs. There are four areas in particular that can be included, these are:

- a. Young Farmers
- b. Small Farms
- c. Mountain Areas
- d. Short Supply Chains

The maximum contributions of the EAFRD are set at:

- 85% of the eligible public expenditure in the less developed regions, the outermost regions and the smaller Aegean islands within the meaning of regulation (EEC) No 2019/93
- 50% of the eligible public expenditure in the other regions.

The minimum EAFRD contribution rate is set at 20% (EUtrainingsite, 2012).

In the initial proposals by the Commission, the focus of the EAFRD was supposed to be on green farming as well as traditional agriculture, but the European Parliament has dressed this proposal down. The new proposal is largely based on traditional agriculture with a focus on large farming businesses (Visser, 2013).

5.5.1. POP

In the Netherlands there will be one programme called POP2. The programme will be monitored by one central governing body (Pancras, 2012, p. 5).

The subsidy percentage under EAFRD pillar 2 (POP) is:

- 53% of the eligible expenditure
- 75% for operations contributing to the objectives of environment and climate change mitigation and adaption
- 100% for amounts transferred from pillar I to pillar II referred to in paragraph 68 as additional support under rural development (pp. 30 conclusions European council on MFF). The minimum EAFRD contribution rate will be 20% (European Council, 2013, p. 21).

An important development in the Netherlands is that the focus will be on agriculture. In the past it was also on rural development, but for the new period the focus will be on agriculture. The priorities that are chosen in the Netherlands reflect this shift (Personal Communication Mensink, 2013).

The budget for POP is much smaller and therefore there will be a smaller number of priorities. It could be possible that there will be money from Pillar I available, however this is a political discussion which is not yet decided (Personal Communication Mensink, February 27th 2013).

Furthermore, within the POP programme there is also the expectation that there will be more financial instruments such as the revolving funds. This is the expectation since there is less budget and there are still a lot of priorities to cover (Personal Communication Mensink, February 27th 2013).

Another expectation is that there will be more use of tenders instead of first-come-first-serve, since according to Mart Mensink, tenders increase the chances of having the best project financed (Personal Communication Mensink, February 27th 2013).

Another development is that the programme might not be finished on time and therefore the POP3 programme might be implemented a year later. However, this has not been decided yet at the EU level and the deadline for the new programme will still be the 1st of January 2014 (Personal Communication Mensink, February 27th 2013).

According to Mart Mensink, the community-led local development (CLLD) approach will be important in the new POP period. This was already present in the period 2007-2013, but the commission will focus even more on this (Personal Communication Mensink, February 27th 2013). Community led local development comprises the following items, according to the Commission: 'area-based; bottom-up; public-private; integrated; innovative; co-operative and involves the use of networking. In the future, the compulsory ring-fencing of 5 % of each Member State's EAFRD allocation will continue in the 2014-2020 period, while the new proposals will also greatly strengthen the integrated aspect of the approach'(European Commission, 2011c, p. 5). The CLLD approach in the EAFRD (POP) will be done via the LEADER approach.

5.6. What do the changes mean

The following part of this chapter will contain a comparison between the old situation and the new situation. This section will have tables comparing the old and new situation of every fund as well as some additional remarks about changes that have occurred.

Table comparing the situation 2007-2013 and 2014-2020

	ERDF 2007-2013	ERDF 2014-2020
Budget Netherlands	€830 million	Less, probably 2/3 of €830 million
Aim	Reinforce economic and social cohesion by redressing the main regional imbalances through support for the development and structural adjustment of regional economies.	Reinforce economic and social cohesion by redressing the main regional imbalances through support for the development and structural adjustment of regional economies.
Priorities	<ol style="list-style-type: none"> 1. Regional employment – creation and maintenance of jobs via sustainable investments 2. Regional infrastructure – construction and maintenance of transport and communication networks 	<ol style="list-style-type: none"> 1. Strengthening research, technological development and innovation 2. Enhancing access to, use and quality of ICT 3. Enhancing competitiveness of SMEs 4. Supporting the shift towards a low-carbon

	<p>3. Regional SME's: stimulate the development and rise of regional SME's by investments</p>	<p>economy is all sectors</p> <ol style="list-style-type: none"> Promoting climate change adaption, risk prevention and management Protecting the environment and promoting resource efficiency Promoting sustainable transport and removing bottlenecks in key network infrastructures promoting employment and supporting labor mobility Promoting social inclusion and combating poverty Investing in education, skills and lifelong learning by developing education and training infrastructure; Enhancing institutional capacity and an efficient public administration by strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the ERDF, and in support of actions in institutional capacity and in the efficiency of public administration supported by the ESF
Desk on which to apply	<p>The province appointed in the region, under the following areas:</p> <ol style="list-style-type: none"> North SNN www.snn.eu (regional project) East Province Gelderland www.go-oostnederland.eu (regional project) 	<p>Most likely:</p> <ol style="list-style-type: none"> North SNN www.snn.eu (regional project) East Province Gelderland www.go-oostnederland.eu (regional project)

	3. South Stimulus www.op-zuid.nl (regional project) 4. West Kansen voor West www.kansenvoorwest.nl (regional project)	3. South Stimulus www.op-zuid.nl (regional project) 4. West Kansen voor West www.kansenvoorwest.nl (regional project)
Priorities NL	1. Innovation, entrepreneurship and knowledge economy 2. Attractive regions 3. Attractive cities 4. Technical assistance	1. Strengthening research, technological development and innovation 2. Enhancing competitiveness of SMEs 3. Supporting the shift towards a low-carbon economy in all sectors (20% budget) 4. 5% Sustainable urban development
Subsidy percentage	50%	50%
Partner	No	No
1 st come 1 st serve/tenders	Mostly 1 st come 1 st serve	Mix of 1 st come 1 st serve and tenders

Table 3: comparing ERDF between 2007-2013 and 2014-2020

Other important differences

1. New financial instruments available: for example revolving funds are discussed
2. More use of tenders
3. More synergy with the other EU programmes in the Netherlands through partnership contracts
4. The regulations and procedures will be streamlined across the Netherlands
5. The architecture of the fund has changed from competitiveness/employment, convergence and territorial cooperation, the focus will now be on the differences between regions. The new classification is: less developed, transition and more developed regions

Table comparing Interreg 2007-2013 and 2014-2020

	Interreg 2007-2013	Interreg 2014-2020
Budget Netherlands	€247 million	Probably more (around 20%)
Aim	The aim of the Interreg Programmes is to provide a framework that facilitates the exchange of experiences between regional and local institutions from different countries and strengthen the regional economy as well as the social cohesion	The aim of the Interreg Programmes is to provide a framework that facilitates the exchange of experiences between regional and local institutions from different countries and strengthen the regional economy as well as the social cohesion
Priorities	<ol style="list-style-type: none"> 1. Regional employment – creation and maintenance of jobs via sustainable investments 2. Regional infrastructure – construction and maintenance of transport and communication networks 3. Regional SME's: stimulate the development and rise of regional SME's by investments 	<ol style="list-style-type: none"> 1. Strengthening research, technological development and innovation 2. Enhancing access to, use and quality of ICT 3. Enhancing competitiveness of SMEs 4. Supporting the shift towards a low-carbon economy in all sectors 5. Promoting climate change adaptation, risk prevention and management 6. Protecting the environment and promoting resource efficiency 7. Promoting sustainable transport and removing bottlenecks in key network infrastructures 8. Promoting employment and supporting labor mobility 9. Promoting social inclusion and combating poverty 10. Investing in education, skills and lifelong learning by developing education and training infrastructure; 11. Enhancing institutional capacity and an

		<p>efficient public administration by strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the ERDF, and in support of actions in institutional capacity and in the efficiency of public administration supported by the ESF.</p>
Desk on which to apply	<p>Interreg IVA:</p> <ol style="list-style-type: none"> 1. Netherlands-Germany Secretariat Kleve 2. Flanders - Netherlands Albert Building Antwerp 3. Euregion Maas-Rheine Foundation Euregion Maas-Rijn EUPEN 4. Interreg IVA 2 seas Province of Zeeland <p>Interreg IVB:</p> <ol style="list-style-type: none"> 1. North-west Europe Agentschap-NL 2. North-Sea Secretariat in Viborg, Denmark <p>Interreg IVC</p> <ol style="list-style-type: none"> 1. Interreg IVC Ministry of Infrastructure and environment – international affairs 2. ESPON ESPON Coordination Unit 3. Interact INTERACT Programme Secretariat Bratislava 4. Urbact Secretariat in Saint Denis (France) 	Will remain the same.

