



European
Commission

BUILDING EVIDENCE BASE FOR COHESION POLICY POST-2020

The use of new provisions during the European Structural and Investment (ESI) Funds programming phase

OBJECTIVE OF THE STUDY

The overall objective of this study was to assess how 19 new provisions¹ in the reformed ESIF legal framework for the 2014-2020 period were used in the programming phase in all 28 Member States (MSs).

The study also fulfilled the following specific objectives:

- Provide a synthesis of how the new provisions are reflected in all Partnership Agreements (PAs), Operational Programmes (OPs) financed by the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), including multi-fund programmes, and European Territorial Cooperation (ETC) programmes financed by the ERDF.
- Provide an assessment of how the new provisions have been used during the programming phase.
- Provide conclusions on strengths and weaknesses with regard to the application of the new provisions during the programming phase, as well as first conclusions on their value.

KEY MESSAGES

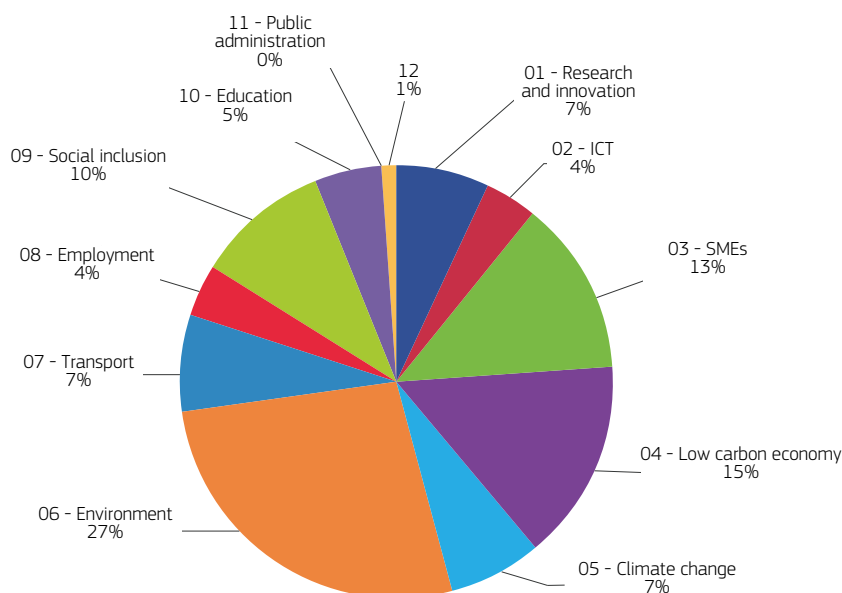
- * The priorities of PAs and Cohesion Policy programmes have been substantially aligned with the priorities of the Europe 2020 strategy.
- * There is a substantial degree of concentration of ERDF and CF in key thematic objectives.
- * The focus on results altered the approach to programming.
- * A large proportion of Cohesion Policy programmes, representing over 40% of the budget, is implemented through combined priority axes.
- * The new regulatory framework supports the use of financial instruments in multiple policy areas.
- * Horizontal principles of sustainable development, social inclusion and non-discrimination have been included in a large number of programmes.
- * The territorial approach has received considerable attention in programmes.
- * MSs paid considerable attention to the coordination of funds and policies between the ESI Funds, other EU and national funds, and the European Investment Bank (EIB).
- * New requirements have been fulfilled regarding the assessment of gaps and preparing action plans to reinforce administrative capacities of authorities and beneficiaries.
- * As regards e-cohesion, the analysis indicates clear progress in all MSs and with respect to all stages of the programme cycle.

⁽¹⁾ Nineteen new ESIF provisions examined in this study included: 1) strategic programming; 2) thematic concentration; 3) building of priority axes; 4) result-orientation (intervention logic); 5) use of financial instruments; 6) use of major projects; 7) co-financing rates; integrated approaches to territorial development, including 8) analysis of territorial challenges; 9) community-led local development (CLLD); 10) integrated territorial investments (ITIs); 11) actions for sustainable urban development (SUD); 12) macro-regional and sea-basin strategies; 13) specific needs of areas most affected by poverty and social exclusion; 14) regions which suffer from natural or demographic handicaps; 15) coordination between the ESI funds and other funding instruments and with the EIB; 16) administrative capacity building; 17) actions to reduce administrative burden on beneficiaries; 18) horizontal principles and policy objectives; 19) efficient implementation of the ESI Funds (e-cohesion).

