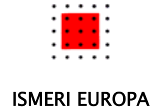

Evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013

Synthesis of national reports 2010

Executive Summary

December 2010

Executive Summary

This report synthesises the main points to come out of the 27 national reports on the performance of Cohesion policy so far over the current programming period. It focuses on the support provided by the ERDF and Cohesion Fund and considers in turn:

- the effect of the recession and its aftermath on Cohesion policy and its implementation
- the scale of the funding under the policy and its contribution to supporting regional development under the different Objectives
- the progress in implementing Cohesion policy programmes up to end-2009
- the achievements of programmes and the information available to assess these
- the strategy adopted in Member States to evaluate the programmes in question

It also presents some examples of good practice in evaluation identified in the national reports.

THE CHANGE IN ECONOMIC CONDITIONS OVER THE PERIOD

Underlying economic conditions changed radically over the first three years of the programming period. All countries were hit by economic recession in 2008-2009, but to varying extents. All experienced a significant reduction in GDP, the three Baltic States, Ireland and Finland, the biggest fall. Recovery has since begun in most Member States, though at a slow pace, and GDP continued to fall in 2010 in Ireland, Spain, Bulgaria, Romania and, most notably, in Greece. The latest EU forecast is for GDP to decline further in Greece and Portugal in 2011 and grow below trend in nearly all countries over the next two years.

Unemployment has increased markedly almost everywhere since 2008, to over 10% in all three EU15 Cohesion countries and in half the EU12 countries in mid-2010 and only just below 10% in Poland. Given the economic forecast, unemployment is likely to remain high in many regions, putting emphasis on the need for job creation.

The legacy of fiscal expansion and implications for development expenditure

The expansionary fiscal measures taken to counter the recession prevented an even bigger fall in GDP, but they culminated in large budget deficits in most countries. As a result, tough austerity measures have either been introduced or are planned. These are likely to put pressure on development expenditure in 2011 and subsequent years and on the funding available for co-financing Cohesion programmes.

THE SCALE OF EU FUNDING IN RELATION TO DEVELOPMENT EXPENDITURE

The overall amount of the Structural Funds and Cohesion Fund for the 2007-2013 period totals EUR 344.3 billion, of which the ERDF and Cohesion Fund together account for EUR 268.3 billion. Just over 80% of this is allocated to the Convergence Objective. Relating the annual amounts available from the ERDF and Cohesion Fund combined to General Government capital expenditure in 2009 gives a rough indication of their relative

contribution to development expenditure across the EU[1]. In the three Baltic States, Hungary, Malta and Slovakia, the average annual funding available for the remainder of the programming period amounts to 50% or more of expenditure in 2009, in Bulgaria and Poland, as well as Portugal, to around 45%, and in the Czech Republic, Romania and Greece, to around a third. In these countries especially, but also in those such as Spain, Italy and Slovenia, where national funding has been cut back, the EU Funds are likely to be a critical source of finance for development spending over the coming years.

PAYMENTS FROM THE STRUCTURAL FUNDS TO MEMBER STATES

The data on payments made from the Structural Funds to Member States indicate that the implementation of the 2007-2013 programmes has lagged behind that in earlier periods. By end-2010, payments from the ERDF are likely to amount to only 21% of the total available for the period as against 27% by the equivalent time in 2000-2006 and 38% in 1994-1999 (much the same is the case for the Cohesion Fund and the ESF). Part of the reason for the slow rate of implementation was the focus of Member States up to the end of 2009 on spending all the funding from the previous period. The result is that payments from the previous and current period taken together were some 20% smaller over the three years 2008-2010, when Member States were in need of finance to counter the recession, than if the rate of implementation of current programmes had been the same as in 2000-2006.

FINANCIAL IMPLEMENTATION OF PROGRAMMES

Data on certified expenditure co-financed by the ERDF and Cohesion Fund confirm the significant delay in implementation of programmes implied by the payments data. At the end of 2009, certified expenditure amounted to just 7% of the total amount of funding allocated for the period and to only 4% in the EU12 countries (9% in the EU15). Expenditure was much higher in Ireland than elsewhere (20% of allocation) and was much above 10% of the funding allocated only in Belgium, Lithuania and Austria. In most EU12 countries, it was below 5% and only 1% in Romania and Bulgaria. Overall, spending was higher relative to the funding available for the ERDF (7%) than for the Cohesion Fund (4%), reflecting the concentration of the latter on in infrastructure investment, which by its nature involves lengthy lead terms before construction begins. The concentration of funding on infrastructure (over two-thirds of the allocation on average) also helps to explain the low spending rate in EU12 countries.

The data on expenditure, however, need to be interpreted with caution since they do not necessarily imply that funding has reached the final beneficiaries. This is especially so in the case of financial engineering schemes where expenditure is recorded when capital funds are built up rather than when firms receive the funding concerned.

Data on the commitment of funding show a higher implementation rate (27% on average), but these need to be interpreted even more cautiously since commitment is not defined uniformly across countries. In some, it refers to contracts agreed, in others simply to the setting aside of funds for a particular purpose. Commitment rates are in line with relative expenditure rates for some countries but show a different picture in others.

[1] There are no data available for development expenditure as such.

Reasons for delays in policy implementation

The reasons for slow implementation of programmes can be grouped into two broad categories – those to do with administrative difficulties and those related to the recession. The first seem more important. They include, in particular:

- the overlap in programming periods and the focus on spending the 2000-2006 funding, reinforced by the extension of the n+2 rule to n+3;
- The limitations in administrative capacity that this exposed, especially in EU12 countries with limited experience of preparing programmes but also in Greece and Italy. These stemmed in many cases from a lack of experienced and competent staff and weak coordination between different parts of Government. They were combined with excessively bureaucratic procedures, especially in relation to planning regulations for infrastructure projects, shifts in competences within the administration and delays in setting up the necessary systems for monitoring and controlling expenditure.

