

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

# POLICY DEPARTMENT **B** STRUCTURAL AND COHESION POLICIES



Agriculture and Rural Development

Culture and Education

Fisheries

**Regional Development**

Transport and Tourism

## IMPLEMENTATION OF COHESION POLICY 2014-2020: PREPARATIONS AND ADMINISTRATIVE CAPACITY OF MEMBER STATES

STUDY







**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**IMPLEMENTATION OF COHESION POLICY**  
**2014-2020:**  
**PREPARATIONS AND ADMINISTRATIVE**  
**CAPACITY OF MEMBER STATES**

**STUDY**

This document was requested by the European Parliament's Committee on Regional Development.

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## **STUDY**

### **Abstract**

The aim of this study is to assess the administrative capacity of Member States for implementing Cohesion policy in 2014-2020, and the preparations undertaken at administrative level for a successful start of the programming period. Fourteen case studies support the finding that simplification measures are being prepared at EU and Member State levels based on the lessons learned from previous periods, but that the efficient and effective Funds management in 2014-2020 will still be coupled with administrative challenges for national and regional authorities.

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## LIST OF ABBREVIATIONS

<b>AIR</b>	Annual Implementation Report
<b>bn</b>	Billion(s)
<b>CAP</b>	Common Agricultural Policy
<b>CARDS</b>	Community Assistance for Reconstruction, Development and Stabilisation
<b>CF</b>	Cohesion Fund
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>CP</b>	Cohesion policy
<b>CPR</b>	Common Provisions Regulation
<b>DG</b>	Directorate-General
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EC</b>	European Commission
<b>ECA</b>	European Court of Auditors
<b>ECB</b>	European Central Bank
<b>EIA</b>	Environmental Impact Assessment
<b>ELY</b>	Centres for Economic Development, Transport and the Environment
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESIF/ESIFunds</b>	European Structural and Investment Funds
<b>ESL</b>	Early school leaving
<b>ESPON</b>	European Observation Network for Territorial Development and Cohesion
<b>ETC</b>	European Territorial Cooperation
<b>ETS</b>	Emmission Trading System
<b>EU</b>	European Union
<b>EUSBSR</b>	EU Strategy of the Baltic Sea Region
<b>FLC</b>	First-Level Control
<b>GDP</b>	Gross Domestic Product
<b>IB</b>	Intermediate Body
<b>IMF</b>	International Monetary Fund
<b>INTEGRA</b>	Scheme funded by the OP 'Human Resources Development'
<b>INTERREG</b>	Community initiative for interregional cooperation

<b>INTERACT</b>	INTERACT I provided support for the implementation of the three strands of the INTERREG Community Initiative
<b>IPA</b>	Instrument for Pre-Accession Assistance
<b>IPRÚ</b>	Integrated Plan of Territorial Development
<b>ISPA</b>	Instrument for Structural Policies for Pre-Accession
<b>LEP</b>	Local Enterprise Partnerships
<b>m</b>	Million(s)
<b>MA(s)</b>	Managing Authority
<b>MS</b>	Member State(s)
<b>N/A</b>	Not available
<b>NGO</b>	Non-Governmental Organisations
<b>NOP</b>	National Operational Programme
<b>NSRF</b>	National Strategic Reference Framework
<b>NUTS</b>	Nomenclature des unités territoriales statistiques
<b>Nº</b>	Number
<b>OP</b>	Operational Programme
<b>ÖROK</b>	Österreichische Raumordnungskonferenz
<b>PA</b>	Partnership Agreement
<b>PHARE</b>	Poland Hungary Aid For Restructuring The Economy
<b>PPS</b>	Purchasing Power Standard
<b>R&amp;D</b>	Research and Development
<b>RDA</b>	Regional Development Agencie(s)
<b>RIS3</b>	Research and innovation strategies for smart specialisation
<b>ROP</b>	Regional Operational Programme
<b>RTDI</b>	Research and Technical Development Infrastructure
<b>SEA</b>	Strategic Environmental Assessment
<b>SF</b>	Structural Funds
<b>SFC</b>	Structural Funds Common database
<b>SME(s)</b>	Small and Medium-Sized Enterprise(s)
<b>STRAT.AT 2020</b>	Austrian Partnership Agreement
<b>TA</b>	Technical Assistance
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>TO(s)</b>	Thematic Objective(s)
<b>ToR</b>	Terms of Reference
<b>WLWK 2014</b>	Common List of Key Indicators (Poland)

## COUNTRY CODES

<b>AT</b>	Austria
<b>BE</b>	Belgium
<b>BG</b>	Bulgaria
<b>CY</b>	Cyprus
<b>CZ</b>	Czech Republic
<b>DE</b>	Germany
<b>DK</b>	Denmark
<b>EE</b>	Estonia
<b>ES</b>	Spain
<b>FI</b>	Finland
<b>FR</b>	France
<b>GR</b>	Greece
<b>HU</b>	Hungary
<b>IE</b>	Ireland
<b>IT</b>	Italy
<b>LT</b>	Lithuania
<b>LU</b>	Luxembourg
<b>LV</b>	Latvia
<b>MT</b>	Malta
<b>NL</b>	The Netherlands
<b>PL</b>	Poland
<b>PT</b>	Portugal
<b>RO</b>	Romania
<b>SE</b>	Sweden
<b>SI</b>	Slovenia
<b>SK</b>	Slovakia
<b>UK</b>	United Kingdom
<b>EU12</b>	Member States that joined the EU in 2004 and in 2007
<b>EU13</b>	Member States that joined the EU in 2004, in 2007 and in 2013
<b>EU15</b>	EU Member States before the 2004 enlargement



## **EXECUTIVE SUMMARY**

At the start of the 2014-2020 Cohesion policy programming period, Member States were in the final stages of preparing Partnership Agreements and Operational Programmes. New features of the 2014-2020 period include closer cooperation between different partners in Member States and better coordination between EU, national and regional interventions. The requirement to elaborate Partnership Agreements and Operational Programmes simultaneously puts significant strain on administrative capacities. Low absorption rates and the results of the mid-term evaluations of the 2007-2013 programming period had already indicated that major improvements were necessary in administrative capacities in many Member States. Administrative capacity relates to a wide range of different governance levels and features, involving human resources management as well as the national and regional legal frameworks and processes.

The purpose of the study is to show how Member States have learned from the past and how the improvement of administrative capacities facilitates better preparation for the 2014-2020 programming period. The 14 case studies describe the state of play in the preparation of administrative systems in Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Finland, Germany, Greece, Hungary, Italy, Luxembourg, Poland, Sweden and the UK. Some of the case studies focus on specific Operational Programmes, whereas others provide an overview of the whole Member State. It should be noted that the cases studies are based on the information and documents available at the time of writing as well as interviews with relevant authorities. Different levels of information within a single Member State could be observed in the preparation phase of the 2014-2020 period. Wherever the opinions of different stakeholders are expressed, there is room for disagreement, even within one single Member State. Also, the sense of discretion of the authorities interviewed can lead to a holding back of opinions. The case studies analyse three major aspects: the state of play in programming, the state of play in preparing administrative capacity, and the impact of different parameters (e.g. changes in the number of Operational Programmes and actors involved in the management and implementation; changes in the thematic concentration) on administrative capacity.

### **State of play of programming**

In general, the partnership process has been long-lasting and complex, with a balance between bottom-up and top-down approaches. In some countries, the partnership process led to institutional reforms and changing mind-sets regarding the structure of Operational Programmes. Whereas new multi-funded Operational Programmes have been introduced, the overall number of Operational Programmes has been reduced. Although Member States, in principle, appreciated the strengthening of the partnership process, criticisms were formulated about the different interests of stakeholders and the complexity of decision-making.

Due to the lengthy inter-institutional negotiations, the regulatory framework only entered into force in December 2013, causing delays in finalisation of the programming documents. While some authorities valued the role of the European Commission in offering constructive support throughout the preparation process, others criticised the inconsistent feedback between informal and formal meetings and between different officials and services.

## **Administrative capacity**

In general, Member States will build upon the programme management experience gained in the previous programming period(s). The possibility to reduce the number of Operational Programmes will lead to more complex rather than simplified structures in many countries. Interviews revealed that in 2007-2013, administrative issues were related to human resources namely staff fluctuation, a lack of knowledge and experience, or even the absence of an adequate administrative framework. Fluctuation of staff is expected to remain a problem. In response to the financial and economic crisis, some Member States carried out changes in the administrative structure to increase efficiency and save public financial resources. In other Member States, the 2014-2020 programming process led to increased staff involvement with Technical Assistance budgets having been increased to finance human resources.

## **Impact of different parameters on administrative capacity**

Member States are positive in the self-assessments of the effectiveness of their capacities. However, national self-assessments do not always correspond to the assessments made by the European Commission. The latter is expressed in the Position Papers, based on the lessons learned from the 2007-2013 programming period, according to which there were three generic constraints on administrative capacity in 2007-2013: institutional instability associated with legislative, organisational or procedural changes; high staff turnover in Managing Authorities and Intermediate Bodies; and deficits in training and professional development. At the level of specific tasks in the programme management cycle, the administrative capacity for Cohesion policy varies greatly across countries and programmes.

The efficient and effective management of the ESI Funds in 2014-2020 is expected to be a major administrative challenge, with increased demands on administrative capacity compared to 2007-2013. The latter include increased reporting requirements, the novelty of the performance framework and the initial difficulties related to introducing and learning about new e-cohesion data exchange systems. This is coupled with the on-going reform of administrative structures impacting on institutions, procedures and human resources. Another difficulty consists in limited staff resources and tighter Technical Assistance budgets, particularly where public finances are constrained in the context of the economic crisis. Member States have the possibility to introduce simplification measures for the 2014-2020 period and the research indicates a commitment among Managing Authorities to improve administrative capacity, the most common features being: steps to reduce the administrative burden for beneficiaries by harmonising rules across priorities or themes; streamlining processes and procedures, reducing reporting requirements, and improving data management (including through e-Cohesion).

## **Recommendations**

The study provides a series of recommendations to improve the capacity for programming and implementing the ESI Funds in the future, distinguishing between different levels of governance. From the European Parliament's perspective, a key issue is the need for more scrutiny of the European Commission, Commissioners, and national ministers in front of Parliamentary committees on the topic of administrative capacity. This could translate into regular reporting back by the European Commission to the European Parliament on the role of the new administrative capacity units in the European Commission and on the most



problematic areas for (some) Member States, notably the fulfilment of ex-ante conditionalities, the implementation of capacity action plans, and the performance framework and reserve. Finally, the ability of the European Parliament to hold other institutions accountable requires better insight into the determinants of administrative capacity across different Member States. The European Parliament could contribute to this knowledge base through debates, public hearings, reports and studies on capacity issues during the implementation of the 2014-2020 programmes.



# 1. INTRODUCTION

## 1.1. Background of the study

At the start of the 2014-2020 Cohesion policy programming period, the EU Member States were in the final stages of preparing the new Operational Programmes (OPs). Most Member States had submitted the final draft of their Partnership Agreements (PAs), but no OPs or rural development programmes (of the European Structural and Investment (ESI) Funds) had been officially approved by the European Commission. The reasons for this delay are manifold and extend beyond the Member States' administrations.

The key element of the preparation phase was the **Cohesion policy legislative package**. After the first presentation of the legislative package in October 2011, the negotiation between the European Parliament and the Council commenced, encompassing the major instrument of the Multiannual Financial Framework (MFF). During the negotiation phase, several revisions of the legislative package were distributed among administrative bodies for information of the status quo of negotiation, and additional documents referred to as 'fiches' were proposed by the European Commission. The fiches can be seen as supporting documents for the programme preparation phase. Both the draft legislative package and the draft fiches were changed several times during the two-year negotiation phase. In some instances, two versions of the same fiche were distributed to the Managing Authorities within the same month.

The **negotiation phase**, conducted in accordance with the Treaty of Lisbon, took longer than the previous legislative preparation, and, after the publication of the regulations governing Cohesion policy in December 2013, the timetable for the approval of the PAs had to be shifted to August 2014 and for the adoption of OPs to January 2015.

In addition to the new and complex process (ordinary legislative procedure) for agreeing the legal framework at European level, Member States had to contend with new challenges linked to implementation and programming. While the European institutions aimed to reach an agreement on the Common Provisions Regulation (CPR) and the MFF, implementing authorities in the Member States tried to keep track of the constantly evolving framework conditions and the requirement for substantial engagement of multi-level governance. This challenge was further accentuated by the fact that the information flow within Member States did not reach those directly involved in programming.

The preparation process was dominated by the **partnership principle** and led to consensus in the PAs at national and regional levels. However, although the PA preparation process started on time, last-minute interventions from the European Commission had a significant impact on the timing of the finalisation of PAs and OPs.

In addition to the elaboration of the documents, the Member States had to address the fact that some key elements of the 2014-2020 programming period needed to be reflected in their administrative structures.

Furthermore, absorption rates<sup>1</sup> and evaluations of the 2007-2013 programming period conducted by the Expert Evaluation Network published on the European Commission website had shown that significant improvements in administrative capacities were necessary in many Member States<sup>2</sup>.

Administrative as well as human-resource capacities are essential to ensure that Cohesion policy can be efficiently implemented within this new framework. In fact, they affect every level and every aspect of governance. Public administration reforms might have to take place in the context of adapting the overall system, and these reforms could take time to take effect, especially in a challenging political and economic context such as the current crisis.

Administrative capacity relates to a wide range of different levels and aspects of governance that involves human resources management as well as national and regional legal frameworks. Numerous issues impact on the administrative capacity to deliver Cohesion policy, primarily the overall national and regional policy set-ups and the efficiency and effectiveness of the public sector in general, as well as variations between different levels of government or even between different departments. The principle of partnership also places an additional strain on effectiveness and efficiency, as the involvement of a large number of partners might slow down the process of delivering results. Member States implemented the partnership principle in different ways: some Member States, particularly those with a strong, rationalised administrative system, involved a proportionately high number of regional partners alongside the national partners. The involvement was not only on a written basis, but included face-to-face meetings and interviews and conferences (e.g. Austria). Other Member States reduced the involvement to online consultation and nomination of a small group of representatives of social and economic partners, as well as relevant administrations.