Priorities NL	Same regulation as ERDF, thus: 1. Innovation, entrepreneurship and knowledge economy 2. Attractive regions 3. Attractive cities 4. Technical assistance	Priorities are not yet chosen, most likely the focus will be on Innovation.
Subsidy percentage	50-75%	50% for the most developed regions
Partner	Yes	Yes
1 st come 1 st serve/tenders	1 st come 1 st serve with application deadlines	Both tenders and 1 st come 1 st serve (most likely)

Table 4: comparing Interreg between 2007-2013 and 2014-2020

Other important differences

1. More budget available then the previous period (most likely)
2. More use of tenders than now
3. The subsidy percentage has dropped to 50% from 50-75% previously.
4. The Netherlands are counted as a more developed region

Table comparing POP2007-2013 and 2014-2020

	POP 2007-2013	POP 2014-2020
Budget 2007-2013	€486 million	Probably less
Aim	Strengthen the EU's rural development policy and simplify its implementation.	Strengthen the EU's rural development policy and simplify its implementation.
Priorities	<ol style="list-style-type: none"> 1. Improving the competitiveness of the agricultural and forestry sector. 2. Improving the environment and countryside. 3. The quality of life in rural areas and diversification of the rural economy. 4. Set Entering the LEADER approach 	<ol style="list-style-type: none"> 1. Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas 2. Enhancing competitiveness of all types of agriculture and enhancing farm viability, with a focus on the following areas 3. Promoting food chain organisation and risk management in agriculture, with a focus on the following areas 4. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, with a focus on the following areas 5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following areas 6. Promoting social inclusion poverty reduction and economic development in rural areas, with a focus on the following areas

Desk on which to apply	DR-desk or the province	Most likely the same: DR-desk and Province
Priorities NL	<ol style="list-style-type: none"> 1. Agriculture Nature and landscape 2. Quality of life in the rural areas 3. Recreation and region 	Not yet determined, but the focus will be on agriculture.
Subsidy percentage	Maximum 50%	<p>53% of the eligible expenditure</p> <p>75% for operations contributing to the objectives of environment and climate change mitigation and adaption</p> <p>100% for amounts transferred from pillar I to pillar II referred to in paragraph 68 as additional support under rural development</p> <p>The minimum will be 20%</p>
Partner	No	No
1 st come 1 st serve/tenders	1 st come 1 st serve	Mix of tenders and 1 st come 1 st serve most likely

Table 5: comparing POP between 2007-2013 and 2014-2020

Other important differences

1. The focus will be on agriculture therefore projects that consider other aspects of rural development are no longer eligible
2. The budget is smaller and therefore a smaller number of priorities are chosen
3. The programme might not be finished on time so that the programme will start in 2015
4. There is the possibility to transfer funds from pillar I to pillar II (POP), but this needs to be approved by the second chamber of the Netherlands .
5. The subsidy percentages have changed.

5.7. Change in transaction costs

In this part it will be outlined where and what has changed in the funds that could influence the transaction costs for organizations. First a general outline is given to changes for all the funds and then the specific funds are explained in terms of changes in transaction costs.

For all the funds there will be an increase in uncertainty because the Commission has proposed to extend the principle of Macroeconomic conditionality, which could mean that at any time the promised commitment could be revoked because the Member State has not fulfilled the requirements as set out in the partnership agreements. Furthermore, there is more uncertainty with the performance requirements in that it could mean that 5% of the commitments are not paid out if the performance targets are not met (Buiting and Kramer, 2013).

These principles apply to the Member State and for the national programme as a whole, thus the individual organizations cannot influence this.

Furthermore, there is an increase in general uncertainty in that there is a new framework and also this framework is still under development. Also, there is a lack of knowledge and expertise within this new framework. This is related to asset specificity.

European Regional Development Fund

Within the European Regional Development Fund (ERDF), there are certain changes that can influence the transaction costs of organizations and therefore their 'make or buy decision'. The following changes have been proposed that could influence the transaction costs:

1. From first come first serve to more tenders
2. New financial instruments
3. Streamlining regulations and procedures
4. Less budget available

Tenders

The first change is the increased use of tenders. Tenders represent strict deadlines, short time periods in which to do the application and also more competition as only the best projects are funded.

The strict deadlines influence transaction costs because organizations will only have a certain time frame in which to do the application therefore if they do not have the capacity available to do the application at that time, they may decide not to do the application or to outsource the application. This is related to asset specificity in terms of availability of personnel and time.

Furthermore, the short time periods mean that the organization will need to be able to produce a good application within a short amount of time. This means that the organization will need to have all the required knowledge and documents within the required time. This represents additional transaction costs since again the organization will need to find the time to do the application, but also will need the expertise to do the application within the set time. This aspect represents asset specificity in terms of knowledge about the application and time available to do the application.

A final aspect of tenders that could represent higher transaction costs is that tenders are given out to select the best project for funding, rather than the project that simply meets the requirements as it is set out by the regulations. This means that there will be more competition for the funding, which means a higher uncertainty level in that the organizations cannot know for a fact that their project is the best. Also, this could require more lobbying in order to increase the support for the project. If an organization finds the chance of gaining the fund too uncertain they might decide not to apply for the funding or to hire an outside agent to increase their chances. Also, if the organization does not have the required network to lobby they might again decide to not apply or use an outside agent. This is related to uncertainty, in that an organization cannot usually assess their projects and other projects on whether they meet the requirements.

Furthermore, it is related to asset specificity in terms of having a network that is beneficial to creating support. A network is an asset for an organization that not every organization has at its disposal. Furthermore, the network that is needed here is very specific to requirements of the funds and has no real second best use. Therefore, the network that is needed here is asset specific and could represent high transaction costs if an organization does not have this network at its disposal.

Financial instruments

Within the new framework of the ERDF there will be new financial instruments available. One of the instruments that are mentioned in the literature and in the interviews with experts is the instrument of revolving funds. These new instruments could mean changes in the transaction costs for organizations.

With these new financial instruments there will be new rules and stricter guidelines. These rules and guidelines could represent higher transaction costs for organizations in that they need to learn them and apply them to their projects. This is related to asset specificity in the form of knowledge about the new financial instruments.

Streamlining regulations and procedures

The regulations and procedures will be streamlined across the Netherlands for the ERDF programme. In general this will mean that the application across the Netherlands would become easier and therefore the application procedure would become the same across the Netherlands. Thus a large organization could face fewer transaction costs as the regulation and procedures would be the same across the Netherlands. Larger organizations could potentially be located across different regions in the Netherlands and in the new situation they would need to gather less information about the regulations and applications in the different regions. This is related to asset specificity, in that less knowledge is needed about the regulations and procedures as they are the same. Furthermore, it is also related to time as an asset because it would take less time to learn the regulations and procedures as they are the same.

Less budget available

Although, budget in itself is not a transaction costs the consequences of the lower budget due have an impact on the transaction costs faced by organizations. Since there is less money available the competition over that money will be fiercer. In this respect there is a need to have support for your project. This support could be increased via lobbying or by having a project that fits perfectly with the requirements of the project. Furthermore, since there is less money available the chance of getting funding is also slimmer, which is of course related to competition.

Because there is more competition and fewer chances, the uncertainty for organizations on whether they will receive the funding will increase. Furthermore, it is also related to asset specificity in that an organizations needs to have the means to lobby in order to increase the support for the project. Finally, it is also related with frequency as if an organization has done an application to an EU fund several times they will be better equipped to make an educated guess about their chances of receiving the funding.

5.7.1. Interreg

The changes in transaction costs for the Interreg programmes are identified here. The following changes have been proposed for the programme:

1. More budget available
2. From first come first serve to more use of tenders

More budget available

In terms of budget for the period 2014-2020, there is probably more budget available for Interreg. This means that there are more chances for organizations and also that there is more room for projects to get approved.

In terms of transaction costs this means that there is less uncertainty because there is a bigger chance for organizations to have their projects approved.

However, the budget might not increase by very much and the uncertainty will only decrease slightly therefore it will probably not largely affect the 'make or buy decision' of organizations. It is however mentioned here because at this point in time it is unclear what the new budget might be and if there is a significant increase it will mean a significant influence on the level of uncertainty.

Tenders

The consequence for transactions costs in applying for funding through the Interreg programme due to the increased use of tenders are the same as under the ERDF heading. Thus, there is a limited amount of time and specified time period in which to do the application, there is more competition as the best project is selected and there might be the need for more lobbying in order to create support for the project. These aspects all mean increased transaction costs for organizations applying for funding under the Interreg programmes.

