



EUROPEAN COMMISSION  
Impact Assessment Board

Brussels,  
D(2011)

## Opinion

**Title**                                 **DG REGIO/EMPL - Impact assessment on legislative proposal for the ERDF, ESF and Cohesion Fund ("general regulation")**

**(draft version of 28 July 2011)**

### **(A) Context**

The Commission adopted an over-arching proposal for the next multiannual financial framework (MFF) on 29 June 2011, fixing high-level budget allocations and some key implementation choices. A series of follow-up proposals to provide a legal basis for sectoral spending programmes and to establish their specific budgetary arrangements are currently being finalised. This Impact Assessment report will accompany one such proposal relating to the General Regulation of the European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund for the 2013-2020 programming period. It is closely related to two other Impact Assessments; one for the ERDF and Cohesion Fund Regulation, and another for the European Social Fund. Various problem issues are covered, relating to the concentration of spending and its governance. Cohesion policy spending by these Funds has a clear Treaty basis and aims to promote growth and prosperity and reduce economic, social and territorial disparities.

The IAB has focused on the policy choices not yet fixed in the MFF June package.

### **(B) Overall assessment**

**Although the report draws on extensive evaluation and consultation findings, it requires important further work, especially on the issues of conditionality and concentration on thematic priorities, to better demonstrate the effectiveness of the proposed way forward. Firstly, the assessment of concentration options should be deepened, based on a fuller explanation of how thematic objectives and investment priorities will operate in practice. Second, conditionality options should be more clearly expressed and their ability to address the identified problems should be more fully examined. Third, the budget implications of the options that were modelled should be presented more transparently. Fourth, fuller details of the impacts of the "simplification of delivery" options should be presented, including on administrative costs.**

## **(C) Main recommendations for improvements**

**(1) Develop the assessment of concentration options, based on a fuller explanation of how thematic objectives and investment priorities will operate.** The report should clarify how its preferred option will use concentration-related rules to ensure spending is more focussed on broad Europe 2020 thematic objectives and subordinate investment priorities which are more tightly defined. This should firstly involve adjusting the option description to better explain how the various cohesion regulations and guidance will establish investment priorities down to the most detailed level. An annex should be used to illustrate the hierarchy of prioritisation that will be developed and also to clarify how these priorities would be coordinated with those of other funds, in order to help readers understand how the system will operate in practice. Secondly, the report should say more about the expected impacts of greater concentration on thematic objectives in its analysis of options, showing why planned changes should make a difference to effectiveness. The impact discussion should draw on evaluations to highlight likely future thematic priorities that are backed by evidence suggesting they bring high EU added value.

**(2) Refine performance conditionality options and better assess expected impacts.** As conditionality is a key change in implementation and the main proposed tool for increasing the effectiveness of spending, a more detailed assessment should be provided of the options on delivery performance and macro-fiscal environment. An effort should be made to explain the advantages of each option with reference to their ability to address the identified problems. This should allow the report to give both a clearer comparison of advantages and drawbacks, and a more robust justification of its overall conclusions. To avoid confusion, the rather different conditionality options on delivery performance and macro-fiscal environment should be labelled with separate numbers (currently 3i, 3ii). The report should also better explain how the design of conditionality options will enable a tighter link with European Semester to be achieved. In particular for option 2 on "ex ante conditionality", it should be clarified how adjustments would be made during the programming period to the list of institutional and regulatory conditions (which must be met or covered by a plan for reaching them, before programmes that pursue related investment aims are adopted). It is suggested that a combination option is defined, by making brief cross-references to the other options it would cover and outlining how this combination might operate in practice. A brief assessment of the combination option should then examine synergies and practical challenges.

**(3) Present inputs to the modelling exercise more transparently.** To help readers understand the findings of the modelling exercise performed, a further effort should be made to explain its methodology, limitations and the total budget implications of input values used. For option 3 in particular, the difference in overall cohesion policy budget per option that seems to exist should be acknowledged when explaining predictions about GDP growth (readers should not have to estimate the budgets using data on populations and average aid). Annex II on modelling should clarify whether any sensitivity analysis was performed, for example to examine how outputs vary when different inputs are used to represent aid allocations per area.

**(4) Provide fuller details of administrative cost impacts.** Particularly for the options on delivery simplification, the report should provide a fuller analysis of the administrative cost impacts. These predictions and key underlying data and assumptions should be presented in an annex that follows the recommended format. While advantages and drawbacks are presented, the cost of changing to new procedures should be more consistently taken into account.

*Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.*

**(D) Procedure and presentation**

The report should cross-refer to choices already made in the 29 June communication.

**(E) IAB scrutiny process**

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|-------------------------|---------------------------------|
| Reference number        | 2011/REGIO+/002, REGIO and EMPL |
| External expertise used | No                              |
| Date of IAB meeting     | 31 August 2011                  |