The shortage of national and regional public funds for co-financing EU programmes combined with the simultaneous increase in socio-economic problems in many Member States increased the challenges to be tackled by the public administrations.

## **1.2. Objective of the study**

The purpose of the study is to show how Member States have learned from the past and how the improvement of administrative capacities will go forward. The assessment includes all aspects of the administrative system relevant for the implementation of Cohesion policy. The study includes the adjustments to the 2014-2020 legislative package and how it is handled differently in different Member States. Further to taking into account key elements of the CPR, the analysis includes experience from the 2007-2013 programming period. The ultimate aim of the study is to provide an overview and understanding of the state of preparation of different Member States for the 2014-2020 programming period.

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<sup>1</sup> European Union (2013), Cohesion policy: Strategic report 2013 on programme implementation 2007-2013. COM(2013) 210 final Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Brussels, 18.4.2013.

<sup>2</sup> European Commission (2013), Evaluations of the 2007-2013 programming period, Expert Evaluation Network – Analysis on the Cohesion Policy Performance. Available at: [http://ec.europa.eu/regional\\_policy/information/evaluations/index\\_en.cfm#2](http://ec.europa.eu/regional_policy/information/evaluations/index_en.cfm#2).

For this purpose, 14 case studies were chosen in order to gain more insight into the perception of Member States as regards their progress in the preparation phase of the programming period. The 14 case studies address the state of play in the preparation of administrative systems in the Member States, covering issues such as policy planning, coordination and decision-making, as well as the simplification of administrative procedures.

Additional issues considered within the study relate to the link to European governance and the European Semester (especially measures linking effectiveness of ESI Funds to sound economic governance and the possible reduction of national budgets), impact of the economic crisis, subnational variations of governance as well as the role of the European Commission in the programme preparation process.

The European Commission has different levels of influence during the programming period.

- First, the European Commission publishes the proposals for the regulations as well as complementary guidance material (e.g. fiches) providing detailed information about different aspects of the programming process (e.g. Guidelines for the Content of the Partnership Agreement, Operational Programmes, and Ex Ante Conditionalities for the European Structural and Investment Funds);<sup>3</sup>
- Second, the European Commission desk officers support the Managing Authorities in the preparation of the OPs. The desk officer is the first European Commission staff member dealing with the draft OPs and negotiating their contents before each OP is officially delivered to the European Commission;
- Third, horizontal European Commission units, dealing for example with evaluation and strategy, support specific aspects of OP preparation, such as strategy development or indicator development. Members of those units are involved in informal exchanges with the Managing Authorities during programme preparation;
- Lastly, after the submission of OPs, the inter-service consultation begins, involving different Directorates-General (DG) of the European Commission.

These different levels of interaction with the European Commission have a significant influence on the preparation of the OPs.

Special attention is paid throughout the study to the enhanced role of the EP as co-legislator.

At the end of this study, a set of conclusions and recommendations aims at clarifying the different levels of governance and their role and capacity in the light of the new regulations and changes to the Cohesion policy instruments.

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<sup>3</sup> European Commission (2013), DG for Regional and Urban Policy Website Guidance on European Structural and Investment Funds 2014-2020: [http://ec.europa.eu/regional\\_policy/information/guidelines/index\\_en.cfm#2](http://ec.europa.eu/regional_policy/information/guidelines/index_en.cfm#2) .

### **1.3. Methodology**

The study begins with an outline of the Cohesion policy instruments and the legislative and structural frameworks. The chapter concentrates mainly on those elements that are significant for Cohesion policy reform.

This elaboration also includes the implications for different types of Member States in the different stages of the Cohesion policy cycle. All of Section 2, as well as the whole study in general, are structured along the Cohesion policy cycle (programming, implementation, project generation and programme management).

The case study analysis is based on thorough desk research and empirical evidence. It describes the actions undertaken to adapt the administrations to the new provisions for Cohesion policy after 2013.

The report is based on four key Tasks that are fulfilled throughout the study:

- Task 1: Desk research
- Task 2: Case studies, including interviews
- Task 3: Synthesis of the case studies
- Task 4: Conclusions and recommendations

The questions raised in the Terms of Reference form the leading line of the analysis in the study. The analysis is based on the desk research and supported by case study interviews. The complementary sources should help to provide answers to the leading questions on how prepared the Member States are for the 2014-2020 programming period.

#### **Task 1: Desk research**

The desk research comprises a literature review and is based on legislative and non-legislative documents referring to administrative issues and governance, academic studies, and publications by relevant EU and other international institutions. As far as possible, draft or final versions of PAs and OPs were consulted.

At the time of writing, the Member States were preparing for the 2014-2020 period, while taking into account the experiences of the 2007-2013 programming period in terms of administrative capacity and capacity-building.

#### **Task 2: Case Studies**

The analysis focuses on the on-going preparations for the implementation of Cohesion policy in 2014-2020. However, previous experiences were considered and combined with literature from the 2007-2013 programming period. The main sources of information were draft PAs, draft OPs and interviews with stakeholders involved in the preparations for the 2014-2020 programming period.

The case study analysis covers three main aspects:

- (1) The first aspect is the general status quo of programme preparation in the case study Member States. In this respect, the PAs as well as one selected OP were analysed for each of the 14 case study Member States.
- (2) The second aspect relates to administrative capacity and its improvement. In this respect, the European Commission's Position Papers (EC Position Papers in the following) were reviewed regarding their assessments of administrative capacity in relation to Cohesion policy implementation<sup>4</sup>. The EC Position Paper conclusions are compared with the implementation in the 2014-2020 programming period to identify whether the proposed recommendations have been implemented and whether the self-assessment reflects the European Commission's position.
- (3) The third aspect concerns the impact of different Member States' situations, specifically their political structure, economic conditions, and past experiences.

The case studies were conducted in April and May 2014. Although the structure of the interviews and the literature research were similar in each case study, the case studies' content differs according to the differences in the available information.

### **Task 3: Synthesis of the case studies**

The synthesis of the case studies combines the above-mentioned three main aspects of the case study analysis. The case study synthesis is the main part of the study and is outlined in two main sections of 'state of art of programming' (Section 3) and 'administrative capacity' (Section 4).

The case study synthesis provides the basis for summarising the main conclusions of the study and providing recommendations for different levels of governance.

### **Task 4: Conclusions and recommendations**

Based on the desk research and the case study synthesis, Section 5 provides the main conclusions of the study and a set of recommendations. Recommendations are related to different levels of action starting with the European level including the EP as well as the European Commission, the Member State level and the regional/local level.

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<sup>4</sup> The EC Position Papers inform the Member States of the European Commission's views on the main challenges and funding priorities. They also establish a framework for dialogue between the European Commission and each Member State on the preparation of the PA and OPs that will form the basis for delivery of the ESI Funds. The EC Position Papers are available at: [http://ec.europa.eu/regional\\_policy/what/future/program/index\\_en.cfm](http://ec.europa.eu/regional_policy/what/future/program/index_en.cfm)





## 2. COHESION POLICY REFORM

### KEY FINDINGS

- The 2014-2020 programming period is characterised by closer cooperation between different partners in Member States. For the Partnership Agreement as well as the Operational Programmes, the Member States are asked to establish a partnership with regional and local authorities (also including urban partners, social and economic partners, and civil society).
- Cohesion policy instruments are aligned along 11 Thematic Objectives with specific thematic concentration on Thematic Objectives 1-4 in the European Regional and Development Fund. Thematic Objective 11 targets enhancing of institutional capacity and efficient public administration.
- Member States were given the opportunity to create multi-funded Operational Programmes combining the European Regional and Development Fund, the European Social Fund and the Cohesion Fund.
- Ex-ante conditionalities are divided into general and thematic conditionalities. Whereas the general conditionalities apply to all European Structural and Investment Funds, thematic conditionalities apply to specific Funds.
- Thematic conditionalities should support the existence of a strategic policy framework that is to ensure better implementation of programmes.
- The newly introduced intervention logic helps to better align Thematic Objectives and specific Member State objectives, as well as interventions and output-and-result indicators.
- The 2014-2020 programming period highlights the need to focus on results. Result indicators should help to provide a better understanding of the impact of Structural Funds' interventions in Member States.
- Simplifications, such as e-cohesion aiming to exchange information with beneficiaries by way of electronic data exchange systems, are being enforced at administrative and project management levels. However, most of them were already introduced during the 2007-2013 programming period, and Member States have now been asked to implement financial instruments in broader terms and more strongly.

The final **Cohesion Policy legislative package** was published in December 2013, after two years of negotiation between the European Parliament, the Council and the European Commission in so-called 'trilogue' meetings. The legislative package introduced significant changes for the 2014-2020 programming period. The **reform** is based on three main aspects: first, the **changes in the economic, social and territorial challenges**, which are significantly influenced by the financial and economic crisis that started in 2008; second, the **Europe 2020 Strategy**, focusing on smart, sustainable and inclusive growth; and third, the **need for more efficient and effective governance** in financial management. With this background, the Cohesion policy reform includes features to improve cooperation between administrations at different levels, as well as enhanced thematic concentration, enhanced focus on urban aspects, and supporting financial instruments for example by introducing ex-ante assessments.

This chapter summarises the key Cohesion policy elements introduced in the 2014-2020 programming period.

The chapter deliberately focuses on those aspects that can have the greatest impact on the development of OPs in Member States along the programme cycle: programming, implementation, project generation, and programme management (see Table 1). At the time of writing, the first two phases of the programme cycle were in preparation, and consequently this section focuses on those key areas.

**Table 1: Cohesion policy cycle structure**

Cohesion policy cycle	Key issues of Cohesion policy change 2014-2020
Programming	Partnership Agreement Operational Programmes Thematic concentration Partnership principle Ex-ante conditionalities
Implementation	Administrative structure
Project generation	Financial instruments Simplification (information, communication, support for project development, management of project submission, project appraisal, project selection)
Programme management	Monitoring Audit and control Evaluation

Source: Metis 2013.

## 2.1. Programming

### 2.1.1. Common framework

The **CPR**<sup>5</sup> includes some elementary novelties for the 2014-2020 programming period. For instance, it lays down rules in one single regulation for the five ESIFunds. This includes the 'traditionally' Cohesion-policy-related European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), combined with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). The 2014-2020 programming period is guided by the motto of closer coordination and complementarity between different Union level interventions and national and regional interventions. Nevertheless, the labelling and systems used in the respective regulations for ERDF, ESF and CF on the one hand and EAFRD and EMFF on the other hand are still substantially different, for example in the term used for "priorities" as well as in the structure of the programmes.

<sup>5</sup> European Union (2014), Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No. 1083/2006.

The reform foresees the PA as a fundamental basis for joint national elaboration of ESI Funds, drawn up in cooperation with partners. The involvement of partners is underpinned by the code of conduct on partnership. *'The code of conduct is intended to provide a framework for partnership, in accordance with Member States' institutional and legal frameworks, taking account of national and regional competences.'*<sup>6</sup>

The **PAs** are concluded between the Member States and the European Commission with a view to ensuring a strong commitment towards achieving the strategic goals at national and regional levels. In this document, the Member States set out their contribution to the Europe 2020 objectives by identifying their development needs and defining the 'Investment Priorities' for ERDF, ESF and CF and 'Union priorities' for EAFRD and EMFF for the funding period. The PA is also informed by the National Reform Programmes and the relevant country-specific recommendations and Council recommendations<sup>7</sup>. The PA serves as the national umbrella for the five funds and describes the coordination between them.

The Member States are required to develop the PAs in parallel with the new OPs. The state of play with regard to developing the PA varies from country to country (see Chapter 3).

### **2.1.2. Regional division**

The CPR in Article 90 provides a classification of regions in three categories. The classification is based on the average Gross-Domestic Product (GDP) of the EU27 as a reference point<sup>8</sup>. The regions are classified into:

- Less-Developed regions (GDP < 75% of EU27 average)
- Transition regions (GDP 75% to 90% of EU27 average)
- More-Developed regions (GDP > 90% of EU27 average)

### **2.1.3. Thematic concentration**

One of the main changes in Cohesion policy compared to the 2007-2013 programming period is the thematic concentration within the ERDF and ESF programme structure. The CPR foresees for *'each ESI Fund to support 11 Thematic Objectives in accordance with its mission in order to contribute to the Union strategy for smart, sustainable and inclusive growth'*:<sup>9</sup>

1. strengthening research, technological development and innovation;
2. enhancing access to, and use and quality of, Information and Communication Technologies (ICT);

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<sup>6</sup> European Union (2014), Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds; p. 1–7.

<sup>7</sup> European Union (2014), Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds, European Union (2013), Regulation (EU) No. 1303/2013, Article 15.1(a)(i).

<sup>8</sup> European Union (2013), Regulation (EU) No. 1303/2013, Article 90.2.

<sup>9</sup> European Union (2013), Regulation (EU) No. 1303/2013 Article 9.

3. enhancing the competitiveness of Small and Medium Enterprises (SMEs), of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);
4. supporting the shift towards a low-carbon economy in all sectors;
5. promoting climate change adaptation, and risk prevention and management;
6. preserving and protecting the environment and promoting resource efficiency;
7. promoting sustainable transport and removing bottlenecks in key network infrastructures;
8. promoting sustainable and quality employment and supporting labour mobility;
9. promoting social inclusion, combating poverty and any discrimination;
10. investing in education, training and vocational training for skills and lifelong learning;
11. enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

Based on the regional division, the regulations foresee different levels of thematic concentration on the first four Thematic Objectives for ERDF and between Thematic Objectives 8, 9 and 10 for the ESF (see Table 2).