5.7.2. POP

The changes in transaction costs for the POP programme are similar to the changes in the ERDF programme. The following changes have been proposed for the programme:

1. From first come first serve to more use of tenders
2. Different financial instruments such as for example revolving funds
3. Less budget then in the period 2007-2013

Tenders

The main aspects identified under the ERDF header are summarized here. Tenders mean stricter deadlines, shorter time periods and stronger competition. The main transaction costs that are present are asset specificity in terms of availability of personnel and time. Furthermore, there is asset specificity in terms of a network to create support for the project. Another aspect is asset specificity in terms of knowledge about the requirements set out by the call; this is related both to being able to write a good application and knowing about the deadlines in time to do the application. Another aspect is uncertainty, in that the tenders will represent stricter requirements for a project in order to be eligible for funding and it is hard for an organization to exactly determine if their project fits.

Financial instruments

Within the new framework of the ERDF there will be new financial instruments available. One of the instruments that are mentioned in the literature and in the interviews with experts is the instrument of revolving funds. These new instruments could mean changes in the transaction costs for organizations.

With these new financial instruments there will be new rules and stricter guidelines. These rules and guidelines could represent higher transaction costs for organizations in that they need to learn them and apply them to their projects. This is related to asset specificity in the form of knowledge about the new financial instruments.

Less budget

Again, this is the same as for the ERDF programme. Budget itself is not a transaction cost, but the consequence of a lower budget could lead to higher transaction costs. Because of the lower budget, there will be more competition for the funds and this will lead to the need to lobby for support. The extra lobbying could represent transaction costs in terms of asset specificity because an organization might not have the required network to lobby effectively.

Also, because there is more competition the uncertainty level will rise as organizations will have more difficulty in judging whether they will obtain the funding. It is also related with frequency, as an organization that applies more regularly for funding will have a better chance in estimating whether their project will obtain the funding.

Conclusion research question 3

In what way are the ERDF, Interreg and POP changing for the period 2014-2020 compared to earlier years with regard to the rules of participation and the financial regulation?' In order to answer this question the general changes in the framework will first be outlined, followed by an outline of the changes in the funds and finally some remarks are made on the changes in transaction costs in the new programme period 2014-2020.

General changes framework

Within the general framework there will be a focus on the Europe 2020 priorities instead of the Lisbon agenda which is the guideline for the current framework. The priorities that are set for the programmes are guided by the Europe 2020 objectives and the main aim is to focus on smart, sustainable and inclusive growth. Within this guideline a requirement is that the programmes focus on a smaller number of priorities in order to be able to focus more on the Europe 2020 guidelines.

With the general framework it is stipulated that the focus will be on results, the monitoring of progress toward agreed objectives, the increased use of conditionalities and the simplification of delivery. These four objectives are the major hallmarks of the proposal (European Commission, 2011a).

For both the cohesion policy and the EAFRD (POP) there is a Commission proposal that there will be macroeconomic conditionality. The guidelines will be set out in the partnership agreements and if the member state does not comply with the guidelines the commitment set out by the EU could be suspended.

Another idea that is put forward by the Commission is the use of performance targets in the Structural Funds in order to monitor the progress. The idea is that 5% of the Structural Funds are withheld from the Member State and if they have proven that they met the performance targets this 5% will be paid out.

At this point in time there is already macroeconomic conditionality in place in the structural funds, but the Commission proposed that this tool will be used more frequently in the new programme period.

The next part of this conclusion will be an outline of the changes divided per fund. The first fund will be the ERDF, the second will be Interreg and the third will be POP.

Changes in ERDF

The focus in the ERDF will be on smart, sustainable and inclusive growth as this is in line with the Europe 2020 priorities. Within the ERDF the focus will be on research innovation, small and medium-sized enterprises and climate change mitigation. The EU has set specific targets for every region on which the budget needs to be spend, this means that there are different requirements for every region depending on their status of either less-developed, transition or more-developed.

The Netherlands are classified as a developed region and therefore 80% of the ERDF budget is set at specific priorities. These priorities are 1, 3 and 4 of the ERDF regulation. Within this stipulation it is set that at least 20% of the budget needs to go to theme 4, supporting the shift towards a low-carbon economy in all sectors.

Furthermore, 5% of the budget will need to go to sustainable urban development. Within the Netherlands there will be more focus on innovation during the new programme period.

Another change is that there will be an increased use of tenders in the ERDF programme; this is done to guarantee that the best projects available will receive money. This is opposed to the current situation where first-come-first-serve is mostly used.

Within the ERDF programme there will be an increased use of new financial instruments such as for example revolving funds. In the current period this is done via the JEREMY and JESSICA instruments and the proposal is to extend the use of financial instruments in other areas of the ERDF. This is done because there is less budget available for the new programme period and because they want to increase the impact of the fund (Personal communication Pancras, 2013).

Furthermore, there will be partnership contracts between the different funding programmes that are available in the Netherlands in order to ensure that there is consistency in the approach taken by the Netherlands. These partnership contracts are between all the EU funding programmes such as the ERDF, POP and European Social fund (ESF).

A final change is that the procedures and legal regulations of the ERDF will be streamlined across the Netherlands. Meaning that the programmes in the regions will be similar in relation to the procedures and legal regulations, this is not the case in the current approach.

Changes in Interreg

For the Interreg programmes there are also several changes compared to the current situation. One of these changes is that the budget will most likely increase. Furthermore, the co-financing rate has been set at 50% whereas it is now 50-70%. Also, the Interreg A and B programmes have to focus on a maximum of four themes which are set out in the ERDF regulation.

Currently the Interreg programmes are mostly based on first-come-first-serve, however there is the discussion to use more tenders for the new programme period. This is more difficult in the Interreg programmes than it is in the ERDF programme since there are more stakeholders involved in terms of Member States that determine the contents of the programme.

Within the new Interreg programmes there will be the need for a concentrated effort to include more SME's in the projects than is done in the current programme period.

A significant change for the partners in Interreg projects is that they will need to prove their financial viability at the start of the project. This is required to ensure that all the project partners can meet their financial obligations.

This was already done in the previous programme period, but there will be stricter requirements and also stricter monitoring of this principle. Furthermore, projects are judged based on the durability thus whether they will continue to be of success in the future. This is a continuation of the current programme period, but it will become a more significant part of the judgment criteria.

It is believed by several stakeholders that the Interreg programmes will gain in importance in the Netherlands because it is the only programme that will have an increase in budget.

Changes in POP

The focus of the POP2 programme in the Netherlands will be on the promotion of sustainable rural development. The aim is to contribute to a more territorially and environmentally balanced, climate-friendly and resilient innovative Union agricultural sector. This aim is in line with the Europe 2020 strategy. For the POP2 programme it is also the case that there will be less budget than what is currently available.

For the EAFRD framework there will be six EU wide priorities and the Member States can decide on which priorities they want to focus. For the Netherlands an important change is that the focus will be solely on agriculture as opposed to rural development in a broader scope.

A possibility to have more money available for POP2 is by transferring money from pillar I to pillar II (POP). This is however a political choice and is dependent on the Member State.

Within the EU there will be financial support towards the set-up of a European development and national rural network. This network is called the EIP network.

Within the Netherlands the most important changes are the following: the new programme will be called POP2, there will be a smaller budget, there might be an increased use of tenders and there are new financial instruments available. Furthermore, the community-led local development approach will gain in importance.

Changes in transaction costs

These changes will be identified using the same set up as the previous paragraph, thus: first the general changes and then the changes specific to the three funding programme.

In general there will be an increase in uncertainty because the funding programmes are not yet finished. Related to this is asset specificity in that people lack the required knowledge on the new programmes since they are still under development.

With the ERDF, Interreg and POP the increased use of tenders will lead to higher transaction costs. Since the shorter time period means more strain on assets. Furthermore, tenders will lead to increased competition which in turn leads to more uncertainty since it is impossible for organizations to know whether their project is the absolute best.

The new financial instruments that are proposed for ERDF and POP will also lead to an increase in transaction costs in that very detailed knowledge is needed in order to use these instruments which are related to asset specificity.

Within the ERDF the procedures and regulations are streamlined and this could lead to a decrease in transaction costs since it would require less knowledge to use the ERDF programme across the Netherlands. This is related to asset specificity.

For both the ERDF and the POP programmes less budget will be available and this could lead to an increase in transaction costs since organization would need to work harder to gain funding because there is more competition. This could mean that they need to write better applications which would require detailed knowledge. Furthermore, an organization might be required to lobby more in order to receive the funding. The increase in competition would increase the uncertainty for organizations on whether they would receive the funding.

6. What role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?

Research question 4

In this part of the thesis research question four will be answered which is: 'what role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?' In order to answer this question it will first shortly be outlined what the approach is to answering this question, followed by the analysis of the data and finally an answer to the research question is given.