KEY MESSAGES/ MAIN FINDINGS AND CONCLUSIONS

- ▶ **The priorities of PAs and Cohesion Policy programmes have been substantially aligned with the priorities of the Europe 2020 strategy.** Explicit references to the strategy's headline targets or country-specific recommendations were included in 43% of programmes representing 58% of the Cohesion Policy budget. The highest number of explicit references to the Europe 2020 strategy was found in programmes in the field of research and innovation and the low-carbon economy.
- ▶ **There is a substantial degree of concentration of ERDF and CF in key thematic objectives.** Altogether, 56% of the ERDF budget was allocated to three thematic objectives which received the highest funding: TO1 - research and innovation (22%); TO3 - competitiveness of SMEs (17%); and TO4 - low-carbon economy (17%). CF allocations focus strongly on TO7 (transport and network infrastructures) and TO6 (environment), in line with CF objectives. The 'menu approach' of thematic objectives and investment priorities made allocation and programming more transparent and programmes more prone to analysis and scrutiny.
- ▶ **The focus on results altered the approach to programming.** Managing Authorities (MAs) were encouraged to think about programmes in terms of the hierarchy of objectives and measuring results. The definitions of results and specific objectives used in the OPs were mainly consistent with investment priorities. OPs used a broad range (several hundred types) of specific objectives, expected results, actions and selection principles. The transition from action-based programming to a result-based approach has been quite challenging for the MAs, the major challenge being, in particular, identification of the result indicators. This issue was also discussed at length with the Commission during programme negotiations. However, overall, the programmes' objectives and expected results were assessed by the study as being well defined.
- ▶ **A large proportion of Cohesion Policy programmes, representing over 40% of the budget, is implemented through combined priority axes.** They account for 51% of the ERDF budget, 42% of the European Social Fund (ESF) (in programmes jointly financed with ERDF) and 21% of the CF. The most frequent combined priority axes covered different categories of regions (18% of priority axes) or multiple thematic objectives (14%); multi-fund priority axis were less frequent. The thematic objectives which were most frequently supported by complex priority axes were TO6 (environment), TO4 (low-carbon economy) and TO3 (SMEs). With the use of combined priority axes, the structure of programmes became more complicated, with some risks concerning the clarity of the intervention logic. Justifications provided for the use of combined priority axes were often missing or poor.

Complex priority axes by thematic objective, % of total



► **The new regulatory framework supports the use of financial instruments in multiple policy areas.**

As programme data show, financial instruments are indeed planned to be used under at least nine, and possibly under all 11 thematic objectives, by 24 MSs. According to the OPs, the planned use of financial instruments would represent 9.5% of the ERDF, 2.7% of the CF and 1.3% of the ESF allocations covered by the study. The most frequent justification for using financial instruments, according to the relevant programmes and *ex-ante* evaluations, was to support potentially profitable projects with financing needs not met by the market, and to complement the funds available for grants. Overall, the new provisions for financial instruments were received with a degree of caution by MSs – despite the possibility of reaching a higher leverage of EU funds.

► **Horizontal principles of sustainable development, social inclusion and non-discrimination principles have been included in the highest number of programmes** (in 80–90% of programmes), while accessibility, climate change and demography seem to have received comparatively less attention. Mainstreaming is the most popular method for promoting horizontal principles, mentioned in about two-thirds of PAs and programmes.

► **The territorial approach has received considerable attention in programmes.** According to the survey, 60% of the programmes were responding primarily to regional and local needs, and only 11% did not consider them. All MSs have identified territories where integrated territorial approaches needed to be applied, as well as specific challenges and development needs to be addressed by territorial instruments. The instruments they applied were:

- **Integrated territorial investments (ITI)**, to which EUR 14.8 billion was allocated from Cohesion Policy funds, 87% of which came from the ERDF;
- **Sustainable urban development (SUD), with a total budget of EUR 15.5 billion**, 93% of which came from the ERDF; about half of that is delivered through ITIs;
- **Community-led local development (CLLD)**, to which EUR 1.5 billion was allocated (excluding the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)², 81% of which came from the ERDF.

The most frequent arguments in favour of using territorial instruments included their ability to address complex, cross-sectoral challenges and needs in a territorial context, and the possibility to involve stakeholders from the sub-national level. Arguments against their use included lack of relevance for some programmes (especially those related to R&D, ICT and SMEs), and some respondents also saw these new tools as complicated. A number of MSs were also rather cautious about delegating functions to sub-national/local actors.

► **Member States paid considerable attention to the coordination of funds and policies between the ESI Funds, other EU and national funds, and the EIB.** Coordination was the strongest among the ESI Funds themselves, followed by other EU instruments like Horizon 2020, LIFE, COSME and CEF, and then national funds and the EIB. As regards coordination methods, the efforts are focused on programming, in particular through a synergetic use of funds via joint strategies, multi-fund programmes, etc. as well as on institutional arrangements, such as the use of the coordination bodies.