**Table 2: Thematic concentration in ERDF and ESF**

SF	More developed	Transition	Less developed
ERDF <sup>10</sup>	80% of the financial allocation to two or more of TOs 1,2,3,4	60% of the financial allocation to two or more of TOs 1,2,3,4	50% of the financial allocation to two or more of TOs 1,2,3,4
	20% to 4	15% to 4	12% to 4
ESF <sup>11</sup>	80% up to 5 IPs	70% up to 5 IPs	60% up to 5 IPs
	20% to 9	20% to 9	20% to 9

**Source:** Regulation (EU) No. 1301/2013, Regulation (EU) No. 1304/2013.

Although most of the Thematic Objectives have, in one way or another, already been implemented in the 2007-2013 programming period, the emphasis on low-carbon economy and the focus on Small and Medium Enterprise (SME) support in ERDF are particularly new. The focus on social inclusion in ESF is another novelty, although it was already introduced in the 2007-2013 programming period. The 2014-2020 programming period foresees that: *'at least 20% of the total ESF resources in each Member State shall be allocated to the Thematic Objective "promoting social inclusion, combating poverty and any discrimination"'* (Regulation (EU) No. 1304/2013 Article 4.2). The difference lies in the obligatory financial allocation, which gives the thematic concentration a much higher enforcement.

<sup>10</sup> Regulation (EU) No. 1301/2013, Article 4.

<sup>11</sup> Regulation (EU) No. 1304/2013 Article 4.

## 2.1.4. OP architecture 2014-2020

Member States can establish either mono-fund or multi-fund programmes by combining ERDF, ESF and CF. Some Member States are reluctant to implement multi-funded OPs (e.g. Germany, Austria<sup>12</sup>) due to the anticipated consequent increase in the administrative burden and the increased local influence in territorial development. This might be a result of the very strict sectoral division between subjects along different administrations. For example, combining ESF and ERDF would mean that individual ministries would need to engage another administration in the decision-making process. In some Member States, these different administrations might even be politically different. In general, dividing the subjects of ESIFunds between ministries with different political colours does not facilitate multi-funded OPs.

Member States with more substantial financial allocations are relatively more open to implementing multi-funded OPs (e.g. Hungary,<sup>13</sup> Czech Republic, Portugal, France, Poland<sup>14</sup>), which, in some cases, has resulted in significant reduction of the number of OPs. In other Member States, the decision-making process is more centrally oriented, and therefore the restructuring of OPs might be politically easier to accomplish than in regionally oriented Member States.

In both cases, it currently seems that, although OPs are combined, the actual administrative system will not be reduced, but will stay the same, perhaps with greater interaction among actors dealing with programme management.

## 2.2. Implementation

### 2.2.1. Position Papers of the European Commission

In autumn 2012, the European Commission published the so called Position Papers for each Member State. The Position Papers reflect the lessons learned from the 2007-2013 programming period and recommend thematic orientations of OPs to Member States, as well as improvements in administrative capacity. The European Commission's DG for Regional and Urban Policy published the following statement on its website: *'The position papers were presented to the Member State authorities as the Commission's views based on the Commission's legislative proposals, without prejudice to the final outcome of the negotiations on the legislative package'* (European Commission DG for Regional and Urban Policy Website).<sup>15</sup> At the beginning of programme preparation (mid-2012), Member States did not understand the importance of the Position Papers and the need to take them into account in the design of the their OPs. However, the European Commission stated on its website that the Position Papers *'establish a framework for dialogue between the Commission and each Member State on the preparation of the Partnership Agreement and programmes which will form the basis for delivery of the EU Structural and Investment Funds'*. Member States had difficulties accepting the fact that the European Commission could dictate the thematic orientation of OPs.

<sup>12</sup> ÖROK (2013), STRAT.AT 2020 Partnerschaftsvereinbarung Österreich 2014-2020. STRAT.AT 2020.Rohbericht vom 11.Juni 2013.

<sup>13</sup> Ministry for National Economy Hungary (2013), Hungarian Partnership Agreement for the 2014-2020 programme period. Draft of 2 July 2013.

<sup>14</sup> Ministry of Regional Development Poland (2013), Assumptions to the Partnership Agreement programming 2014-2020. 25.9.2012.

<sup>15</sup> European Commission DG for Regional and Urban Policy Website  
[http://ec.europa.eu/regional\\_policy/what/future/index\\_en.cfm#1](http://ec.europa.eu/regional_policy/what/future/index_en.cfm#1) .

### 2.2.2. Ex-ante conditionalities

A fundamental aspect of improving the effectiveness and efficiency of the ESI Funds is the proposition of ex-ante conditionalities, included in the CPR. Those conditionalities should help to ensure a better and more result-oriented implementation of interventions. The ex-ante conditionalities are divided into (a) general ex-ante conditionalities that apply to all ESI Funds:

- Anti-discrimination
- Gender
- Disability
- Public procurement
- State aid
- Environmental legislation relating to Environmental Impact Assessment and Strategic Environmental Assessment
- Statistical systems and result indicators

And (b) thematic ex-ante conditionalities those are linked to Thematic Objectives and Fund-specific investment priorities and are described in Annex XI of the CPR (for the ERDF, ESF, CF)<sup>16</sup>. Thematic ex-ante conditionalities for the EAFRD and the EMFF are described in their respective Fund-specific regulations.

The thematic ex-ante conditionalities include the provision of a policy or strategic framework or the necessary infrastructure at national or regional levels in order to form a basis for a better implementation of the OPs. The CPR states: *'Member States shall assess in accordance with their institutional and legal framework and in the context of the preparation of the programmes and, where appropriate, the Partnership Agreement, whether the ex-ante conditionalities laid down in the respective Fund-specific rules and the general ex ante conditionalities set out in Part II of Annex XI are applicable to the specific objectives pursued within the priorities of their programmes and whether the applicable ex ante conditionalities are fulfilled'*.<sup>17</sup> The European Commission's DG for Regional and Urban Policy has published 'Guidance on Ex-ante Conditionalities for the European Structural and Investment Funds PART I and PART II', which provide grids for assessing the fulfilment of ex-ante conditionalities.

Member States – especially the EU15 – are concerned about interventions contrary to the principle of subsidiarity in issues reserved for Member States.<sup>18</sup> Whereas the ex-ante conditionalities as such are part of the regulatory package, the additional accompanying interventions by different European Commission's DGs address much more the actual content of the ex-ante conditionalities.

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<sup>16</sup> Regulation (EU) No. 1303/2013, Annex XI.

<sup>17</sup> Regulation (EU) No. 1303/2013, Article 19.

<sup>18</sup> Metis (2013), own observations.

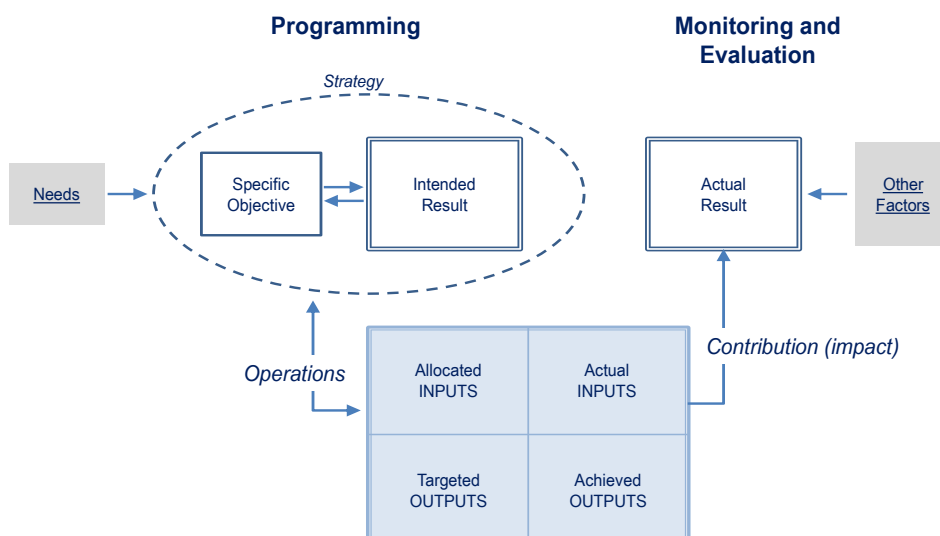
The most discussed ex-ante conditionality relates to Thematic Objective 1 – the smart specialisation strategy. This strategy should ‘*set priorities in order to build competitive advantage by developing and matching research and innovation own strengths to business needs in order to address emerging opportunities and market developments in a coherent manner, while avoiding duplication and fragmentation of efforts; a smart specialisation strategy may take the form of, or be included in, a national or regional research and innovation (R&I) strategic policy framework*’ (Regulation (EU) No. 1303/2013, Article 2(3)). The actual content of the strategy, however, is part of the Member State's own decision.

In the case of the smart specialisation strategy, the European Commission's DG Research and Innovation and DG for Regional and Urban Policy made parallel assessments of the strategies of the EU13, ultimately providing either duplicate or conflicting advice for improvement of smart specialisation strategy content as shown in recent research works. Member States were sometimes confronted with ambiguous and sometimes contradictory assessment results, and Managing Authorities faced substantial criticism from different units of the European Commission in relation to the content and structure of regional or national innovation strategies. Managing Authorities devising OPs have had problems finalising the OPs due to the continuing debate with the European Commission about smart specialisation contents. The way the debate progressed, and the fact that different European Commission units expressed different assessment results, has led to a degree of exhaustion among the Member States concerned, who consider these discussions as an intrusion in national or regional affairs.

### 2.2.3. Focus on results

The 2014-2020 programming period is led by the result-oriented approach. For this purpose, each OP has to follow a very strict intervention logic which includes an analysis of needs and the elaboration of specific objectives mirroring investment priorities defined in the ERDF and ESF regulations and related interventions. Output indicators are directly linked to the interventions, and result indicators are linked to specific objectives.

**Figure 1: Operational Programme intervention logic**



**Source:** European Commission (2014), Guidance Document on Monitoring and Evaluation, Concepts and Recommendations.



The system helps to orient the intervention results according to the territorial needs. In principle, the intervention logic represents a step forward in programming and has helped to mainstream the result-oriented approach. However, Member States must develop result indicators that should be the subject of evaluation in subsequent stages. Managing Authorities have experienced difficulties elaborating on result indicators for several reasons. For example, public authorities have been reluctant to define result indicators that might cause problems of payment if not achieved, and secondly the timeframe of the result indicator has in many cases not been clear. Ex-ante evaluation experts did provide support for developing result indicators related to the specific objectives of OPs. While result indicators for Thematic Objectives 1-7 have been relatively straightforward (for example, the share of innovative SMEs, reduction of CO<sub>2</sub> emissions), indicators related to integrated urban development are still under discussion. Managing Authorities proposed soft indicators such as 'quality of life improvement', but in many cases they were not accepted by the European Commission desk officers.

Nevertheless, what has been helpful in the 2007-2013 programming period is the clear step-by-step approach described in the monitoring and evaluation guidance on how to achieve the intervention logic.

## **2.3. Project generation**

### **2.3.1. Financial instruments**

In the 2007-2013 programming period, the implementation of financial instruments in several EU Member States provided useful experience. The CPR expands the use of innovative financial instruments (support for investments by way of loans, guarantees, equity and other risk-bearing mechanisms) in 2014-2020 as a more efficient and sustainable alternative to complement traditional grant-based financing.<sup>19</sup>

The progress so far has been evaluated by the European Court of Auditors (ECA), and the following statement appeared in the 2012 ECA report: *'effectiveness and efficiency of measures were hampered by important shortcomings, mainly due to the inappropriateness of the current regulatory framework of the Structural Funds'* (European Court of Auditors, 2012).<sup>20</sup>

The CPR responds to the critique of the ECA by introducing obligatory ex-ante assessments related to the involvement of financial instruments in OPs. Member States are encouraged to implement repayable loan systems, especially for SME support. In order to ensure more successful implementation, the CPR foresees the elaboration of an ex-ante assessment covering market failures or sub-optimal investment situations and the estimated level and scope of public investment needs.<sup>21</sup> However, based on experience of the 2007-2013 programming period, the introduction of repayable instruments requires substantial improvements in many administrative systems. It is not clearly stated anywhere in the literature or within the experience of evaluation experts that administrative capacities have been improved in such a way that financial instruments will be better applied in the 2014-2020 programming period.

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<sup>19</sup> See for instance: European Parliament (2013), Innovative financial instruments in Cohesion Policy, Schneidewind, Radzyner, Hahn, Gaspari, May 2013.

<sup>20</sup> European Court of Auditors (2012), Financial Instruments for SMEs co-financed by the European Regional Development Fund. Special Report 2/2012. March 2012.

<sup>21</sup> Regulation (EU) No 1303/2013, Article 37.



For example, Croatia is planning to have several different financial instruments without any previous experience of Cohesion policy instruments. Several Croatian stakeholders have doubts that the Croatian system can easily switch from the Instrument for Pre-Accession Assistance (IPA) logic to the Cohesion policy logic, and therefore some implementation support might be required.

Although the ECA report mainly criticises the framework of the Structural Funds, Member States also responded by adapting legal systems to secure a better implementation of financial instruments or by introducing implementing regulations that foresee exceptions in national law for financial instruments within EU funding.

### **2.3.2. Simplification**

The CPR includes several possibilities for simplification of the programme cycle at different levels. The following simplifications with regards to the administrative burden and the delivery system have been introduced.

Reduction of administrative burden:

- The integrated-programme approach allows Member States to submit multi-funded OPs including ERDF, ESF and CF as described above;
- Introduction of Joint Action Plans (JAP), which proposes the extension of the simplified costs system in order to reduce management and control costs. The approach proposes a higher focus on results rather than outcomes;
- Introduction of the integrated approach to community-led local development, which facilitates the bottom-up approach of local communities.

Simplifying the delivery system:

- Harmonisation of rules on eligibility and durability of different EU funding instruments which includes the harmonisation of eligibility of overheads and personnel costs and the consistency and compliance with other EU policies and legislation<sup>22</sup>. However, this has only been successful for those EU funds included in the CPR;
- Proposition of flat rates and unit costs to be implemented at national and regional levels;
- E-cohesion system that should enable beneficiaries to submit proposals by way of electronic data exchange, which should significantly reduce the administrative burden for beneficiaries and lower costs for national and regional administrations.<sup>23</sup> Although it is embedded in the CPR, in practice Member States are still in the preparation phase.

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<sup>22</sup> European Commission (2014) Joint Harmonised European Union Programme of Business and Consumer Surveys Guidelines for Applicants for the Financial Management of Grant Agreements, Directorate General Economic and financial affairs, Brussels 2014, pp.6.