In order to answer the question semi-structured open ended interviews were done with organizations that have used PNO for funding application and organizations that have not used PNO. Through conducting these interviews it is determined what costs are present for organizations in both situations, thus the make (do the application themselves) and the buy (using an external organization).

Furthermore, the organizations that have used PNO are asked to predict what their costs would have been had they not used PNO. By doing this research we can see if they estimated the costs of PNO to be higher or lower then when they would have done it themselves.

Not all the results are present in this edition of the master thesis since it contains sensitive information on the organization and its clients. The information that is omitted is specified and all other information is included in this question.

6.1. Methodology

6.1.1. Method

In order to gather the data semi-structured interviews are done with representatives of organizations that have either used PNO for funding procurement or have done the funding procurement themselves.

The data will thus be mostly qualitative data, about what contributed to the decision of whether to outsource (use PNO) or not (do the application themselves). Although, quantitative data will most likely be part of this decision, such as for example personnel cost, the focus is on qualitative data gathered through the interviews.

A couple of days in advance a selection of the interview questions will be send to the person that is being interviewed because there are questions related to specific numbers on personnel, time and money. The assumption is that the person being interviewed does not know these numbers by heart and needs time to prepare the answers.

6.1.2. Sample

The sample that is included in the interviews are organizations that have used PNO for the funding procurement phase of either of the three funds as well as organizations that have done the funding procurement themselves.

The organizations are chosen by using purposive sampling based on the client base at PNO and the availability of data.

Also, geographical considerations are taken into account, thus only organizations in the Netherlands are used and the organizations that are used are mostly in the area of Limburg because of the location of the internship.

The second sample that is included in this research are organizations that have not used PNO for the funding procurement.

These organizations were approached by either using knowledge available at PNO. For example for the Interreg interview an organization was approached that has used PNO for compliance. Another organization, for POP, was approached via the contact person at the province of Limburg which handles the approval of applications. In short, purposive sampling was used.

6.1.3. Theory

According to the theory as outlined in research question one the following steps have to be done by an organization when using PNO:

1. Make available the (project) information that is requested by PNO. The information is needed to formulate the funding application
2. Gathering information on
 - a. the project plan
 - b. the project budget
3. Other content specific information on the programme
4. Develop the project plans that are part of the funding application
5. Check and approve the application that is set out by PNO
6. Sign the funding application on time

These are the steps that are outlined by PNO. These steps need to be done when doing a funding application. The expectation is that these steps will also be identified by the organizations as steps that they need to do when they used PNO. In order to find this out the interview will contain questions on what steps they needed to take and the costs that were present for these steps.

For the organizations that have not used PNO, but have done the application themselves, additional steps are needed. The following steps are expected when the organization applies for the funding themselves:

1. Developing the project plan
2. Gathering of the information that is required for the funding application
3. Develop the project budget
4. Develop the funding application
5. Sign the funding application
6. Hand in the funding application

In the interviews it will be asked about the steps that are undertaken at the organizational. It is assumed that they will roughly follow the steps as set out by PNO. However, the interview will first ask general questions on the steps undertaken and the steps suggested by PNO will be used as a checkup to see whether the respondent forgot to mention any steps and in case they forget them if this meant that they have not done these steps. The steps will not be suggested at the outset in order to make sure that the steps mentioned are really the steps taken.

In the appendix of this thesis the interview questions are added. Due to the fact that the contact persons at the organizations were all Dutch the interview questions are also formulated in Dutch. The next part of this chapter will contain an analysis of the data found in the interviews. The first part of this analysis will contain the organizations that have used PNO for the application process followed by the hypothetical situation if they had not used PNO.

The second part of this analysis will contain the organizations that have not used PNO for the application compared to the organizations that have used PNO for the application.

The purpose of this analysis is twofold. The first part is to find the transactions costs that are present for organizations doing the funding application themselves and the costs present for organizations that have used PNO.

The second part is to find the reason behind the decision whether to outsource or not, this is guided by the transaction cost theory. The interview questions that were asked in relation to this aspect were based on the three aspects of transactions costs: asset specificity, frequency and uncertainty.

6.2. Results

For all the funds different projects and organizations were used in order to find the specific transaction costs in the application to the fund. The expectation at the beginning of this thesis was that there will be differences in transaction costs due to the aspects of the funding programme and it was therefore decided to analyze all the funds separately.

It will now be outlined per fund and per organization what the costs were in the actual application process and what the hypothetical costs were for the organizations had they not used PNO. Following this there will be an analysis of the data in light of transaction costs and the role played by PNO in reducing transaction costs. The main analysis will be based on the outsourcing decision done by the organizations and what factors went into this decision.

The next part of this chapter will be a comparison between the organizations that have used PNO and organizations that have not used PNO for the application. For all the projects the costs of the projects as well as the amount of funding will be outlined because this will place the transaction costs at a comparable level since a more expensive project usually means a bigger project which means more work in the application process.

For the ERDF fund there are two cases included in the analyses; namely: an organization that has used PNO for the funding application and an organization that has not. Since the ERDF programme is based on four regions it was decided to include two organizations from the South region thus ensuring that the application process was the same.

Furthermore, both organizations are governmental organization thereby ensuring that their approach is similar as well as their cost structure. *These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.*

For the POP programme it was decided to include three cases in the analysis. The first analysis will be an organization that has used PNO for the funding application at the province and this will be compared with an organization that has done the application themselves at this desk. However, it is also possible to obtain POP funding through the DR-desk. Since PNO does not have clients at this point in time which have done this application via the DR-desk, there is only an analysis of an organization that has done the application themselves at the DR-desk. This sample will be shortly compared to the organization that has done the application themselves at the Province in order to see if there are major differences in transaction costs.

The Interreg programme turned out to be the most difficult programme for organizations and therefore a slightly different approach was used. In the sample there is an organization included that has used PNO for the funding application and there are two organizations that have done the application themselves.

For all the samples it turned out that it was difficult to specify the exact costs that were made during the process since the Interreg programme has specific requirements that make it a time-consuming process. Therefore, the information that was obtained was slightly less detailed than the information obtained under the ERDF and POP. This does not mean that the research question could not be answered; it only means that the answer is slightly less detailed than for the previous funds. The difficulties of the process and the comparisons between the organizations will be outlined in the paragraph on the Interreg.

The following part of this chapter is the actual comparisons between the organizations that have done the application themselves and the organizations that have outsourced the process.

These comparisons are done per fund and the first fund that is researched is the European Regional Development Fund (ERDF).

The results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

6.3. Findings per fund

6.3.1. ERDF

For the ERDF two organizations were used: one who did use PNO for the application and one who did not. It will now be shortly summarized here what the costs were for the organization that did use PNO and for the organization that did not and what went into the decision on whether to outsource or not.

The results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The main reasons for doing the application themselves was that they had the experience and the knowledge (asset specificity), they had done multiple applications in the past (frequency) and they were able to estimate the success rate (uncertainty).

If we compare these two situations we can conclude that the main reason for outsourcing in relation to ERDF is the amount of knowledge that is needed to do the application, the frequency of application and the uncertainty that is present in terms of the success rate.

If an organization has the required knowledge and has done a frequent application they are not likely to outsource. If they, however, do not have this information the organization can decide to outsource. The role of PNO is then to provide the knowledge that is necessary as well as the required man power.

Furthermore, they can provide the expertise because they have done applications frequently. And finally they can reduce the uncertainty of an application because they can adequately estimate the success rate of an application.

6.3.2. POP

For the POP programme three organizations were approached. One organization had used PNO for a POP application at the Province and the other had done the application themselves at the Province. The third organization that was included was an organization that had done an application at the DR-desk, but PNO did not have a client that had used POP at the DR-desk and therefore this was not included.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

PNO did not really play a role in reducing the actual costs, the reasons that were given by the organization for choosing PNO will now be outlined. The organization did not have the experience with the POP fund (frequency), they did not possess the required knowledge (asset specificity) and they were not able to adequately predict the success rate (uncertainty)(organization applying via the province).

Furthermore, they did not have the personnel available to do the application (asset specificity). Therefore they decided to use PNO.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The reason for not outsourcing was that they had the knowledge on how to do an application (asset specificity), they had done multiple applications in the past (frequency) and they knew what the success rate was (uncertainty). Finally, they had the institutional set up that they would do the application themselves if they had the resources available (asset specificity) and this case they had the resources available (Organization applying via the province).

The reasons that were given by the organization for doing the application themselves were that although they did not have experience with the POP funding they did have experience with doing very similar applications, thus they had the required knowledge to do the application (asset specificity). Furthermore, they had the resources in terms of personnel to do the application (asset specificity) and they had done multiple funding applications in the past (frequency). Finally, due to the institutional set-up of the DLG they knew what the success rate was for the project, therefore they were relatively sure of their chances (uncertainty) (organization applying via the DR-Desk).