The effect of the recession on programmes

The recession slowed down the implementation of programmes in most countries, first, because of the reduced demand from companies for support as a result of closure and uncertainty about future prospects, secondly, because of the reduced ability of public authorities to take up the EU funding available due to a shortage of resources for co-financing. At the same time, in many countries, the Structural Funds were used to provide support to companies in financial difficulties. In Germany, Finland, the Netherlands, Slovenia and Estonia, cases were reported of firms taking advantage of the downturn in sales to divert efforts to R&D and to prepare for the future.

In many countries, the deterioration in public finances has had a limited effect so far on programmes and there were efforts in the downturn to maintain high levels of public investment. In Lithuania and Slovakia, the Governments have taken out long term loans with the EIB for co-financing purposes and in Latvia, the Government gave a commitment to continue using the Structural Funds to finance development as a condition for receiving EIB and IMF loans. But the focus on reducing budget deficits will make it difficult to maintain co-financing in 2011 and after. A particular risk is of a cutback in central government transfers to regional and local authorities responsible for most development expenditure.

The recession has led to only minor changes to the initial allocation of funding between policy areas and, in many cases, the view is reported that pursuit of long-term structural aims should not be affected by cyclical fluctuations in the economy. Nevertheless, there was increased emphasis in the recession on fast-working measures to maintain or increase jobs and, given levels of unemployment, this emphasis is likely to remain in the coming years.

Initial outcomes from the programmes supported

As all the national reports make clear, up to the end of 2009, the period covered by the Annual Implementation Reports, little evidence exists on achievements of programmes as few projects had been completed, partly because of delays. Construction work on infrastructure projects, the focus of policy in many Convergence regions, was only just

beginning in most cases, though a few examples are reported of the completion of transport and environmental projects (on water supply and waste-water treatment), many initiated in the previous period.

DEFICIENCIES IN THE INFORMATION PUBLISHED TO ASSESS PERFORMANCE

There is widespread criticism by national experts of the Annual Implementation Reports, which are intended to be the main source of information on the progress made in implementing programmes and which, according to the Regulations, are supposed to quantify performance in relation to verifiable targets wherever possible. In practice, the information they contain is wholly inadequate to enable progress to be meaningfully assessed. This is because of deficiencies in the quantitative indicators reported, which tend to be focused on inputs (e.g. the number of projects undertaken) instead of outputs or results, which are often not directly related to the main purpose of the intervention and which are not defined in a consistent way to enable comparisons to made over time or across regions. This applies as much to core indicators as others.

Equally seriously, the qualitative information published does not enable either the targets set or the outcomes of expenditure to be properly interpreted and assessed. In particular, there is no systematic attempt to relate targets to policy objectives, to explain why outcomes have fallen well short of targets or substantially exceeded them, to put outcomes into context or to relate the co-financed projects or measures to national and regional efforts.

Needed? Does not add a lot to what has been said above

APPROACH TO EVALUATING THE 2007-2013 PROGRAMMES ACROSS THE EU

Under the current regulations, Member States are free to decide on the evaluations they carry out and when they undertake them. In practice, as indicated in the national reports, the approach adopted varies widely. Some have implemented a policy of extensive evaluation covering specific policy areas as well as programmes, others have minimised their evaluation activity. Poland, Portugal, Sweden, France, the UK, Estonia and Hungary are prominent in the first group, Greece, Bulgaria, Cyrus and Slovakia in the second group.

As also noted in the national reports, which provide an overview of the evaluations carried out so far on the 2007-2013 programmes, most of the evaluations up to now focus mainly on the financial aspects of policy implementation rather than on the effectiveness in achieving the objectives of policy in terms of the output produced, the results obtained and the impact on regional development.

POLICY CONCLUSIONS AND MAIN CHALLENGES

A number of implications for policy can be drawn from the analysis:

1. There is evidence of a trend towards a lengthening of delays in spending the Structural Funds in a number of countries, which appears to have been unaffected by the introduction of the n+2 rule. This deserves urgent attention, since it puts increasing pressure on authorities to give priority to spending the funds allocated as the period goes on rather than to what the funds are spent on and what is achieved as a result.

2. The Structural Funds are likely to play an increasingly important role over the remainder of the period in preventing regional disparities across the EU from widening further as national funding for development is constrained by the priority given to reducing budget deficits.
3. The cutback in national funding and the use of the Structural Funds as a replacement source raises a question mark over whether and how the principle of additionality will be enforced and over how it is intended to ensure that the implementation of the Stability and Growth Pact is not at the expense of development expenditure, which is crucial for growth and so for reducing budget deficits.
4. While the constraints on funding could encourage the more efficient use of the finance available, there is a need for authorities to have the capacity required to be able to identify where funds can be more effectively deployed and to take the action necessary to realise the efficiency gains concerned. The evidence of the period so far does not suggest that most of the main recipient countries as yet possess this capacity.
5. The present exercise has highlighted the serious limitations of the Annual Implementation Reports as a means of assessing progress in carrying out Cohesion policy across the EU. Both the quantitative and qualitative information they contain, including In particular the core indicators and the commentary on them, need to be improved and to be made more consistent, and more relevant, if the reports are to serve the purpose they were intended for.
6. it is equally evident that the greater freedom given to Member States with regard to the evaluation of the programmes co-financed under Cohesion policy has resulted in some countries downscaling their activities in this respect, so making it increasingly difficult to assess the effects of expenditure and the effectiveness of the support provided.