<sup>23</sup> European Commission (2012) Simplifying Cohesion Policy for 2014-2020, Cohesion Policy February 2012. DG for Regional and Urban Policy.



### 3. STATE OF ART IN PROGRAMMING

#### KEY FINDINGS

- In general, the partnership process was long-lasting and complex, with a balance between bottom-up and top-down processes. The ex-ante evaluation as a parallel consultation was very supportive in improving the Partnership Agreement process.
- Although the partnership process was widely appreciated, the different interests of different stakeholders and the complexity of decision-making were criticised. Also, ex-ante conditionalities are seen as important for the strategic foundation of interventions. Nevertheless, the accompanying guidance documents, the demanding interventions and the assessment practice of the European Commission were in some instances perceived as interference in Member States' issues.
- In some countries, the process of preparing the Partnership Agreement led to institutional reforms and changed mind-sets, also reflected in the OP structure.
- More than half of the Operational Programmes have been submitted to the European Commission, and strategic planning and thematic concentration have been finalised in almost all Member States.
- Operational Programmes have been reduced in number, and many multi-funded Operational Programmes have been introduced.
- Thematic concentration was seen as critical in those Member States where a strong focus on infrastructure and tourism support dominated the 2007-2013 programming period.
- Member States sometimes started too early with the preparation of the Partnership Agreements and the Operational Programmes and had to adjust the structure and content to comply with the changing guidance materials ('fiches').
- While some of these aspects of the communication with the European Commission were criticised, the feedback and support from the European Commission has also been valued in the preparation process.

The following section includes the description of PA and OP development as the first part of Task 3 (as described in Section 1.3 Methodology) 'Synthesis of the case studies', which is based on Task 2, the case study analysis of 14 Member States and OPs, the results of which are provided in the Annex. This section describes the first part of the programming cycle and the state of the art in the implementation of the PAs and OPs. The content comprises findings from the literature review, complemented by interviews with public authorities and local experts. The literature analysis mainly included a review of the PAs, European Commission Position Papers, protocols, and OPs (including ex-ante evaluations). For the purpose of gaining knowledge from the 2007-2013 programming period, evaluations and studies covering capacity assessments and administrative structures were also taken into account. However, significant input was provided by targeted interviews with key stakeholders. Depending on the institutional set-up of the case study countries, the interviews focused upon the level of national governance, complemented by insights from the programme and/or the regional level.

The quality and results of the interviews differed in the level of detail and the level of self-assessment. However, in general, interviews with Managing Authorities and Implementing Bodies appeared to be fragmented and modified to camouflage the existing lack of capacity. Therefore, additional surveys conducted for the European Commission were taken into account to put the content of the interviews into a more realistic perspective.

The section starts with the case study selection process (3.1), the choice of 14 case studies, and the introduction of the main changes of OP structure and financial allocation in the case studies (3.2). In Section 3.3, a first self-assessment by interview partners of the status quo of the respective Cohesion policy implementation is provided. After the self-assessment, key elements of the PA and OP development process are highlighted in detail (3.4). Concluding remarks of the key results of the case study synthesis regarding the status quo of the PA and OP are provided in 3.4.

### **3.1. Case study selection**

The case study analysis of different Member States and OPs forms the backbone of this study. The selection of case studies sought to achieve a balance between policy governance systems, Cohesion policy eligibility status, different levels of economic prosperity, type of OP (national, thematic, regional), and volume of funding.

The selection procedure involved several different parameters. General parameters include the amount of funding, policy governance structures, whether the Member State joined the EU before or after 2004, and success in absorbing funding in the 2007-2013 programming period. Other parameters cover the programme architecture and changes in programme implementation. Many Member States have dramatically changed the number and character of their OPs.

Besides the distinction between thematic and regional programmes, the distinction between mono- and multi-funded OPs has also become relevant. Member States have increasingly introduced multi-funded OPs with ERDF and ESF, as well as ERDF, ESF and CF. Those joint OPs, mainly ERDF and ESF OPs, are mostly regional OPs (ROPs).

This represents a paradigm change in many Member States, and it might lead to substantial changes in administrative structures. Whether or not this is actually the case, and whether administrative structures are ready to cope with these changes, forms a key part of the case study assessment.

For the purpose of the proposed case study selection, every draft PA available was screened for the programme architecture (thematic mono-fund OPs, regional mono-fund OPs, multi-fund OPs) and the number of OPs in each Member State. The result of this screening was summarised in a table and provided the basis for the selection of 14 Member States.

The screening provided the following general findings:

- Many Member States have introduced multi-funded OPs. For example, Greece has proposed 16 multi-funded OPs involving two Funds (ERDF, ESF), while Italy has 6 multi-funded OPs with ERDF and ESF. Poland has proposed all its regional programmes as multi-funded OPs (16 OPs). France and Portugal combined all of their previous regional ERDF and ESF programmes to form regional multi-funded (ERDF, ESF) OPs.
- Spain, however, according to the PA, is not planning to introduce any joint OPs but is continuing with regional programmes in each fund (ESF, ERDF, EAFRD).
- Some Member States (mainly those described as old Member States with a smaller Structural Funds budget) are retaining the architecture of the previous OPs (e.g. Luxembourg and Sweden).
- Other Member States such as Austria, Hungary and the Czech Republic have chosen to reduce the number of OPs substantially due to the reduced amount of funding and the high administrative overheads related to managing each OP. Some of these Member States not only reduced the number of OPs, but also switched to multi-funded ERDF/ESF OPs, such as the UK with four OPs and Finland with only one OP.
- Other smaller Member States chose to reduce the number of their OPs to only one combined ERDF-and-ESF OP (e.g. Cyprus, Estonia).
- Germany, with its federal system, broadly maintained its traditional programme architecture. Only one Federal State chose to introduce a multi-funded OP.
- At the time of the study preparation (June 2014), Croatia was preparing OPs one ERDF-CF OP, one ESF OP, one EAFRD OP and one European Territorial Cooperation (ETC) OP.

With regard to the (ETC) programmes, there have been some changes, such as moving Managing Authorities from one Member State to another (e.g. in the case of the ETC OP of Austria-Slovakia (ETC OP AT-SK), the Managing Authority moved from Austria to Slovakia), or changing programme areas such as in the 'South East Europe Transnational Cooperation Programme', which will be divided into the 'Danube Programme 2014-2020' and the 'Adriatic Ionian Programme 2014-2020'. In June 2014, the latter two were in the early stage of programming.

Notwithstanding the importance of ETC programmes, the basis for successful programme implementation lies in each Member State. Therefore, case studies were identified in each of the selected Member States.

Summing up those first criteria, the selection of case studies encompasses OP changes, the size of the Structural Funds budget, and individual Member State characteristics. Table 3 presents the selection of Member States along the following general parameters:

- EU13 and EU15;
- size of ERDF and ESF budgets;

and the following specific parameters:

- below-average absorption rate (BA) between 2007 and January 2013;
- above-average absorption rate (AA) between 2007 and January 2013;
- OP architecture (multi-funded, single-funded OP);
- number of OPs;
- type of OP (thematic, regional).

**Table 3: Case study selection**

	ERDF and ESF budget < 10 bn Euro			ERDF and ESF budget > 10 bn Euro		
<b>EU15</b>	Austria (significant OP reduction)	National ERDF OP	AA	Italy (regional single-funded OPs ERDF and ESF)	Regional ERDF OP – Calabria	BA
	Finland (significant OP reduction, one multi-funded national OPERDF/ESF)	National ERDF/ESF OP	AA	Greece (multi-funded regional and thematic OPs with ERDF/ESF)	Competitiveness entrepreneurship and innovation ERDF OP	AA
	Luxembourg (no changes)	National ERDF OP	AA	UK (significant OP reduction, regional multi-funded OPs ERDF/ESF)	Regional ERDF OP – England	AA
	Sweden (no changes)	Regional ERDF OP – Mellansverige (North Middle Sweden)	AA	Germany (almost no multi-funded OPs, no significant changes)	Regional ERDF OP – Saxony	AA
<b>EU13</b>	Estonia (one multi-funded OP ERDF/ESF)	National ERDF/ESF OP	AA	Poland (regional multi-funded OPs ERDF/ESF)	Regional ERDF OP – Silesia	AA
	Croatia (one ESF and one ERDF programme)	National ERDF OP		Czech Republic (significant reductions, mix of multi-funded and single-funded OPs, regional and thematic OPs)	National ERDF OP – Technical Assistance	BA
	Bulgaria (multi-funded thematic ERDF/ESFOPs)	Thematic ERDF OP	BA	Hungary (mainly thematic multi-funded OPs)	Thematic ERDF OP	BA

The case study selection highlights different levels of Structural Funds implementation. Although ESI Funds include ERDF as well as ESF, Cohesion Fund, EAFRD and EMFF, the focus of selected case studies lies on ERDF implementation. Due to the fact that the majority of Member States chose multi-funded OPs with ESF, the ESF plays a significant role in complementing ERDF.

**Box 1: Background information on Croatian case study: The pre-accession period**

During its pre-accession period, Croatia had access to – and developed organisational structures for – Community Assistance for Reconstruction, Development and Stabilisation (CARDS), Poland and Hungary: Aid for Restructuring of the Economies (PHARE) / Instrument for Structural Policies for Pre-Accession (ISPA) and the Instrument for Pre-Accession (IPA). In the preparation for the 2014–2020 Cohesion period, the most relevant was IPA. The IPA period from 2007 to 2013 required beneficiary countries to set up IPA structures based on five components. These five components were intended to prepare Croatia for efficient use of relevant ESI funding sources and themes after the move to Structural Instruments (on accession). Each component or programme was required to be supported by an Operating Structure, plus horizontal structures such as the National Fund and Audit Authority.

Croatia, therefore, gained considerable experience in the management of EU funds, programmes and projects during the IPA funding period prior to accession to the European Union. During the IPA period, Croatia was generally seen to be making good progress with the programming, implementation and management of IPA funds and in having set up and operated reasonably efficient structures.<sup>24</sup> However, critical comments were made in IPA Audit reports in respect of:

- Staff turnover: The IPA structures and bodies experienced a high turnover of staff. This was exacerbated in the period before Croatia's accession by the need to complete PHARE/ISPA programmes and projects, and to establish and run the IPA structures to an acceptable standard, as well as having to prepare and train for ESI Funds on accession.
- Public procurement: The IPA contracting bodies were seen as handling the procurement process in a formalistic way, together with a continuing weakness in the quality of procurement documentation produced,<sup>25</sup> leading to a slow procurement process, problems with absorption, and issues of decommitment in some of the major OPs (in particular in IPA IIIa – Transport).

The national authorities have worked to resolve these issues. However, after the change of government following the general election held on 4 December 2011, there was some disruption to the IPA structures and to the preparations for implementing the ESI Funds, as personnel and organisational changes were undertaken by the new government.

**Box 2: Background information about the Economic Adjustment Programme in Greece**

Since May 2010, the euro-area Member States and the International Monetary Fund (IMF) have been providing financial support to Greece through an Economic Adjustment Programme in the context of a sharp deterioration in its financial conditions. The aim is to support the Greek Government's efforts to restore fiscal sustainability and to implement structural reforms in order to improve the competitiveness of the economy, thereby laying the foundations for sustainable economic growth.

<sup>24</sup> Audit Reports and EC Finding Reports perused by the case study expert.

<sup>25</sup> Sigma Assessment, Croatia Public Procurement System, May 2009, p. 10.

The release of each disbursement to Greece must be approved by both the Euro group and the IMF's Executive Board. Prior to this decision, the European Commission, the European Central Bank (ECB) and the IMF staff conduct joint review missions to Greece in order to monitor compliance with the terms and conditions of the Programme. On 14 March 2012, euro-area finance ministers approved financing of the Second Economic Adjustment Programme for Greece. The policy package contains the following programme documents:

- the Memorandum of Economic and Financial Policies (MEFP)
- the Memorandum of Understanding on Specific Economic Policy Conditionality (MoU)
- the Technical Memorandum of Understanding (TMU).

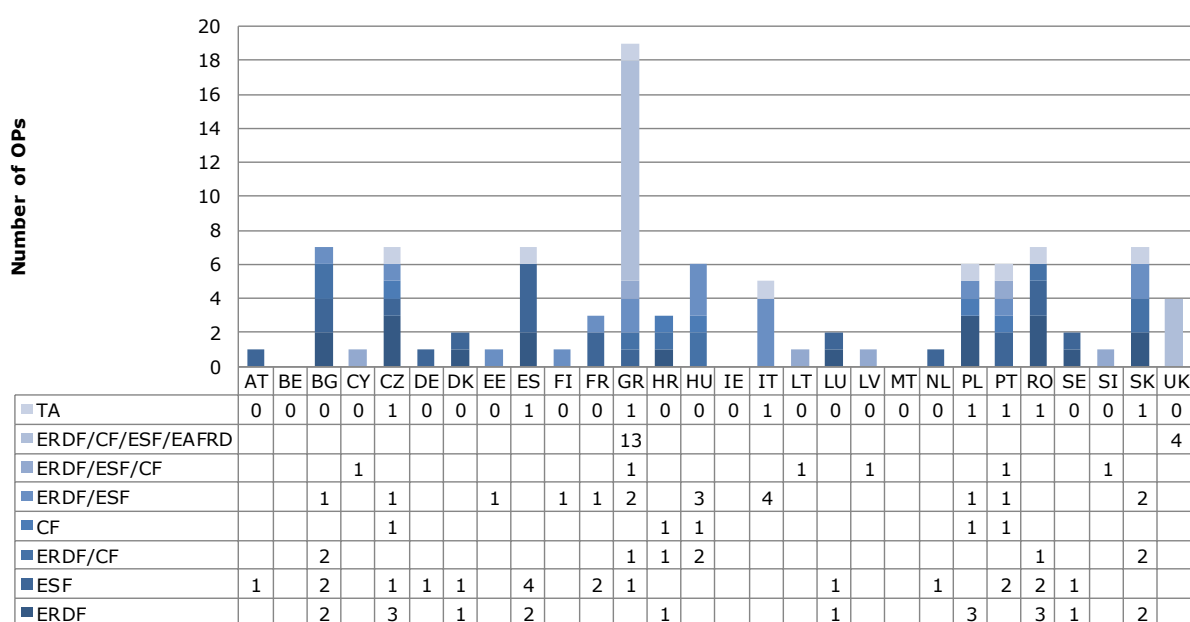
## 3.2. Structural changes and financial allocation of Cohesion policy instruments

### 3.2.1. OP architecture of 2014-2020 Operational Programmes

In some Member States, OPs have been reduced significantly in number, whereas other Member States developed joint ERDF/ESF-funded OPs (see Annex). The benefit of the reduction in OPs is yet to be seen.