The conclusions are the same as for the ERDF, if an organization has the knowledge, expertise and is able to adequately estimate the success rate they will not outsource the process.

However, they will use PNO if they don't have the experience, the knowledge or are uncertain about the success rate. PNO can then provide the knowledge, man power and they can reduce the uncertainty. These factors are the same for either the application process at the province as well as at the DR-desk. Furthermore, it does not seem to matter what the size of the funding is.

6.3.3. Interreg

For the Interreg fund three organizations were approached.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The following reasons were given by on organization that had used PNO as to why they outsourced the application process. The reasons for using PNO were that they did not have the people available to do the whole application (asset specificity) because there was a very short deadline. Furthermore, they had some experience with the Interreg programme, but never as a lead partner (asset specificity and frequency). Also, they were not able to estimate the success rate (uncertainty) of the project. A final reason that was mentioned was the good working relationship that they already had with PNO.

The role of PNO was to provide the necessary knowledge and expertise as well as the manpower to do the application. Furthermore, they had the experience to do the application and they are able to estimate the success rate.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The organization gave the following reasons why they did the application themselves: they had the experience and knowledge (asset specificity and frequency), they were able to estimate the success rate of the project (uncertainty) and the institutional set-up of the organization is that they do the applications themselves where possible (1st organization that has not outsourced the funding application).

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The reason the second organization did the application themselves was that they had decided within the institutional set-up that they would set up a group that would do the applications. It was the first time that they had done an Interreg application, but they had a lot of experience with other European programmes such as for example FP7 (asset specificity and frequency). Furthermore, they had the personnel available to do the application (asset specificity). Finally, he stated that they are able to estimate the success rate of a project therefore there was less uncertainty (2nd organization that has not outsourced the funding application).

For the Interreg programme the results are the same that if an organization has the experience, the assets available and is able to reduce the uncertainty it will do the application themselves.

Conclusion research question 4

In this conclusion a short answer will be given to the research question: 'What role does PNO play in reducing the current transaction costs under the framework 2007-2013 for actors applying to these funds?'

PNO can in some cases reduce the actual costs in doing the application. However, the costs are usually higher when using PNO and the role of PNO is in reducing the transaction costs. Thus the role of PNO is related to asset specificity, frequency and uncertainty.

The role that PNO can play is that it can provide the necessary knowledge and manpower to do the application (asset specificity). Furthermore, it can reduce the uncertainty by estimating the success rate (uncertainty) and finally it can use its experience to make the application a winning application (frequency).

We can conclude this because of the reasons given by organizations for why they used PNO or for why they did the application themselves. For all the organizations it came down to whether they had the capacity available (if yes, they did it themselves and if no, they outsourced), if they had the experience (if yes, they did it themselves and if no, they outsourced) and if there was a high level of uncertainty (if yes, they outsourced and if no, they did it themselves).

7. How will the new rules affect the role of PNO in the market?

The last research question is: 'How will the new rules affect the role of PNO in the market?' This last research question will be an attempt to combine the theory of transaction costs, the role of PNO in reducing transaction costs and the changes in the funds. It will be outlined how transaction costs change due to changes in the funds. This means that the choice that organizations make on whether or not to use PNO could change. After this is outlined, a SWOT analysis is done amongst experts at PNO to see what they face with the changes in the fund. These results will be combined and this will result in an advice to PNO on how they should deal effectively with the new situation.

The SWOT analysis will be carried out in house by using experts at PNO. These experts will be chosen via Purposive sampling (Babbie, 2007, pp. 184). The sample will contain the people who have worked with the funds in the past in order to find out what the strengths, weaknesses, opportunities and threats are in light of the new funding rules for PNO. *These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.*

The first part of this research question will be a short outline of the changes found for every fund in light of the transaction costs faced by organizations applying for these funds. These answers were found in research question 3. Following this, it will be outlined how PNO can continue to play a role in reducing the transaction costs and thus remain a viable option. This will be done on the basis of research question 4 to explain the role they currently play with regard to transaction costs and this will be translated to the new situation.

The next part of this research question will contain the results of several SWOT analyses done at different PNO offices in the Netherlands. The main question in the SWOT analyses was: what is the experience of PNO with regard to the three funds and how can they adapt to the new situation? This was done by doing a short presentation on the funds followed by a group discussion structured according to SWOT. This method will be shortly outlined, followed by the results found in the analysis. The main idea behind this is to see how PNO works with the funds at the moment and what has to change in light of the changes in the funds.

The main role of the SWOT analysis is to gain insights in the current experience of PNO with the programmes and also to find the current potential problems that arise within the organization in relation to these programmes. Furthermore, the SWOT analysis will also highlight what the organizations will need to do in order to use the programmes in the new programme period. Finally, the SWOT analysis will show if the results found via the theory are also useable in practice. For example the increase in budget for the Interreg programme would indicate an opportunity for PNO, but is this also the case in practice?

The last part of this chapter will be an answer to the research question, how will the new rules affect the role of PNO in the market? This answer will contain the elements mentioned above, thus the results from the transaction cost theory analysis and the SWOT analysis.

7.1. Changes in transaction costs

7.1.1. ERDF

The main changes in the ERDF that will influence the transaction costs for organizations applying to this programme are:

1. From first come first serve to more tenders
2. New financial instruments

3. Streamlining regulations and procedures
4. Less budget available

The increased use of tenders will mean higher transaction costs because it will mean a shorter time period to do a good application. This short time period means that there needs to be personnel and time available to do the application, this is related to asset specificity. Furthermore, the shorter time period means that the required information needs to be available within this time, this also represents asset specificity in terms of knowledge about the application.

A final aspect is that the requirements of tenders are much stricter than first come first serve and in order to do a winning application these requirements will need to be met. This is related to asset specificity. Also, this could require more lobbying in order to gather support and having a suitable network is related to asset specificity. Furthermore, the stricter requirements mean higher uncertainty since it is hard for an organization to know whether they are better than the competition.

The new financial instruments mean that there will be new rules and guidelines and that specialized knowledge is needed about this. The new financial instruments could thus raise transaction costs since knowledge about these instruments has a high asset specificity.

The streamlining of regulations and procedures represent, in general, a reduction in transaction costs. If the guidelines are the same across the Netherlands it would take less information to do an application and thus lower the asset specificity.

Finally, the last aspect is the decreased budget. The decrease in budget represents a change in transaction costs since it means that there will be more competition over the money. This is related to uncertainty. Furthermore, the fierce competition could lead to the need for more lobbying. In order to be able to lobby an organization needs to have a network. A network is related to asset specificity. Lastly, it is related to frequency since if an organization has more experience than they will be better able to estimate their chances of success.

7.1.2. Role played by PNO in reducing transaction costs 2007-2013

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

In sum, the role played by PNO was to supply the man power and the required knowledge to do the application. Also, PNO had the experience with the programme. Finally, PNO was able to estimate the success rate. Therefore, the role played by PNO was to reduce the uncertainty, supply the necessary assets and experience.

7.1.3. Changing role PNO in light of transaction costs

If we bring together the changes found in the funds in terms of transaction costs and the role played by PNO in the past we can see that the role of PNO will not change significantly, but they do need to update their knowledge in order to remain a viable option. Thus, they have to make sure that their knowledge (asset specificity) is up to date, that they know the new success rates (uncertainty) because they might change due to the changes in the funds and also they have to make sure that they do multiple applications in order to ensure that they become familiar with the materials (frequency). These are general changes, however the specific changes found in chapter 3 will also influence the role of PNO and this will now be outlined.

Tenders

The change from first come first serve to tenders will mean changes for PNO and the activities that are done by PNO for other organizations. The change from first-come-first serve to tenders represents shorter deadlines and higher pressure on personnel and time. It was found in the interviews that if organizations do not have the man power and thus not enough time available they will be more likely to outsource. From this we predict that the increased use of tenders will lead to more organizations turning to outsourcing since they do not have the personnel available for the time period that is set.

Another aspect of tenders is that the best projects are chosen and therefore the applications that are submitted need to be excellent applications. This requires specific knowledge and experience. It was shown in the interviews that if organizations do not have the experience with the fund and if they miss the required knowledge they will be more likely to outsource. This means that the increased use of tenders could represent an increase in outsourcing. Therefore, PNO needs to be informed on the tender deadlines and requirements since they could play a significant role.