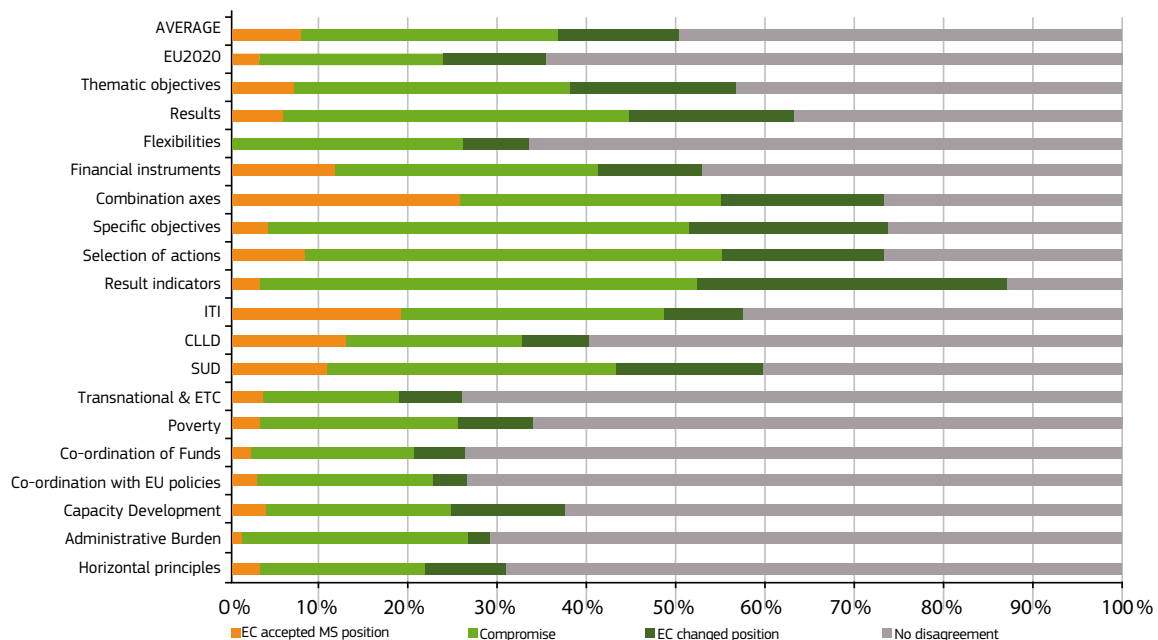
► **New requirements have been fulfilled regarding the assessment of gaps and preparing action plans to reinforce administrative capacities of authorities and beneficiaries.** However, the study assessed the quality of the action plans as rather weak. Areas in which programme authorities had the most urgent capacity-building requirements included project selection, monitoring and evaluation, as well as financial control, public procurement and state aid. As regards capacity building of beneficiaries, the main needs include project generation, public procurement, financial management and monitoring. As regards difficulties in capacity building, the authorities cited the complexity and exceedingly technical nature of the management rules, especially with respect to state aids and public procurement, followed by financial instruments.

► **Programming documents include a detailed analysis of the administrative burden on Cohesion Policy beneficiaries and actions planned for its further reduction.** The most important actions to reduce the administrative burden include greater use of simplified cost options and e-cohesion, as well as simplification of application, procurement and payment procedures and reduced archiving requirements. However, plans to reduce the administrative burden did not appear to be very differentiated.

⁽²⁾ Approximately EUR 4 billion was allocated to CLLD from EAFRD, which is outside the scope of this study.

- ▶ **As regards e-cohesion, an analysis of data from PAs indicates obvious progress in all MSs and with respect to all stages of the programme cycle.** New provisions in this area include a requirement for the electronic exchange of information between programme authorities and beneficiaries. Indeed, full electronic administration and electronic access for beneficiaries to the IT management systems is envisaged all over the EU. Steps towards the integration of other national IT systems and the elimination of the paper trail – as suggested by the Commission’s e-cohesion guidelines – are also foreseen.
- ▶ **The study also reviewed the programming process, in which the informal dialogue between the Commission and the managing authorities played a key role.** The areas with the largest initial differences between the Commission and MAs were reported to be result indicators and specific objectives, the selection of actions to be supported and the use of complex priority axes. In most cases, compromise solutions were found.

Impact of exchanges with the Commission in the negotiations of PA and OPs



METHODOLOGICAL APPROACH

The study is based on

- ▶ A desk review of all 28 PAs and 292 programmes financed by the ERDF and the Cohesion Fund, including 75 ETC programmes, and 92 multi-fund programmes co-financed by the ESF;
- ▶ A web survey involving a representative number of MAs: 292 survey questionnaires were sent out to MAs, of which 51% of questionnaires were completed by authorities from 26 MSs;
- ▶ 41 interviews with programme representatives from 26 MSs.

More information:

Full study: http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_pf_esif_report_en.pdf
 More info on the EU Cohesion policy: http://ec.europa.eu/regional_policy