Regarding the ERDF and ESF programmes, for the EU28, Figure 2 shows the distribution between multi-funded and single-funded national/thematic OPs; and Figure 3 shows the distribution of regional multi-funded and single-funded OPs. The tables are based on reviews of draft PAs available to the authors of the study at the time of writing.

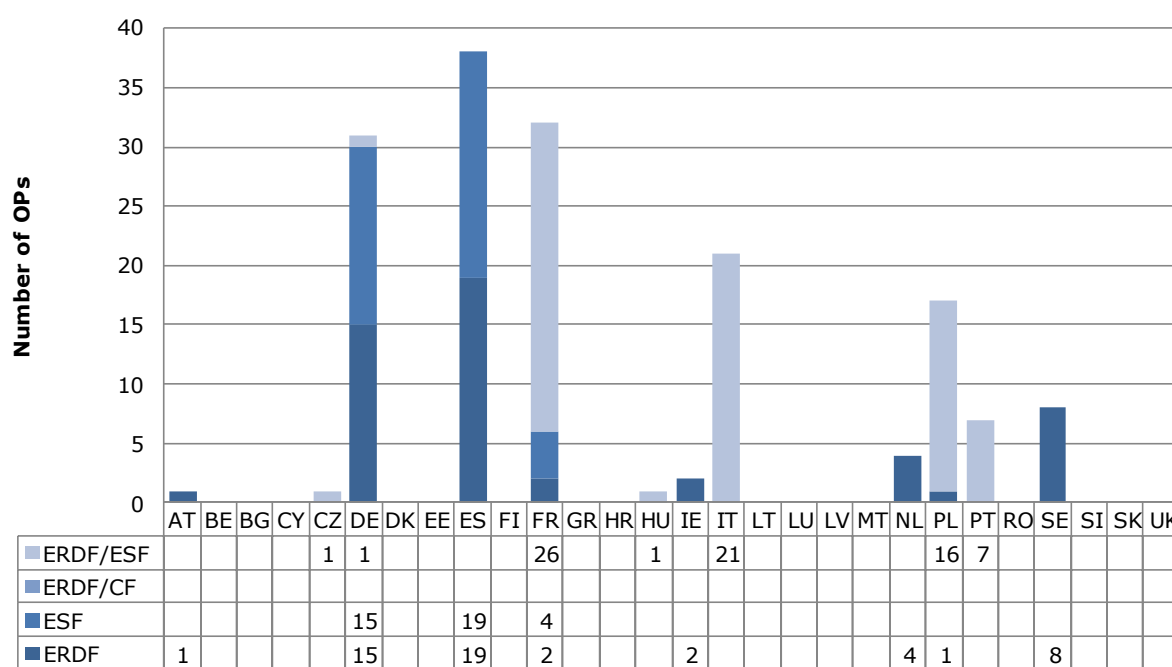
**Figure 2: National/thematic Operational Programmes<sup>26</sup>**



**Source:** Member States draft Partnership Agreements (state of text in April 2014).

<sup>26</sup> The main changes since the time of writing concern Greece (16 multi-fund OPs with ERDF/ESF excluding EAFFRD) and the UK (6 ERDF Ops, 6 ESF Ops, 3 EAFFRD Ops).



**Figure 3: Regional Operational Programmes**

**Source:** Member States draft Partnership Agreements (state of text in April 2014).

### Box 3: Examples of changes to Operational Programmes

**OP Technical Assistance (OP TA) supporting the implementation of the PA horizontally:** The Czech Republic OP TA has a supportive character and focuses on establishing an environment for the implementation of the PA and the thematic OPs. The OP TA seeks to minimise the negative administrative factors reflected in the 2007-2013 programming period, such as the former lack of a system for handling staff costs. The OP TA is a follow-up to the programme of the same name from the 2007-2013 programming period, and it will maintain a similar structure to its predecessor. The OP TA will finance all horizontal activities as well as activities that are connected to more than one programme. Priority axes dedicated to TA in all other OPs will create complementary synergies to the OP TA. The OP TA will horizontally impact on the administrative capacity development of the other OPs in the following ways:

- **Financing the administrative capacity** – OP TA shall finance the salaries of employees of horizontal institutions (OPTA Managing Authority, National Coordination Authority, Payment Certification Authority, Audit Authority, ETC), whereas the remuneration of persons implementing a given OP will be covered from that OP.
- **Education of administrative capacity** – OP TA will finance education at the horizontal level as well as joint topics relevant to all the OPs. In the TA axes of individual OPs, funds are available for the provision of education focusing on specific areas of the OP concerned.
- **Absorption capacity** – OP TA focuses on communicating the PA and creating a basic awareness of ESI Funds, with the main target group being the applicants who, at the given point of time, do not know to which OP they should submit their idea in the form of a project application. Upon agreement with the Managing Authorities, the essential part of ensuring absorption was left to the level of TA of the individual OPs, since the Managing Authorities are much closer to their potential applicants/beneficiaries.

- **Monitoring system** – the OP TA will finance the monitoring system and all of its modifications either required by legislation or agreed upon by the majority of Managing Authorities. The Managing Authorities have a certain degree of discretion in cases where they wish to implement a very specific solution that links their monitoring system to other systems within their organisation, but in such cases the given Managing Authorities shall cover the costs thereof.

**Changes from mono-fund OP to multi-fund OP:** In Poland, there will be a switch from mono-fund to multi-fund Regional OPs (ROPs). For example, the Śląskie ROP 2007-2013 is mono-fund (ERDF). For the 2007-2013 period, the Marshal's Office of each of Poland's 16 regional self-governments had the role of Managing Authority for ROPs funded through ERDF, and the Intermediate Body IB for regional priorities in the OP Human Capital (HCOP) was funded through ESF (the Managing Authority was the Ministry of Labour and Social Policy). However, for the 2014-2020 period, ROPs will be joint-funded by ERDF/ESF with a single Managing Authority in the regional Marshals' Offices. In Estonian 2007-2013 there were three OPs for (i) development of human resources; (ii) development of the economic environment, and (iii) development of the living environment. In 2014-20, there is only one OP covering all thematic areas as well as the whole geographic area of Estonia. Moreover, due to the holistic strategic approach in 2014-2020, there are cross-sectoral Thematic Objectives that require better collaboration between ministries in implementation.

Even though it seems a normal way of organising public sector work, this is a challenge for Estonia, as inter-ministerial cooperation has not been effective so far. Also, the mid-term evaluation made the criticism that there is insufficient coherence between thematic areas in Estonia – this should be improved in the OP 2014-2020.<sup>27</sup>

**Change in objectives:** In Greece, the main difference between the existing and future OPs is that the 2014-2020 programmes primarily aim to deal with the results of the recession, and they should provide opportunities for the country's development through targeted interventions. In addition, the fiscal reform taking place in Greece in the context of the Economic Adjustment Programme (see Box 2) refers to cost-cutting and a significant reduction of public expenditure. Thus, the Greek financial contribution during the 2014-2020 programming period will be the minimum possible. The Greek government is hoping for better involvement of private investment.

**Change in fund management structure:** In the UK, the main differences are that there will be one national ERDF OP rather than 10 sub-national ERDF OPs, as in 2007-13, and the focus of policy is now on the local level rather than on the regional level. Thus, the content of the new national ERDF OP will reflect the content of local strategies drawn up by the 39 Local Enterprise Partnerships.

### 3.2.2. Decisions on financial allocation

The financial allocation in the more-developed regions is, based on the regulation, different to the one in the less-developed regions. While the latter involve a significant proportion on infrastructure development such as transport, but also waste and water infrastructure, more-developed regions are, because of the 80% concentration laid down in Article 4 of the

<sup>27</sup> Eljas-Taal K and Hamza C (2013), Development of the Smart Specialisation Strategy in Estonia, DG RTD Expert Group Advising on Development of Smart Specialisation in Estonia, Final Report, contracted by the European Commission DG Research, July 2013.

ERDF Regulation<sup>28</sup>, strictly bound along the first four Thematic Objectives. In many cases, this led to political discussions especially in those regions where for example transport projects were eligible in the 2007-2013 programming period but now have to be shifted to Thematic Objectives 1-4 (e.g. Saxony, Germany).

Compared to the 2007-2013 programming period, with €347 billion for 27 Member States (2010 prices), the 2014-2020 programming period has a budget of €352 billion for 28 Member States (2014 prices).

The thematic orientation of the budget cannot be directly compared; nevertheless, a very rough comparison has been based on the following systematic in Table 4.

**Table 4: Link between thematic breakdown 2007-2013 and Thematic Objectives 2014-2020**

Thematic breakdown SF 2007-2013	Thematic Objectives SF 2014-2020
Research and technological development (R&TD), innovation and entrepreneurship	1: strengthening research, technological development and innovation
Energy	4: supporting the shift towards a low-carbon economy in all sectors
Environmental protection and risk prevention	5: promoting climate-change adaptation, risk prevention and management
Information society	2: enhancing access to, and use and quality of, information and communication technologies
Transport	7: promoting sustainable transport and removing bottlenecks in key network infrastructures
Tourism	6: protecting the environment and promoting resource efficiency
Strengthening institutional capacity at national, regional and local levels	11: enhancing institutional capacity and an efficient public administration
Culture	6: protecting the environment and promoting resource efficiency
Reduction of additional costs hindering the outermost regions' development	6: protecting the environment and promoting resource efficiency
Investment in social infrastructure	9: promoting social inclusion and combating poverty
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	3: enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector
Improving the social inclusion of less-favoured persons	9: promoting social inclusion and combating poverty
Improving human capital	10: investing in education, skills and lifelong learning
Improving access to employment and sustainability	8: promoting employment and supporting labour mobility

<sup>28</sup> Regulation (EU) No. 1301/2013

Thematic breakdown SF 2007-2013	Thematic Objectives SF 2014-2020
Mobilisation for reforms in the fields of employment and inclusion	8: promoting employment and supporting labour mobility
Urban and rural regeneration	6: protecting the environment and promoting resource efficiency
Technical Assistance	11: enhancing institutional capacity and an efficient public administration

**Source:** DG for Regional and Urban Policy, 2014.

Comparing those case studies where financial allocations are already available, some indicative conclusions can be drawn (see Figure 4):

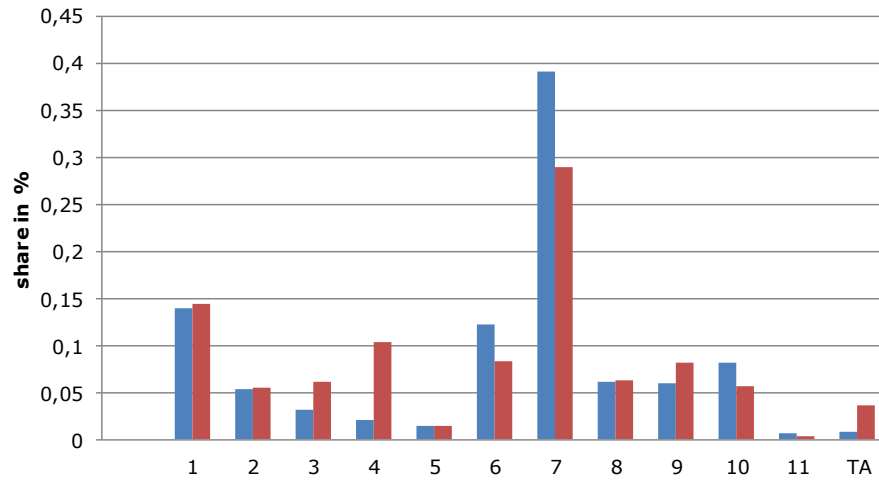
- All Member States had to reduce the budget;
- The shift between the previous 2007-2013 and the current 2014-2020 programming period in terms of thematic orientation in less-developed regions is mainly to the disadvantage of rail and road infrastructure and environmental and resource efficiency;
- In terms of SME support, and even more in terms of low-carbon economy, an increase in budget share has been established, but due to the lack of final financial allocation the increase cannot be expressed in figures;
- Greece shows exceptions to almost all trends – road and rail infrastructure has been equally budgeted compared to the previous programming period, but in contrast to all other examples it has reduced SME support;
- In some Member States, budget for TA has been increased (for example in Saxony/Germany, Poland and Estonia), but in other case studies the budget for TA has been reduced;
- Bulgaria made a significant shift towards environmental protection;
- Estonia made a significant shift towards Research and Development (R&D), SME support and carbon reduction.

At the time of writing, the allocation and exact figures of the budget were still under discussion, and therefore no definite conclusion could be drawn. However, the comparison of the figures below clearly shows the intended trend in 2014-2020 Cohesion policy towards increased spending in CO<sub>2</sub>-emissions reduction and energy efficiency. Even more striking is that in some Member States the budget for innovation has been reduced for the benefit of SME support. This also supports the Cohesion policy target of increasing SME support. Given the fact that several Thematic Objectives are interlinked (CO<sub>2</sub>emissions and innovation, SME support and innovation, etc.), an exact division and a clear comparison with the 2007-2013 period is not possible.