If only the best projects are chosen, the uncertainty for organizations will increase since they cannot know for a fact that their project is the best. In the interviews it was found that organizations that cannot adequately estimate the success rate of a project are more likely to outsource. Therefore, the increased use of tenders could represent chances for PNO, if they are able to adequately estimate the success rate and thereby decreasing the uncertainty faced by organizations.

The increased use of tenders could represent the need for more lobbying in order to gain the funding. PNO has the required network to do this lobbying and therefore they can supply this asset to a client.

New financial instruments

The new financial instruments require specific knowledge and expertise (asset specificity). PNO could play a role in reducing this aspect as a transaction costs since they could supply the required knowledge and expertise. PNO could play this role for organizations applying to these funds.

Less budget available

There will be less budget available and as indicated this will mean an increase in uncertainty. Furthermore, this will require organizations to be able to do a good application since there is more competition. These aspects are similar to the aspects found under the heading of tenders therefore the role played by PNO is also similar. PNO could provide the knowledge, manpower and network to do a good application. This is needed if an organizations does not have these assets and will therefore either outsource the application or decide to not do the application.

In short, the role of PNO will not change significantly due to the changes in transaction costs. They will still be used for its knowledge, expertise and man power as well as to decrease the uncertainty. However, the nature of the required information will change as well as the approach taken. The required information will differ because of the increased use of tenders and the new financial instruments. The approach needs to change because tenders represent a short time period as well as stricter requirements.

7.2. Interreg

For Interreg the two main changes that will influence transaction costs are:

1. More budget available
2. From first come first serve to more use of tenders

The increase in budget will influence the transaction costs for organization in that it represents more changes for organizations and thus it is a decrease in uncertainty.

The move from first-come-first serve to tenders represents the same changes as identified under the ERDF. Thus, it will mean an increase in uncertainty and asset specificity. The uncertainty lies in the fact that there is more competition and the asset specificity lies in the required knowledge and expertise in doing an application.

7.2.1. Role played by PNO in reducing transaction costs 2007-2013

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The main reasons for using PNO were that they missed the expertise for this Interreg programme and that they had not done an Interreg project as a lead partner before. Furthermore, they did not know the success rate for the project. PNO was thus used for their expertise and because they could reduce the uncertainty for the organization.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public. They (organizations that did not outsource) both indicated that they had the required man power available and they were able to estimate the success rate due to their experience. One organization did indicate that it was their first Interreg project at the time, but that they had ample experience with other EU programmes. The other organization in this setting had experience with the Interreg programme. Thus the organizations did not need to outsource because they had the required assets, had the means to reduce the uncertainty and they had the required experience.

In sum, the role played by PNO was to provide the man power, the knowledge and the expertise. Furthermore, they were used to reduce the uncertainty. If an organization can do all these factors themselves, it will be unlikely that they will outsource.

7.2.2. Changing role PNO in light of transaction costs

The increase in budget in the Interreg programme could mean that the role of PNO will become smaller since there is less uncertainty for organizations and there are more chances. Therefore, they could lose some ground in this programme. However, because there is an increase in budget this programme might be more interesting for PNO as an organization to invest time in. This could mean an increased use of this fund and more clients using this fund. This makes sense since all the other programmes, ERDF and POP, actually have a decreasing budget. The two programmes might be less interesting to invest resources in from the stand point of PNO. However, investment in this programme is needed, *These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.*

The increased use of tenders represents an increase in the knowledge needed and an increase of the time and personnel that is needed. From the interviews we can conclude that the organizations that do not have the required knowledge and expertise will turn to PNO for the application process. Therefore, the increased use of tenders could mean an increase in the role PNO.

Furthermore, the complexity of the programmes remains the same and from the interviews it became clear that the Interreg programmes are very complex. Therefore the appeal for organization to outsource the process will most likely also remain the same.

7.3. POP

For POP the main changes that will influence transaction costs are:

1. From first-come-first-serve to more use of tenders

2. New financial instruments
3. Less budget available

The main aspects identified under the ERDF heading are applicable here. Thus, the increased use of tenders represents an increase in transaction costs since it will lead to more uncertainty and higher asset specificity.

The financial instruments proposed for POP are the same as for the ERDF, therefore the increase in transaction costs are also the same. The new financial instruments represent an increase in transaction costs since the new guidelines and regulations require the organization to learn these new rules and learn how to apply them. Thus, the new financial instruments represent an increase of transaction costs in terms of asset specificity.

Like with the ERDF, here will also be less budget available and this decrease in budget represents an increase in transaction costs for organizations. The less budget there is the more competition there is and this will lead to more uncertainty for organizations since they can hardly know whether their project is the best. Furthermore, less budget will probably lead to more lobbying and this is related to asset specificity. In order to be able to effectively lobby, an organization needs a network and this has a high asset specificity. Finally, it is related to frequency since if an organization has more experience than they will be better able to estimate their chances of success.

7.3.1. Role played by PNO in reducing transaction costs 2007-2013

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

The main reasons given by an organization that used PNO were that they lacked the available hours and personnel to do the application; they did not have the experience with POP funding; they estimated that a high level of knowledge was required and they could not estimate the chance of success.

PNO was thus used to supply the man power as well as the hours needed to do the application. Furthermore, PNO was applied to for their expertise and knowledge about the funding process. Finally, PNO was used to reduce the uncertainty.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public. The main reasons behind this decision (to not outsource) were that they had the personnel and time available. Furthermore, they had the experience with the programme and they had done multiple applications themselves. Lastly, they were able to estimate their chance of success due to past experiences.

For the POP programme an organization that had done the application via the DR-desk was also looked at. *These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.* This organization also had the personnel and the time available. They also had the experience and were able to estimate their chance of success.

Thus, within the POP application the reasons for outsourcing to PNO are the same as for the ERDF. If an organization does not have the required knowledge and personnel available, if they do not have the experience and if they aren't able to estimate their chance of success they are more likely to outsource.

7.3.2. Changing role PNO in light of transaction costs

The changing role for PNO in this fund is the same as was identified under the ERDF since the changes found there are also applicable to the POP programme. Thus, the increased use of tenders, the decrease in the budget and the new financial instruments are also present in the POP programme. These changes in the programmes will mean changes for the transaction costs that are present in the application process.

The main changes are related to an increase in knowledge that is needed, an increase in uncertainty and the requirement of having expertise in the application process. The role of PNO will be to supply the necessary knowledge and expertise and to decrease the uncertainty. Thus, the role of PNO will not change significantly but the nature of the information that is needed will change due to changes in the funds.

The next step is to analyze what the changes in the fund mean for PNO and how they can tackle these problems. This is done via a SWOT analysis. In the next part of this chapter it will be outlined what a SWOT analysis is, what the results were from the SWOT analysis and followed by some recommendations.

7.4. SWOT analysis on the changes in the funds and the changes for PNO

7.4.1. What is SWOT analysis?

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses are internal or inside the organization, while Opportunities and Threats are external or outside the organization. The main aim is to develop awareness of the situation an organization is in, for example outside changes might affect the choices that are taken by organization. The purpose of a SWOT is to ‘...reveal positive forces that work together and potential problems that need to be addressed or at least recognized’ (Renault, 2013).

The four elements of a SWOT analysis are outlined:

1. Internal factors (strengths & weaknesses) include resources and experiences.
2. External factors (opportunities & threats) concern the connectedness of an organization (Renault, 2013).

In the end a SWOT analysis can offer ‘...a snapshot interpretation of both internal and external variables that could both positively and negatively influence the effectiveness of business decisions’ (Business Teacher, 2012).

7.4.2. Method of using SWOT analysis

The meetings for the SWOT analyses were set-up at the offices in Geleen, Eindhoven and Hengelo. In the meeting of Geleen there were members of the General Operations team as well as members of the EU team and the compliance team. In Eindhoven the analysis was done at a meeting of the EU team. The SWOT analysis in Hengelo was done with two people that were members of the general practice team Hengelo.

The manner in which the SWOT was done in Geleen and Hengelo is the following:

1. First a short presentation was given on the changes in the general EU framework, followed by an explanation on what a SWOT analysis is and what the purpose of the meeting was.

2. Following this every fund was presented separately followed by a SWOT analysis on every fund. Thus for example, the changes in the ERDF were outlined followed by a SWOT analysis on the ERDF.
3. A general discussion was done on the direction PNO could take with regard to the changes in the fund. Thus they were asked what they needed in order to be able to work within the new situation.

The SWOT analysis with the EU team was more concise as there was less time available. Therefore, a presentation was given on the changes in the fund and this was followed by a discussion of 15-20 minutes on what they saw as the main opportunities and how PNO should go about handling the new situation.

