

Rethinking the Governance and Delivery of the Cohesion Policy Funds: Is the Recovery & Resilience Facility (RRF) a Model?

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Plan of the talk

1. The RRF and the Cohesion Policy Funds: comparing the two models
2. The RRF model in action: promises fulfilled?
3. RRF lessons for the future of the CPF
4. Enhancing the performance orientation of the CPF through a multi-tiered system of diagnostic monitoring

1. The RRF and the Cohesion Policy Funds: comparing the two models

- Despite multiple reforms, Cohesion Policy Funds (CPF) have faced continuous criticism about their effectiveness in reaching performance objectives, while advancing broader EU policy goals
- The RRF's 'performance-based financing' model, where payment is based on fulfilment of milestones & targets (M&Ts) rather than reimbursement of eligible costs, is sometimes presented as a superior alternative for the CPF
- Therefore crucial to understand better how the two models differ and how the RRF has been working out in practice, in order to draw lessons for the future of the CPF

The RRF governance & delivery model

- RRF is administered through direct management by the Commission, w/ MS as beneficiaries
- Centralises authority in the hands of national governments to ensure efficient implementation of NRRPs
- Promises tighter integration of investments & reforms
- Council as well as Commission involved in monitoring fulfilment of M&Ts and approving periodic payments

The CPF governance & delivery model

- In contrast to RRF, CPF administered under shared management
- MS set their own specific goals & investment priorities in Partnership Agreements (PAs) & Operational Programmes (OPs) negotiated w/the COM, w/in a common EU strategic & regulatory framework
- Partnership principle ensures that local & regional authorities (LRAs) as well as social partners & civil society, are involved in preparation, implementation, & evaluation of OPs, overseen by joint Monitoring Committees (MCs)

Performance challenges of the CPF

- While shared governance promotes ownership & inclusion, challenging to demonstrate CPF's effective contribution to EU & national level goals
- In response, cost-based financing has been increasingly supplemented by monitoring against performance indicators, w/ conditionalities added to align spending with EU priorities & country-specific recommendations (CSRs)
- Effectiveness of these measures has been critically evaluated by Court of Auditors (ECA)
- Latest CPF Regulations standardize performance indicators & include a mid-term review that allows COM to demand reprogramming in case of weak performance in addressing EU priorities
- Nonetheless, CPF continue to suffer from a serious reputational problem

Is the RRF really more performance- based?

- International experience with performance-based financing arrangements like those of the RRF has been disappointing
 - implementation focused more on legal/paper compliance than on advancing underlying goals
 - perverse effects (e.g. gaming of targets) also widespread in practice
- RRF audit & control requirements mean that monitoring must also focus on cost details
- Vast majority of indicators for verification of RRF M&Ts are based on inputs & outputs rather than results
- Some advantages of RRF are also obtainable w/in the CPF governance framework (e.g. requirements for MS to address CSRs), while RRF is more centralised & less participatory in its design than the CPF

2. The RRF governance & delivery model in action: promises fulfilled?

- How far has the RRF model lived up in practice to the purposes for which it was designed?
- To what extent have direct management & performance-based financing fulfilled their promises of creating a more goal-directed, efficient, and effective system for steering & monitoring the timely implementation of ambitious national investment & reform plans financed by the EU budget?
- Answers based on the findings of an in-depth comparative [study](#) of the drafting, implementation, and monitoring of NRRPs in 11 MS (BE, HR, EE, IT, LV, SK, ES, PT + AT, DE, NL)

The RRF in action: key findings

- Considerable variation in level of ambition of NRRPs, between frontrunners like PT, ES, HR, & plans that offer little beyond what was in the policy pipeline, e.g. NL & DE
- COM played a strong role in shaping & steering national plans, esp. on reforms
- W/in MS, plans have centralized authority in hands of national governments, w/ weak input from other stakeholders
- RRF has enhanced leverage for governments in pushing through reforms & amplifying effects through complementary investments, but these positive effects may wear off over time

The RRF in action: key findings (2)

- A major drawback of the RRF is the rigidity & bureaucratization of the monitoring process
- Assessment of M&Ts based on formal document verification leads to legalistic compliance & goal displacement, sapping ownership & hampering implementation
- Difficult & burdensome to revise plans when underlying circumstances change or unanticipated problems emerge in a model where M&Ts are fixed for a six-year period

3. RRF lessons for the future of the CPF

1. While RRF governance is still a work in progress, it does not currently live up to the promise of lean monitoring based on 'results not receipts'
2. The CPF governance & delivery model also has advantages over the RRF in terms of stakeholder participation & revisability
3. In the absence of substantial additional resources, it is unlikely that a strict performance-based model for the CPF would boost national ownership over current arrangements

Lessons for the future of the CPF (2)

4. While NRRPs ensure a better link to CSRs, there are under-utilized ways to strengthen reform requirements within the CPF framework
5. Adopting the RRF PBF model would be even more difficult for the CPF, because of the large number of projects & programmes, many of which operate at a local or regional level
6. To advance the performance orientation of EU funding, what is missing in both models is a robust multi-tier monitoring system, wh/ could be used by national authorities & the Commission to oversee whether EU-funded projects are making good progress towards their intended targets, & if not to initiate timely corrective action, including where necessary revisions of the original plan

4. Enhancing the performance orientation of the CPF through a multi-tiered system of diagnostic monitoring

- To strengthen the CPFs' performance orientation, the EU should draw inspiration from international best practices in managing innovative investment & complex reform projects under uncertainty
- The more innovative & complex the project, the less plausible that the goals & steps to achieve them can be fully specified in advance
- Under such conditions, leading private businesses do not use the RRF's complete contracting approach, but instead set broad common goals for the project & establish a joint governance system to oversee it

Diagnostic monitoring

- Underlying such joint governance systems are 'diagnostic monitoring' arrangements for ongoing supervision & review of projects by stakeholders
- Aimed at identifying problems encountered in realising initial plans as they occur, devising effective methods for improving their implementation where possible, & revising original goals where necessary
- Real world examples
 - 'Contracting for innovation', e.g. between biotech & pharma companies to develop a new drug or vaccine
 - US DARPA/ARPA-E
 - Malaysia PEMANDU

Monitoring the CPF diagnostically

- Given the informational & staffing limitations of the EU institutions, adopting this approach to the CPF would need to rely on a multi-tiered system, based on more robust national monitoring arrangements, overseen by independent domestic authorities & subject to periodic review by the European Commission
- To ensure local expertise, the role of multi-stakeholder Monitoring Committees should also be enhanced
- Such a multi-tiered system of diagnostic monitoring could provide a welcome solution to the longstanding performance weaknesses of the CPF, while preserving the advantages of their participatory, place-based governance & delivery model