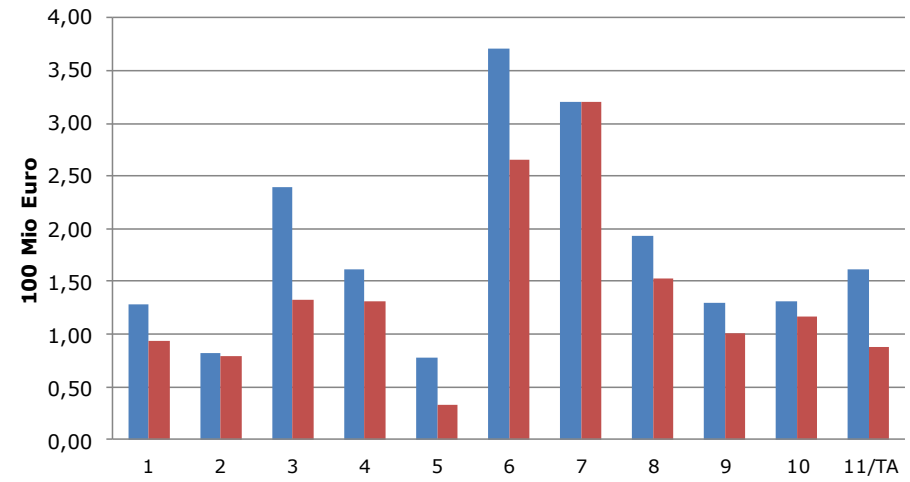
The comparison could be made with the thematic coding according to Regulation (EU) No. 1828/2006, Annex II, but the financial allocation according to the codes for the 2014-2020 period are not yet available at the time of writing. Apart from the obvious shift towards the thematic concentration according to the respective regulations, no other pattern is visible. However, with the exception of Greece, all the case study Member States increased the ESF budget, which should help to stabilise the still-declining labour market.

**Figure 4: SF budget change 2007-2013 (blue) and 2014-2020 (red) along Thematic Objectives**

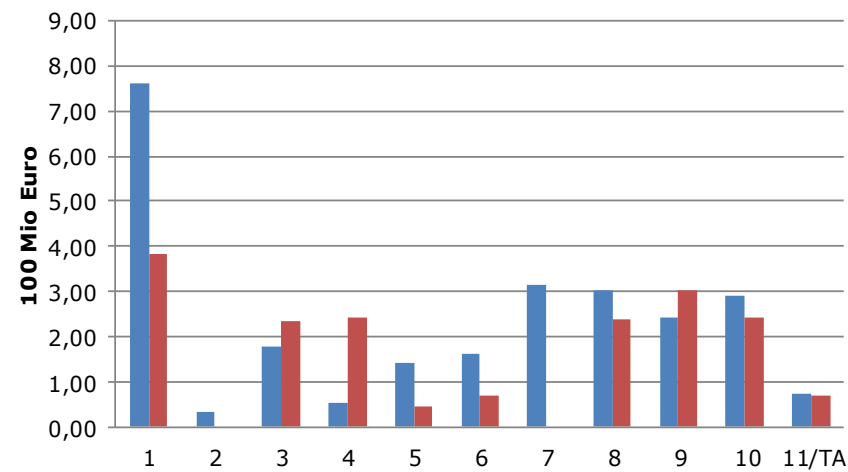
**Poland**



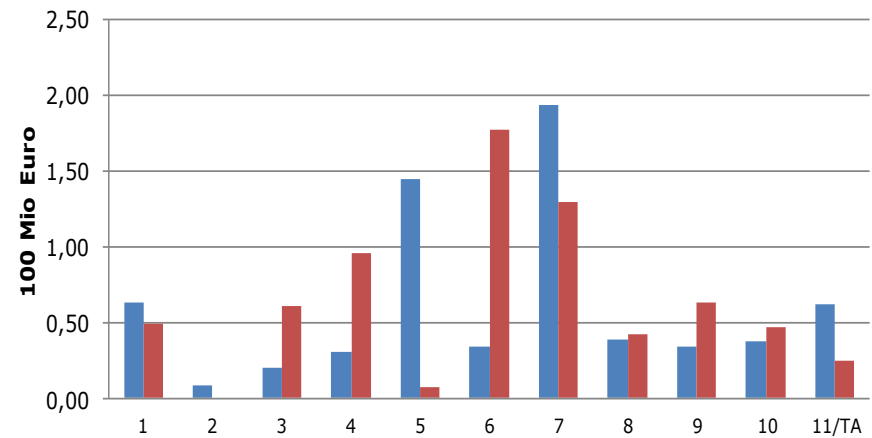
**Greece**



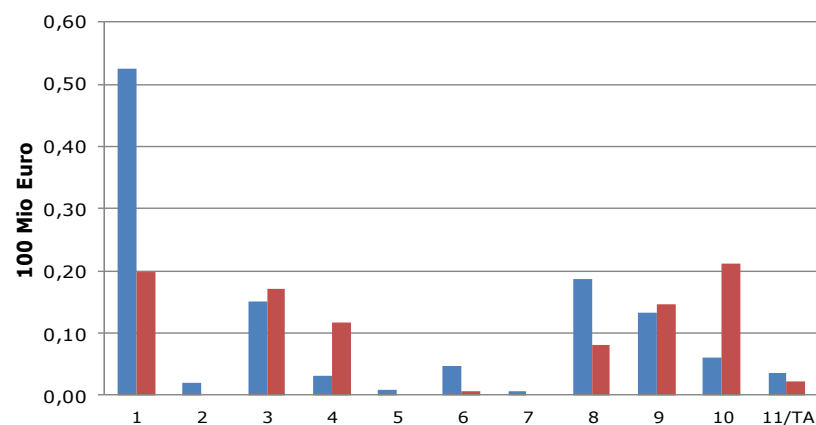
**Germany**



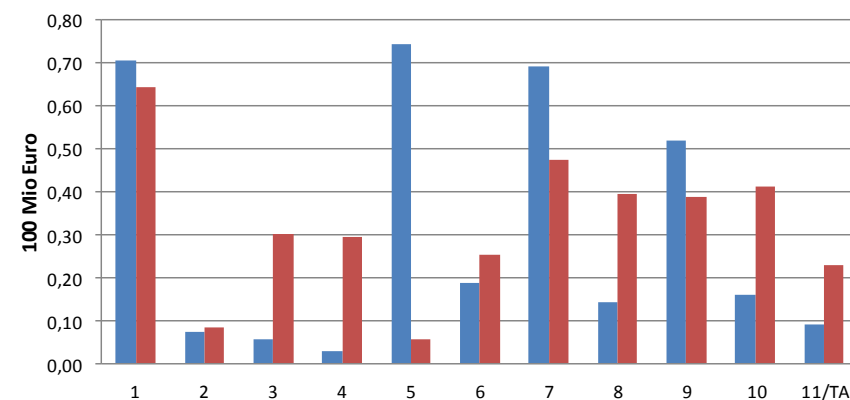
**Bulgaria**



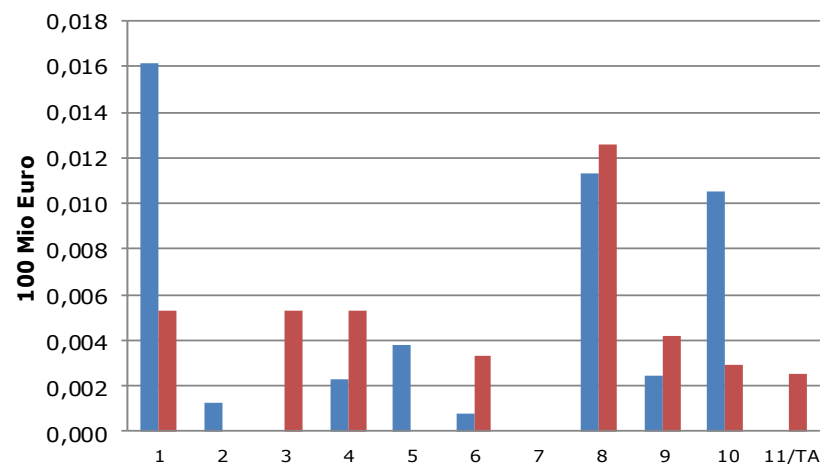
### Austria



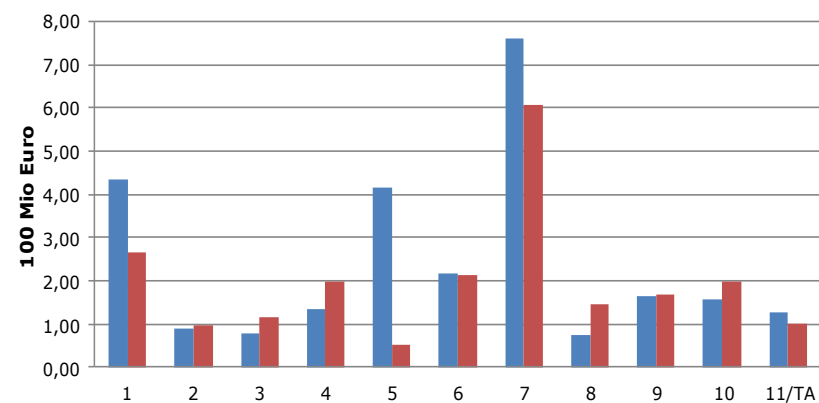
### Estonia



### Luxembourg



### Czech Republic



**Source:** Member States Partnership Agreements, European Commission DG for Regional and Urban Policy website.<sup>29</sup>

<sup>29</sup> European Commission DG for Regional and Urban Policy Website: [http://ec.europa.eu/regional\\_policy/thefunds/funding/index\\_en.cfm](http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm) .

### 3.3. Self-assessment of state of 2014-2020 Cohesion policy implementation

The authorities interviewed in the framework of the case studies were asked to rank the progress in implementing the key issues for 2014-2020 (see Table 1). The self-assessment of case study Member State representatives allows the following summary of the state of play of PA and OP development as of June 2014:

- **Strategic planning / thematic concentration** had been finalised in almost all case studies, and implementation was characterised as at an advanced stage in Greece, Sweden and the UK.
- The implementation of a **performance framework** was advanced in all cases analysed and finalised in Austria and Finland.
- Implementing regulations and guidance material for **project generation/preparation** and **project appraisal** had not been finalised in any of the case study countries. In some cases (the Czech Republic, Finland and Greece), this process had not yet started.
- The process of developing **financial management** was generally advanced. In Estonia and Finland, it was finalised, but in Bulgaria it was still in the initial stages.
- **Control mechanisms** had been finalised only in Estonia and Finland, and the state of development in the other countries ranged from initial to advance.
- The preparations with regard to **monitoring** and **evaluation** ranged from initial to advanced; only in Germany had the process with regard to evaluation not been started.
- The preparation progress for implementing **simplifications** was advanced in all cases, since it is part of the OPs. The chapter of the PA containing the description of simplifications and the accompanying activities (chapter 2.3. according to the Partnership Agreement template 25.02.2013) was finalised in Finland, but it was still at the initial stages in Poland and the UK.
- The development of **communication channels** generally ranged from advanced to finalise in those countries that do not intend to change the system from the 2007-2013 programming period (Germany, Estonia, Finland, Greece). However, it was only at the initial stage in the Czech Republic.
- Wherever **financial instruments** are to be introduced or maintained, their development was initial to advanced, and finalised only in Finland.
- The establishment of a standardised process to apply the **partnership principle** was reported as advanced in the majority of cases. In Finland and Estonia, the interview partners considered the standardisation process to be at the final stage, whereas Greece appeared to be only at the initial stage.

### 3.4. Partnership agreement and programme preparation

#### 3.4.1. State of play of submission of PAs and OPs

At the time of the preparation of the case studies (June 2014), the EU Member States were in the final stages of preparations for the 2014-2020 programming period. Most Member States had submitted their final PAs, but with regard to the OPs of all ESI Funds the negotiation phase between the European Commission and the Member States was expected to last until the end of 2014.<sup>30</sup> Whereas ERDF and ESF programmes in most Member States were in the final stage prior to official submission, some ETC programmes were still in a very preliminary phase. For example, the Adriatic Ionian and the Danube programmes were under development with a planned submission in September 2014. Table 5 shows the state of submission of national and regional ESF and ERDF OPs as well as PAs, at the time of finalising this study.

**Table 5: State of PA and OP submission 22 August 2014**

MS 28	PA submitted	PA adopted	ERDF, ESF, CF OP Submitted
AT	17 April		1
BE	23 April		1
BG	2 April	7 August	4 (complete)
CY	17 April	20 June	
CZ	17 April		
DE	26 February	22 May	15
DK	4 March	5 May	2 (complete)
EE	28 February	20 June	1 (complete)
ES	22 April		
FI	17 February		1
FR	14 January	8 August	32
GR	17 April		
HR	22 April		
HU	7 March		5 (complete)
IE	22 April		
IT	22 April		
LT	4 January	20 June	1 (complete)
LU	30 April		
LV	15 February	20 June	1 (complete)
MT	1 April		
NL	10 March		4 (complete)
PL	10 January	23 May	21 (complete)
PT	4 February	30 July	10 (complete)
RO	1 April	6 August	

<sup>30</sup> European Commission DG for Regional and Urban Policy Website:  
[http://ec.europa.eu/regional\\_policy/what/future/index\\_en.cfm#1](http://ec.europa.eu/regional_policy/what/future/index_en.cfm#1)



MS 28	PA submitted	PA adopted	ERDF, ESF, CF OP Submitted
SE	17 April		9
SI	10 April		1 (complete)
SK	14 February	20 June	5 (complete)
UK	17 April		3
Total			114

Source: European Commission DG for Regional and Urban Policy, 22 August 2014.<sup>31</sup>

The **process of developing the PAs** was well underway in the 14 Member States analysed in the form of case studies. At the time of writing, all PAs had been finalised and approved by the governments and submitted to the European Commission between February and May 2014, thus respecting the deadline laid down in Article 14(4) of the CPR.<sup>32</sup>

The process of developing the PAs was one of '**multi-level governance**', given that it was based on the involvement of a large number of different partners. All of the Member States analysed in the case studies had established platforms, working groups, PA committees, thematic working groups, and public consultations (see Box 4).

The Member States started preparing early for 2014-2020, which was possible since the European Commission had published the draft CPR in autumn 2011, and the trilogue negotiations had deliberately started with the articles needed for preparing the PAs and the OPs. In Austria, Luxembourg, the Czech Republic and Greece, the programming process had already started in 2012 (spring 2012 in Austria); whereas in Italy, Hungary and Sweden in early 2013.