In appendix 4 the SWOT worksheet is included that was used during the SWOT analysis. The next paragraph will contain the results of the three meetings together. They will be ordered according to the four aspects in SWOT, thus Strengths, Weaknesses, Weaknesses and Opportunities.

7.5. Results

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

Conclusion research question 5

In this conclusion the findings from the theoretical framework and the findings from the SWOT analyses will be combined to answer the research question. The research question posed is: how will the new rules affect the role of PNO in the market? The role for PNO in every fund will be discussed separately as there are different consequences for PNO per fund. The first fund is the ERDF, the second is Interreg and the third is POP.

EFRO

From the TCT framework and the interviews we can conclude that the role of PNO will not change significantly due to the changes in the fund. The role played by PNO in the past is to provide the necessary personnel and hours, to provide the necessary knowledge and to reduce the uncertainty. These aspects will still be needed under the new framework. Furthermore, the increased use in tenders will probably lead to an increase in outsourcing thus an increased role for PNO. Also, the new financial instruments will require detailed knowledge and experience and this again will lead to a bigger role for PNO.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

Interreg

From the TCT we can see that the role of PNO was to reduce the uncertainty and provide the necessary knowledge and hours to do the application. This is thus roughly the same role as played under the ERDF programme. We can also see that the Interreg programme will not become easier thus the work load and the expertise needed will remain the same. One change within the fund is that there will be more budget available and that this might reduce the uncertainty for organization. This reduction in uncertainty could mean a smaller role for PNO.

However, the increase in budget also means that PNO should make more use of Interreg since it represents real opportunities for PNO.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

POP

The TCT interviews have yielded the same results as under ERDF and Interreg. Thus, PNO is applied to for man power, hours and expertise. This general role will not change with the changes in the fund. However, as with ERDF the specific knowledge that is needed will change.

PNO will need to learn about the tenders that are given out under POP because POP will also use more tenders in the new programme period. Furthermore, POP will also have the new financial instruments as discussed under ERDF therefore PNO will need to have information on these too.

Another aspect of POP that is the same as with ERDF is that the POP will have less budget available. This will represent an increase in uncertainty for organizations applying to the fund. It seems likely that this will mean an increase in the role for PNO.

These results are not included in this publication since they contain sensitive information on the workings of PNO and therefore they will not be made public.

8. Conclusion Thesis

In this master thesis the following research question is posed: 'What do the changing rules regarding the ERDF, Interreg and POP mean with regard to the rules of participation and financial regulation for the subsidies and what are the implications for PNO?'

In order to answer this research question several sub-questions were posed. The main approach to answering this research question was to investigate what went into the outsourcing decision of organizations with relation to the application process in funding procurement. This decision was researched in light of transaction costs present.

The changes in the funds are outlined in research question two and three. The main changes are related to the use of tenders or first come first serve, new financial instruments and the budget. It was then researched what these changes would mean for the outsourcing decision. The decision on whether to outsource or not determines the implications for PNO. The implications for PNO are outlined per fund.

For the ERDF it becomes clear that PNO has a lot of experience with this fund and that they should remain an option for organizations to outsource to. In order to do this they will need to update their knowledge towards the new programme period. Furthermore, they will need to focus on the tenders that will be used in this programme.

In relation to the POP programme, it is needed to update the knowledge and also to make sure that the knowledge is widespread throughout the organization should they wish to use this programme more. However, since the budget is being decreased and PNO does not have a lot of expertise with this programme it seems wiser to continue the current approach.

The new Interreg programme presents opportunities for PNO. This programme is the only programme that will have a higher budget and it is also a very difficult programme which could mean that more organizations will wish to outsource the application process. However, in order to be able to use the programme PNO will need to invest resources into attaining the necessary knowledge and spreading the knowledge throughout the company.

9. Discussion and future research

In this part of the thesis the limitations of the research will be discussed as well as possible avenues for future research. Furthermore, the discussion will contain an advice towards public institutions on when they should outsource the application process and when they should do it internally. This is guided by the transaction cost theory and the findings in this thesis. The first part of this chapter will contain the discussion on the research conducted and the second part will be some proposals for future research.

9.1. Limitations research

There are several limitations to this research. These limitations will now be outlined.

The first limitation in this research is that it was conducted with a small sample. For research question 3 only 6 people were used, for research question 4 only 9 projects were used and for the SWOT analyses only 3 teams were approached. This means that it were very limited samples for all the research questions which makes it not representative for the whole population.

The second limitation is that only PNO was used as a consultancy firm, meaning that the results are not generalizable to all consultants in this field. It is possible that there are other considerations in play for an organization when they decide on another consultancy firm. For example another firm might be less expensive than PNO and therefore it becomes a viable option. In this research the only option was either to use PNO or to do the application themselves. The sample included that had not outsourced to PNO did in fact choose to not outsource at all, but they were not asked whether they would have outsourced had they had another firm to choose from. It was implied that they would have done the application internally in any event, but the option to outsource to another option than PNO is of course present.

A third aspect that is important with regard to this study concerns the selection of the sample being studied. In this research there is a case to be made that there was selection bias. This is the case because only clients that had used PNO were used to ask about their outsourcing decision, thus other organization that had outsourced but not to PNO were not included. Furthermore, only experts that were working in the Netherlands were approached. This is also a form of selection bias because it concerns European programmes thus other experts are also present.

Another important aspect to note is that although transaction cost theory is used to explain the choice of organizations and it seems reasonable to conclude that the factors of the theory do matter in the choice of whether or not to outsource it might be that organizations did not base their decision solely on the theory. Such as for example the choice was simply made because they needed to use an outside actor or they did not want the hassle of doing it themselves. This would mean that although TCT could explain the eventual outcome, it did not go into the decision as such.

Furthermore, the estimation of the hypothetical situation might not reflect an accurate picture. This is the case since all the factors that go into doing the application themselves are not readily apparent. For example, it is not clear how expensive it will be to hire someone to do the application and what type of form this would take. This could be a temporary project or a contract for a longer duration. However, these factors are hard to put in numbers and are as said not fixed thus they are most likely not reflected in the hypothetical situations.

9.2. Advice public institutions

In light of the purpose of this master thesis, to attain a master degree in Public Administration, an advice towards public institutions is added. This advice pertains to the decision on whether to outsource a funding application or to do it internally. This advice is based on this findings of this thesis and the transaction cost theory.

In the interviews several public organizations were approached. These organizations ranged from municipalities to provincial bodies. These interviews form the basis for the advice given to the public institutions.

In general we can conclude that if a public institution has to do a lot of funding applications (frequency) it is a good choice to do the application internally. For example several municipalities that were approached had a special department that was responsible for the application to funding programmes. By developing this department it also becomes possible to adequately estimate the success rate and thereby to reduce the uncertainty involved in funding application. This department will also deal with the asset specific costs such as for example the knowledge needed to do an application. By forming a department responsible for funding application, this department will gain and retain the knowledge needed to do an application. Furthermore, because there is a department there will almost always be enough man power to do the application.

If however, it becomes clear that a public institution does not use a fund regularly it is usually a better decision to outsource the application process. This is the case since it will generally cost more money to attain the necessary knowledge and hire the man power needed than the eventual cost will be to hire an outside source. This is reflected in this thesis. The actual costs might be higher in first instances, but the transaction costs are almost always lower when it is outsourced. In other words, outsourcing might seem more expensive in terms of money spend but the nature of the transaction costs that are present (uncertainty, asset specificity and frequency) will make it that the outsourcing decision will be more profitable. Thus, if all the costs are taken into consideration then the decision to outsource is more cost effective.

In relation to the three funding programmes that were discussed in this thesis the recommendation would be to do the POP programme and the ERDF internally and to develop a department responsible for these programmes. This recommendation stems from the fact that most of the people that were interviewed indicated that these programmes were not too difficult to apply to, that they have a high success rate in the Netherlands and that they fit with the general programmes of the public institutions. In most cases it is better to outsource that application to the Interreg programmes. This is recommended since it was indicated in the interviews that it was a difficult programme, that it is very time consuming to do an application and that the success rate is very hard to estimate.

9.3. Future Research

There are several aspects to this research that have not been explored due to the time constraints inherent in a master these. These aspects will now be outlined and could possibly lead to future research in this area.

Future research should look into how organizations determine the success rate exactly because the success rate could influence the decision on whether to apply or not. If the transaction costs are very low and the process of applying is cost efficient it follows from this research that the organization will apply for the funding. However, if the success rate is very low they will not apply since it will not have the desired consequence of attaining the funding. Future research should look into how organizations determine the success rate and how PNO determines the success rates of projects. Also, it can then be researched what the consequences are for the outsourcing decision and how accurate this estimation is.