Key elements, to be laid down in delegated and implementing acts, were missing even as late as January 2014. The deadlines for submitting the OPs are laid down in Article 26 of the CPR: OPs they must be submitted within three months after the submission of the PA. For ETC programmes the deadline for submission is 22 September 2014 according to the CPR. Moreover, account is taken of possible delays of Fund-specific Regulations and the CPR define special deadlines for submissions for programmes affected by the delay.<sup>33</sup>

#### Box 4: Examples of different PA development approaches

In **Germany**, the PA preparation process was characterised as being similar to the 2007-2013 National Strategic Reference Framework (NSRF) development process.

In **Estonia**, the approach was considered to be rather top-down, given that the most appropriate development needs were defined first to produce a carefully elaborated list of thematic priorities. The holistic approach in **strategy development** was the most important change. The aim of the this process was to gain a holistic view of strategic planning, as well as to improve the integration of EU funding into measures for fulfilling the overall strategic objectives of Estonia. The process was led by the Ministry of Finance, and decision-making and planning were largely centralised. On the one hand, this approach allowed retention of a strategic focus during the whole process, but on the other hand it marginalized the sectoral ministries in the process.

<sup>31</sup> European Commission DG for Regional and Urban Policy Website [http://ec.europa.eu/regional\\_policy/what/future/index\\_en.cfm#1](http://ec.europa.eu/regional_policy/what/future/index_en.cfm#1).

<sup>32</sup> Regulation (EU) No. 1303/2013, Article 14 (4).

<sup>33</sup> Regulation (EU) No. 1303/2013, Article 26.

In **Luxembourg**, a combined approach of bottom-up and top-down was applied, with the PA being developed in a partnership process involving the Managing Authorities of the ERDF, ESF and EAFRD programmes seated within different ministries, the economic and social partners, and civil society. With a view to coordinating the Managing Authorities, a committee was created and managed by the ERDF Managing Authority (Directorate of Regional Policy at the Ministry of the Economy and Foreign Trade). According to the Managing Authority, the regular meetings and workshops were interactive in order to promote informative and consultative development. The Managing Authorities ensured that the partners involved were informed at least one month in advance in order to leave sufficient time to draw up recommendations.

In the **UK**, the process appears to have been rather bottom-up. In fact, the PA is made up of separate chapters for England and each of the Devolved Administrations (Scotland, Wales and Northern Ireland). The UK Department for Business, Innovation and Skills oversaw the process of developing the PA. The pace of development of the separate chapters differed across the UK. In Scotland, the development of the PA and OPs took place in parallel, whereas in England and Wales the development of the OPs led and informed the development and content of the PA chapters. The content of the English national ERDF OP for 2014-2020 (and therefore the relevant PA chapter) was informed by local-level strategic documents (the ESI Funds strategies of 39 Local Enterprise Partnerships), which had to be prepared and agreed before the PA/OP content could be finalised.

Similarly, in **Austria** a so-called 'focus groups' were set up by the PA preparation process's Steering Group<sup>34</sup> to clarify and deepen certain issues. These focus groups consisted of representatives of the respective theme discussed and hence brought together various types of stakeholders. Also, the STRAT.AT 2020 Forums were open to all actors involved in the programming (programme implementation partners, economic and social partners, Association of Towns and Associations of Municipalities, intermediaries, Non-Governmental Associations (NGOs), experts/academia). In the online consultations carried out in summer 2012 and summer 2013, all interested stakeholders were invited to express their opinions and provide feedback on the draft PA.

In general, usually there was an attempt to maintain a balance between a bottom-up and a top-down approach. The PA process was successfully implemented in terms of having a strong link between the PA content and the national strategies and policies as well as the EU strategies. The application of the partnership principle incorporated into the processes a better organisation of the involvement of stakeholders. Moreover, key players were aware of a learning effect from previous experience. The parallel process of the ex-ante evaluation enabled improvement of the quality of the PA, as well as greater coherence between the selected Thematic Objectives and investment priorities. In addition, the stakeholders interviewed in the framework of the case studies described the perceived advantages and disadvantages of the PAs. In some cases (Czech Republic, Germany), the PA was not seen as a 'revolutionary change compared to the NSRF', and therefore the process was very similar to the one for preparing the NSRF in 2007-2013, except for the inclusion of the EMFF and EAFRD.

<sup>34</sup> High ranking public officials carrying out strategic tasks concerning the overall process, bringing together the so-called Project Group, the sub-committee on Regional Economy (coordination board for EU regional policy and its implementation in Austria) and the political bodies of Austrian Conference on Spatial Planning (ÖROK), which was responsible for coordinating the interaction between the different funds and the elaboration of the PA.

The perceived **advantages** of the PA are clearly related to its ability to strengthen the consistency and integrity between the funds, as well as between the EU strategies and policies and the national strategies and policies:

- **Stronger link to EU strategies:** Greater links to economic strategies at EU level (Europe 2020) as required in the CPR are established with the PA and OP elaboration.
- **Coherence with national strategies and policies:** In **Poland**, the PA is regarded as an important strategic document for development. There are broad areas of agreement, particularly concerning the diagnoses of challenges where Thematic Objective 1-4 and the priorities of Poland's National Strategy for Regional Development (KSRR) largely cohere. Similarly, in **Bulgaria**, the PA is perceived as a comprehensive document providing the basis for developing the 2014-2020 programming period and as better targeted than the NSRF.
- **Better coordination of funds:** In **Sweden**, the coordination of funds is regarded as important in order to enable more effective programme implementation and to provide better value for money. The process of developing the PA was time-consuming and compromises were necessary, but overall the exercise was viewed as useful and instructive. In **Finland**, in 2007-13, the NSRF had an important role in aligning and integrating the regional ERDF programmes and the ESF programme. The PA for 2014-2020 was perceived as enabling a further step, facilitating a more integrated approach across the different funds and avoiding overlaps. In **Estonia**, the PA complemented the holistic strategic planning approach that Estonia followed in planning the EU funds for 2014-2020. As the PA includes ERDF, ESF, CF as well as EAFRD and EMFF, it made central and holistic strategic planning for Estonia easier. The main elements of added value from the PA were seen as the common approach to the planning process, creating synergy on a strategic level, and forcing public organisations to cooperate more closely.

### 3.4.2. Difficulties in PA and OP development

The different elements of the programming process and the **adjustment of PAs and OPs lacked efficient coordination**. Some countries started their strategic process before the European Commission published the first draft of the guidance documents (e.g. PA template and OP template). Additionally, changes to the draft legislative package were submitted to the public authorities on a regular basis (every three months). Parallel to the (not necessarily final) agreements reached in trilogue negotiations, the complementary guidance documents ('fiches') were subject to regular changes by the European Commission. This resulted in additional workload, since the PA and OP drafts had to be adjusted in line with the guidance documents.

**Also, in some countries the PAs had to be modified due to the results of regional and national analyses** which had been elaborated in parallel by regional and national authorities. In some countries, whereas the PA should have been an umbrella document for all ESIF programmes, those developing the OPs did not deliver the necessary input for the PA. The Managing Authorities of the OPs were only scarcely involved at the beginning of the PA development. When the development of the OPs started, the PA had to be readjusted accordingly.

**Those Member States with a comparatively small share of ESI Funds in the public budget see the PA as a duplication of the OP.** For example, in **Finland** there will be only one national multi-funded programme for ERDF and ESF in 2014-2020, and work on the PA is perceived by the Finnish authorities as duplication of the OP rather than delivering added value. In **Luxembourg**, the authorities perceive the PA as an unnecessary additional workload, given that the regional level is equal to the national territorial level due to the small size of the country. Consequently, they see no 'cost-benefit balance', in the sense that the financial envelope is small compared to the administrative burden.

**In Greece, macro-economic goals are strongly affected by the international macro-economic situation**, and they do not always reflect the long-term effort to create sustainable and socially equitable development. The general opinion is that Cohesion policy funding disbursement should concern only the proper use of resources and issues of good governance policy and not seek to achieve the objectives of the Europe 2020 Strategy. Moreover, GDP in 2008 prices as a criterion for allocating funding is considered as incorrect by the central authorities and as giving a misleading picture of regional data. In order to categorise Greek regions, they advocate the use of more recent statistical data to reflect the effects of the economic crisis after 2008. Furthermore, in the opinion of the public authority interviewed, regions with special geographical characteristics (i.e. islands) should be considered as transition regions, regardless of per capita income. The fact that Structural Funds resources should be allocated according to the Thematic Objectives, and depending on the classification of the regions, creates the perception in some Member States of a limited framework for regional development planning.

**In Italy, institutional reforms are taking shape nationally**, i.e. the creation of an Agency for Territorial Cohesion and the related reorganisation of the Department for Development and Economic Cohesion Policies (which historically has been in charge of the oversight and coordination of regional development policy), and a degree of uncertainty has been added to the process, effectively reducing the political weight and clout of the Department in its dialogue with the regional authorities. Fundamentally, the significant delays with the implementation of 2007-2013 Cohesion policy programmes, compounded by the effects of the **economic crisis and the related austerity measures** (particularly in the Convergence regions), meant that considerable effort had to be made, both nationally and in the regions, to limit the damage of possible loss of resources and accelerate the progression of expenditure. Measures put in place included reprogramming the OPs, setting up dedicated taskforces with representatives from the European Commission, the national government and the regions (in Campania, Sicily and, more recently, in Calabria), and agreement with the European Commission on reduced co-financing rates, with the subsequent reassignment of the removed co-financing resources to a dedicated (domestic) Cohesion Action Plan. These measures paid off, with a significant catching-up of expenditure, but they distracted human resources and time away from the equally important task of programming for the 2014-2020 period (particularly in the regions).

**In Italy, there have been three different governments since the start of the PA drafting process.** The process of drafting the PA was started under Minister Barca, who had a clear vision based on his past experience as Head of Department and as an expert (he drafted the so-called 'Barca report'<sup>35</sup> in 2009 for the European Commission, which is at the heart of the current programming approach). The change of government slowed the process down and to some extent disrupted this strong sense of ownership and vision. Furthermore, the most recent change of government also entailed the abolition of the dedicated Minister for Territorial Cohesion. Additionally, there is a **low degree of political commitment in the regions** in Italy. The regional authorities, in a document issued on 19 March 2014, indicated the necessity *'to define as soon as possible, together with the regions, the implementation of clear and focused strategic goals, of methods centred on expected results defined as concrete and specific goals for development and the improvement of the quality of life of citizens'*.<sup>36</sup> Furthermore, the Italian regions lamented **the lack of clarity** on the content of the national OPs foreseen in the PA, which obviously affects the strategic choices to be made within the ROPs. In comparison, in Greece the central character of the political structure is reflected in all steps of development strategy planning. During the last three years (2011-2013), **the Greek Government changed four times**, resulting in a reallocation of responsibilities between Ministries, as well as changes in policy priorities by different political groups. In addition, the Greek Government made an effort towards public administration reform, including the closure of central public sector departments and restructuring into more efficient units.

**Although the partnership principle**, as further developed in the CPR compared to the provisions in force in the 2007-2013 programming period, **was appreciated in general, the decision-making process encountered some difficulties.** The tailor-made formats that were created aimed at including as many actors as possible. This resulted in higher expectations of having an influence on the PA and OP development or receiving a larger share of the EU funds, which are seen as an important financial source in a context of public finance shortages. The political stakeholders in Saxony (Germany) for example tried to argue for the integration of the Thematic Objective 'transport' into the ERDF OP of Saxony. Only after intensive discussions with the European Commission representatives was the transport issue dropped from the OP in March 2014. The European Commission very strictly adhered to the Thematic Objectives recommended in the EC Position Papers published in 2012.

**The involvement of numerous partners in the development of the PA through several platforms resulted in complex and lengthy discussions** that made it difficult to reach consensus. The management of information flows was often difficult due to the large range of stakeholders involved, for example in Estonia or Austria. By contrast, observers from the regional authorities in Italy expressed the view that there was no real dialogue on strategies with the regional authorities, and that the process was dominated by technicalities, e.g. listing types of actions and identifying processes, rather than reflecting strategically on what needed to be changed (i.e. the results to be achieved) and how the programmes could deliver such change, including concentration on key areas.

<sup>35</sup> Barca (2009), An Agenda for a Reformed Cohesion Policy, A place-based approach to meeting European Union challenges and expectations, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy by Fabrizio Barca, April 2009.

<sup>36</sup> Conferenza delle Regioni e delle Province Autonome (2014), Documento di confronto con le regioni, 14/030/CR01/C1-C2-C3-C4-C5-C7-C8-C9-C11, 19 March 2014.

In contrast to the preparatory process for the 2007-2013 framework, **the 2014-2020 PAs must also include the EAFRD and the EMFF**. This adjustment was challenging for the Federal Ministry in charge in Germany, whereas, by contrast, it was **perceived as an advantage** in Greece, especially at regional level.

**In many cases, the level of difficulties seemed to reflect the level of cooperation between administrative bodies.** There are two reasons for lacking cooperation: either the different public authorities are led by different political parties, making cooperation difficult by nature, or there is simply no tradition of cooperation. In the case of Austria, the Ministry of Environment does not have much experience in cooperating with the Managing Authorities of the ERDF and even less with those of the ESF.

In the Czech Republic, major criticisms have already been made by the actors involved in the **management and implementation of the ESI Funds about the complexity and the extent of the requirements**. Although the Managing Authorities consider these requirements to be rational and justifiable, the actors involved consider that they will result in too great an administrative burden and workload, with the **audit requirements** cited as a prime example.

**Thematic concentration was seen differently in different Member States.** Those Member States with previous experience in ERDF OPs that focused on support for SMEs and innovation and research had no difficulty adjusting to the intensified thematic focus of the 2014-2020 programming period. Most of the EU15 Member States (respectively the more-developed regions) have experience in concentrating funds on those objectives. However, Thematic Objective 4 (supporting the shift towards a low-carbon economy in all sectors) and its major focus in all regions proved to be a challenge for Member States with no previous involvement in resource-efficient projects. It seems that most countries experienced a lack of flexibility in distributing the funds towards the relevant objectives in their regions by being focused of a certain percentage on the first four Thematic Objectives. In the EU12, the thematic concentration was even more challenging, because the 2007-2013 programming period had a major focus on infrastructure improvement (e.g. rail, road) and development rather than on support for SMEs and research and innovation.