Another avenue of research is the influence of the placement of the costs for the application process. These costs can either be fully for the applicant or they can be paid through the funding programme. This will influence the outsourcing decision.

The main area of research is then whether the work that is done by the consultant is deductible as costs of the project and if they are how this will influence the outsourcing decision.

In this thesis the option to outsource or not was studied. However, an organization faces four options. Option one is do not to the application, option two is to outsource, option three is to do the application themselves and option three is to use a network. In this thesis it was chosen to study the situation if an organization uses an external party. Future research could also look into the network option to see if there are other considerations in place when choosing this option.

The final avenue of research is into the influence of the initiation phase on the outsourcing decision of the application phase. It is possible that if an organization has outsourced the initiation phase that they are more likely to also outsource the application phase. This could mean that the organization does not look at other consideration and automatically also outsources this process. This then influence the decision structure that is being researched in this thesis.

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Source appendixes

Appendix 1:

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Appendix 5:

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Appendix 1: who can apply for pop?

Axe 1:

Organizers of demonstration project
Concerning practical networks: (participants of) groupings of agricultural and forestry enterprises and educational and research institutions
Agricultural enterprises and groupings of agricultural enterprises
Foundations for parcel exchanges
Agricultural organization
Governments
Board committees
Nature- and agricultural organizations
Farmers who participate in food quality schemes included in the list of European and national quality schemes

Axe 2:

Farmers and boards in the Netherlands
Governments, namely boards and some provinces and municipalities
Farmers
Entrepreneurs whose company is in an EHS-area, a bordered Natura 2000-area, a national landscape or a provincial/regional landscape

Axe 3:

Boards
Axe 2: farmers who will continue on their company at least five years after the first payment
Axe 3: Micro-enterprises
Members of an agricultural household
Governments and all natural or legal persons except farmers, gardeners and their families
Governments and legal persons with the exception of companies with profit intentions
Governments, legal persons and cooperations
Farmers
Governments
All natural and legal persons
Participants of a local group (no leader group)

Axe 4:

Governments
All natural and legal persons (Regiebureau POP, 2012b)

Appendix 2: specification of the funds under Interreg

The funds available for these programmes are

Programme*	ERDF budget	Total budget
Interreg IVA		
The Netherlands – Germany	€139 million	€294 million
Flanders and the Netherlands	€94 million	€189 million
Euregion Maas-Rijn	€72.04 million	€144.08 million
Interreg IVA 2 Sea's	€167 million	
Interreg IVB		
Northwest Europe	€334,116,695	
North Sea	€138.5 million	
Interreg IVC		
Interreg IVC	€302 million	€604 million
ESPON	€34,033 million	€45,378 million
Interact	€34 million	€40 million
Urbact	€53.319.170	€68.890.739

*programmes available for the Netherlands

Appendix 3: Interview templates

Interview template research question 3

Date:

Location:

Personal Data

Name:

Gender:

Age:

Organization:

Specialism (which programme):

Questions in interviews:

ERDF

What priorities are chosen for the Netherlands in the programmes?

What will ERDF 2014-2020 look like in broad strokes?

Will the application process change significantly? Thus:

- First-come-first-serve versus tenders
- The desk on which to apply
- A partner yes/no
- Deadlines
- Language of the application
- Who can apply for the funds?

In your view, what are the important differences for the ERDF 2007-2013 and 2014-2020?

Will the ERDF programme lose ground in the Netherlands?

- ➔ In terms of budget
- ➔ In terms of importance (can it still be used by the Netherlands in the same way?)
- ➔ Will the target group change

Interreg

What priorities are chosen for the Netherlands in the programmes?

What will Interreg 2014-2020 look like in broad strokes?

Will the application process change significantly? Thus:

- First-come-first-serve versus tenders
- The desk on which to apply
- A partner yes/no
- Deadlines
- Language of the application
- Who can apply for the funds?

In your view, what are the important differences for the Interreg 2007-2013 and 2014-2020?

Will the Interreg programme lose ground in the Netherlands?

- ➔ In terms of budget
- ➔ In terms of importance (can it still be used by the Netherlands in the same way?)
- ➔ Will the target group change

POP

What priorities are chosen for the Netherlands in the programmes?

What will POP 2014-2020 look like in broad strokes?

Will the application process change significantly? Thus:

- First-come-first-serve versus tenders
- The desk on which to apply
- A partner yes/no
- Deadlines
- Language of the application
- Who can apply for the funds?

In your view, what are the important differences for the POP 2007-2013 and 2014-2020?

Will the POP programme lose ground in the Netherlands?

- ➔ In terms of budget
- ➔ In terms of importance (can it still be used by the Netherlands in the same way?)
- ➔ Will the target group change

Interview template research question 4 – application with PNO

Interview Template

Date:

Location:

Personal Data

Name:

Gender:

Organization:

Programme:

Questions in interviews:

1. Van welk fonds heeft u gebruik gemaakt?
2. Wat voor een project heeft u gedaan binnen het fonds?
3. Welke activiteiten heeft u moeten doen voor het aanvragen van de subsidie in samenwerking met PNO?
4. Kunt u aangeven hoeveel van uw hulpbronnen iedere stap heeft gekost in termen van:
 - a. Tijd
 - b. Geld
 - c. Personeel
5. Kunt u aangeven hoeveel het gebruik van PNO u gekost heeft?
6. De volgende stappen zijn de stappen die nodig zijn om zelf een subsidie aanvraag te doen:
 - a. Project plan ontwikkelen
 - b. Informatie verzamelen die nodig is voor het aanvragen van de subsidie
 - c. Ontwikkelen van het project budget
 - d. Ontwikkelen van de aanvraag
 - e. De aanvraag ondertekenen
 - f. De aanvraag opsturen
7. Kunt u een inschatting geven hoeveel van uw hulpbronnen iedere stap u gekost zou hebben, in termen van:
 - a. Tijd
 - b. Geld
 - c. Personeel
8. Waarom heeft u besloten om de aanvraag door een externe partij te laten doen?
 - a. Had u ervaring met Europese aanvragen
 - b. Had u ervaring met specifiek dit fonds
 - c. Heeft u eerder een EU subsidie aanvraag gedaan
 - d. Zo ja, hoeveel ervaring heeft u hiermee? Hoe vaak heeft u dit gedaan? Is het toen gehonoreerd?
 - e. Wist u hoe groot de kans was dat uw project in aanmerking kwam voor het fonds
 - f. Heeft u binnen uw organisatie de capaciteiten om een EU aanvraag te schrijven, hierbij kunt u denken aan kennis, mensen beschikbaar etc.

Interview template research question 4 – application without PNO

Interview Template

Date:

Location:

Personal Data

Name:

Gender:

Organization:

Programme:

Questions in interviews:

1. Van welk fonds heeft u gebruik gemaakt?
2. Wat voor een project heeft u gedaan binnen het fonds?
3. Welke activiteiten heeft u moeten doen voor het aanvragen van de subsidies?

De volgende stappen zijn de stappen die nodig zijn om zelf een subsidie aanvraag te doen:

- a. Project plan ontwikkelen
- b. Informatie verzamelen die nodig is voor het aanvragen van de subsidie
- c. Ontwikkelen van het project budget
- d. Ontwikkelen van de aanvraag
- e. De aanvraag ondertekenen
- f. De aanvraag opsturen
4. Kunt u aangeven hoeveel van uw hulpbronnen iedere stap heeft gekost?
 - a. Tijd
 - b. Geld
 - c. Personeel
5. Waarom heeft u besloten zelf de aanvraag te doen en geen gebruik te maken van een externe partij?
 - a. Had u ervaring met Europese aanvragen
 - b. Had u ervaring met specifiek dit fonds
 - c. Heeft u eerder een Europese aanvraag gedaan
 - d. Heeft u eerder een subsidie aanvraag gedaan
 - e. Zo ja, hoeveel ervaring heeft u hiermee? Hoe vaak heeft u dit gedaan? Is het toen gehonoreerd
 - f. Wist u hoe groot de kans was dat uw project in aanmerking kwam voor het fonds
 - g. Heeft u binnen uw organisatie de capaciteiten om een EU aanvraag te schrijven, hierbij kunt u denken aan kennis, mensen beschikbaar etc.

Appendix 4: SWOT worksheet

Strengths What do you do well? What unique resources can you draw on? What do others see as your strengths?	Weaknesses What could you improve? Where do you have fewer resources than others? What are others likely to see as weaknesses?
Opportunities What opportunities are open to you? What trends could you take advantage of? How can you turn your strengths into opportunities?	Threats What threats could harm you? What is your competition doing? What threats do your weaknesses expose you to?

(Mind Tools Ltd, 2007-2011)