**The development of strategies as ex-ante conditionalities as well as the involvement of stakeholders across sectors was considered challenging,** but some Member States recognised that the process provided new perspectives for various sector-oriented government levels. As described in Section 2.2.2, **ex-ante conditionalities** can be divided into general and thematic ones. While the first category mostly represents a follow-up to the 2007-2013 programming period, the second category is oriented along Thematic Objectives and is Fund-specific. The main Funds targeted are ERDF and ESF, with thematic ex-ante conditionalities for the EAFRD and the EMFF being described in their respective Fund-specific regulations. It is clear that there are significant omissions from strategic and programme perspectives for different Thematic Objectives, and accordingly a better strategic embedding of measures is necessary in many Member States.

The **smart specialisation strategy**, as the first thematic ex-ante conditionality, has to be completed before the finalisation of the OPs, because some parts of the OPs refer to the strategy. However, the strategy has been a subject of discussion, because the European Commission's feedback and assessment of the strategy was perceived as an interrogation of national and regional strategic agendas (see also Section 2.2.1).



### 3.4.3. Communication with the European Commission

The communication with the European Commission was based on four channels:

- the text of the draft legislative package published in autumn 2011 and the documents distributed informally showing the changes agreed upon during trilogues as well as the text of the of the draft delegated and implementing acts;
- the guidance material and the EC Position Papers;
- information flow via the relevant committees and
- direct communication with desk officers.

A number of the authorities interviewed in the case studies perceived the **European Commission's support as very professional and helpful**. Positive features of this support included constructive criticism, useful feedback and suggestions for improvement on the draft PA and OPs (Bulgaria, Finland, Sweden). The authorities across the studies particularly valued the constructive input from the European Commission's officials received through informal contacts (Czech Republic, Finland, Luxembourg, Poland, and UK). In Poland for example, the authorities explicitly wanted to maintain regular informal contact with the European Commission throughout the drafting process, in order for the final negotiations to mainly consist of formalities.

**Nevertheless, wherever the dialogue was carried out with several European Commission staff members from different units was perceived as conflicting and confusing.** In different case studies, it appeared that the representatives of the European Commission interpreted the legislative package differently. The debate about indicators was especially ambiguous between different stakeholders. Furthermore, verbal communication with the desk officers diverged from written comments. In Poland, the authorities maintained regular, informal contacts with the European Commission throughout the drafting process, and this established strong links, but the European Commission's comments on the drafts continued to be extensive, despite the number of meetings held with European Commission officials. In Luxembourg, the informal discussions and agreements with the European Commission were professional, but they did not correspond to the formal comments received.

Member States started the process of OP preparation without acknowledging the **EC Position Papers** published in autumn 2012 on the website of the DG for Regional and Urban Policy. This was mainly due to a lack of understanding by Member States about the significance of the EC Position Papers. In some cases, Member States only understood the significance of the paper during the process, which prompted essential revisions and long-lasting discussions among regional and local partners about the content and relevance of the EC Position Paper (e.g. Austria, UK). In the UK, for example, the informal consultation process with the European Commission on the draft PA chapters and OPs was seen as challenging. The European Commission was seen to be **adhering very closely to the content of the EC Position Paper**, and the main negotiating issues centred on the Thematic Objectives (ICT infrastructure, transport, climate-change measures to alleviate flooding) and how the 5% urban stipulation was addressed.

It has also been reported that the feedback from the European Commission seemed to be 'top-down' and therefore detached from the reality in the Member States, due to a lack of

specific technical knowledge. This was equally true for comments related to report structure and to changes of indicators. In some instances, the recommendations of the ex-ante evaluation contradicted the recommendations of the European Commission, which generally increased confusion among the Managing Authorities and public authorities.

#### **Box 5: Discrepancies between informal and formal discussions with the European Commission**

In the **Czech Republic**, by the end of May 2014, there had been at least five dialogues with the European Commission. The Deputy Minister and coordinator of Structural Funds at the Ministry of Regional Development considered this exchange to be positive, but also that its effectiveness could be weakened if issues discussed informally reoccurred at a later or formal stage of negotiations. This might give the impression that too many services in the European Commission were involved at various stages in commenting on the PAs, without being sufficiently coherent.

In **Luxembourg**, the first contact with the European Commission with regard to the PA occurred in July 2013. The European Commission desk officer and the Luxembourg officials had an intensive discussion about the PA contents, and the comments of this discussion were incorporated into the document. However, after the first draft of the PA was submitted in September 2013, the European Commission sent another 10 pages of comments and recommendations to the Ministry of the Economy and Foreign Trade in February 2014. The public authorities perceived that scale of comments to be unreasonably high, having already had an exhaustive discussion and relative to the small amount of budget that Luxembourg receives. On 13 February 2014, European Commission representatives visited Luxembourg to discuss the next draft of the PA. The contact was very professional, but the process was seen as lengthy and inefficient by the officials from the Ministry of the Economy and Foreign Trade, due to the need to revise the documents substantially and to the associated administrative burden.

In **Poland**, twelve or more meetings were held as from 2012 with the European Commission regarding the development of the PA. The aim was to ensure that the key issues were discussed in time and that the final negotiations would be largely formal. Nevertheless, the European Commission's comments were still extensive.

### **3.5. Concluding remarks**

**The CPR allowed for a reduction** in the number of OPs and laid the groundwork for a better coordination between ESI Funds. In terms of financial allocation and budgeting in the case study Member States, no exact figures were available at the time of writing.

**Above all, the general environment in which Member States' authorities prepared for the 2014-2020 programming period was characterised by the continuing impacts of the financial crisis and political and institutional changes.** In Member States that experienced particularly strong impacts of the financial crisis, this led to the motivation to use ESI Funds to compensate for budget cuts at national and regional levels. However, the thematic concentration helped to steer ESI Funds to meet specific pre-determined purposes and precluded a reorientation towards filling gaps in national budgets. **The PAs have been finalised in all Member States, but the preparation of OPs is still underway in half of the Member States.** However, the approach of acknowledging the partnership principle in the establishment of the PA was tackled differently in different



Member States. Some Member States underwent a lengthy and time-consuming participation process, involving all possible relevant stakeholders, whereas other Member States merely informed the partners through a written procedure. Nevertheless, partners acknowledged that even though the process was time-consuming, valuable interactions were initiated during the development of the PA.

Notwithstanding this positive outcome, difficulties were experienced in the preparation of the PAs. Those regional authorities who were responsible for the elaboration of the ROPs got involved later in the process and they were initially reluctant to participate in the early stages of the PA development. In fact, the ROP authorities were focused on and busy with the preparation of the ROPs rather than concentrating on the elaboration of the PA. In some Member States the communication between national and regional partners was criticised, but this was mainly due to badly established communication channels in the respective Member State.

**The difficulties in incorporating the partnership principle into the OP development process reflect general issues of Member States regarding decision-making processes.** In many cases, the communication between the different levels of administration either horizontally or vertically does not produce adequate results. One main cause of problematic decision-making processes is the strong political influence with which the ESI Funds programming process must contend. The Managing Authorities are confronted with sectoral political interests as well as with regional interests.

**The general perception of Member States about duplication** of processes leads to the conclusion that some Member States are still thinking of the 'traditional' Cohesion policy funds, rather than understanding that EAFRD and EMFF should also be coordinated with ERDF, ESF and CF. The danger of this mind-set concerns particularly the future implementation of ESI Funds, as there might be no real coordination between ERDF and ESF on the one hand and EAFRD and EMFF on the other. The coordination between ERDF and CF should not be a problem due to the experiences of the 2007-2013 programming period.

Another issue in the preparation phase of the 2014-2020 programming period was the sometimes **difficult communication with different representatives of the European Commission next to its perceived role in offering constructive criticism.** This perception of difficulties in communication has several aspects, as follows (based on the case studies analysed in the present study).

- Member States with a relatively small ESI Funds budget criticised the extensive interaction with the European Commission and the time-consuming negotiation that is disproportionate to the scale of their ESI Funds budget.
- Countries that had already successfully implemented the 2007-2013 programming period saw no reason to change either their procedures or the thematic orientation of the ESI Funds.
- Negative perceptions regarding the European Commission communication were based on defensive reactions to criticism and the impulse to be similarly critical in response. By the time the European Commission stepped into the process, the Member States had already been active in the preparation phase for some considerable time, gaining consensus through the on-going discussion between the partners. Therefore, new critiques at that stage in the process were unwelcome, and

they made the Member States feel that its efforts had not been appreciated or rewarded.

- The forth aspect relates to the style of communication. Some authorities felt that the criticisms were overstated and that different units of the European Commission had made conflicting/ambiguous statements. The interpretation of the legislative package was different in different units of the European Commission, as well as between the European Commission and the ex-ante evaluation experts. The Managing Authorities had to operate within this uncertain environment.

Member States with a strong regional political system had difficulties in effectively coordinating the development process for the PA and OPs. In small countries such as Estonia, Austria and Luxembourg especially, the involvement of a high amount of stakeholders almost brought the general administrative process to a standstill.

Communication was difficult also because the legislative package and the guidance materials changed during the PA and OP preparation process, and both instruments had to be adjusted several times.

**The PA preparation process was however also seen as positive mainly in Member States where it helped increasing the communication and information flow between different authorities.**

**Member States moreover had the general attitude not to change very much from the 2007-2013 period**, and they only reluctantly shifted their attitude towards the 2014-2020 requirements. Regarding the integration of EAFRD and EMFF with ERDF, ESF and CF, the attitudes among Member States were different again. In Member States with a comparably large budget of Cohesion policy instruments, integration was generally welcomed, whereas in others the integration was more of an exercise on paper, and it is doubtful whether there will be any coordination at the level of implementation of OPs.

**Complaints about the complexity and bureaucracy of the requirements** for OP implementation are not new, and in many cases they resulted from national administrative systems failing to adjust to the administrative system of ESI Funds management. In the 2007-2013 programming period some of the control mechanisms of Member States were not flexible enough to acknowledge certain administrative constraints at national or regional levels. Examples of problems that led to complaints include overly complex public procurement rules for national and regional levels, lack of standardised certificates for project costs in certain beneficiary systems, lack of understanding and communication between programme implementation management and beneficiaries, and the reporting and audit requirements of ESI Funds management. With regard to general administration, in some cases the EU12 tended to have a better-adjusted administrative system than the EU15, where ESI Funds sometimes represented a relatively small share of the public budget.

**The perceived usefulness and the added value of the PA differ among Member States.** Wherever ESI Funds play a subordinate role in terms of their financial weight, no advantages prevail; given that ESI Funds are not an instrument for policy design, they should be integrated into regional strategies. Wherever the ESI Funds constitute a real need in financial terms at national level, this new instrument definitely brings added value because of the synergies and the process of strategy development that the PA offers.

## 4. ADMINISTRATIVE CAPACITY

### KEY FINDINGS

- In response to the financial and economic crisis, some Member States carried out changes in the administrative structure to increase efficiency and save public financial resources. These changes had negative effects in Greece, for example, due to a decrease in public capacities.
- In response to the European Commission Position Papers, most of the Member States have carried out changes in line with the European Commission's recommendations.
- Despite the European Commission Position Paper assessments, which criticised administrative capacity in almost all Member States, case study regional interviewees predominantly regarded administrative capacity as positive. Negative assessments were less frequent and expressed with caution. The most effective programme delivery elements were considered to be financial instruments, evaluation and monitoring. The least effective programme delivery elements were identified as performance frameworks and strategic programming.
- The management of ERDF themes was considered to be most effective with regard to Thematic Objective 11 (institutional capacity) and Thematic Objective 3 (SMEs). The theme considered to be the least effective in terms of capacities was Thematic Objective 6 (environmental protection), as well as hard infrastructure projects in general.
- Member States will build upon the programme management experience accumulated in the previous programming period(s). A reduction of the number of Operational Programmes can lead to simplifications; but in many countries it will lead to an increase rather than a decrease in structures.
- In the 2007-2013 programming period, the administrative issues related to human resources, namely staff fluctuation, a lack of knowledge and experience, and the absence of an adequate administrative framework. The fluctuation problem is expected to continue.
- The main measures in order to resolve capacity issues are a decrease in the number of actors involved, the reduction of structures, the introduction of more effective control mechanisms, and better coordination between different levels of public administration. E-Cohesion services can help compensating for the reduced implementation systems.
- Training is also considered as a measure for improvement, but due to the continuing staff fluctuation, training efforts are not considered to be successful enough.
- An additional capacity issue arises with the parallel programme management for the 2007-2013 and the 2014-2020 programming periods, involving different structures and different levels of management.

The following section presents the second part of the case study synthesis (Task 3 as described in Section 1.3 Methodology) focusing on operational management capacities. The section covers assessments of management capacity at European level (4.1), as well as national and regional levels (4.2), and several different impacts influencing administrative capacity such as structural challenges (4.3) and capacity-related challenges (4.4).

The section provides an overview of measures put in place to improve management capacity (4.5). At the end of the section, the concluding remarks analyse the findings of the case study synthesis (4.6).

## 4.1. Performance assessment at European Level

### 4.1.1. Impact of and reaction to the financial and economic crisis

The financial and economic crisis had an impact in almost all Member States' OP implementation. In many cases, OPs were changed in order to better support labour market issues in the ESF, but also to better support SMEs in economically critical times in the ERDF programmes. Many of the EU12 had (and continue to have) difficulties in co-financing projects. While some Member States experienced difficulties in implementing the Structural Funds, others improved the efficiency of administrative systems in order to save public financial resources. However, in the case of Greece, for example, the financial crisis and the following austerity measures did not help to improve effectiveness, but instead reduced public capacities even more.

#### Box 6: Impact of the financial crisis in some case study Member States

In **Bulgaria**, the financial crisis largely impacted on the capacity of the project beneficiaries to implement their grant contracts, which in some cases, for example under the OP 'Competitiveness', led to an inability of SMEs to implement a significant number of already-approved projects. The municipalities also had problems securing sufficient financial resources for their projects' implementation. However, the political instability had no significant impact on capacity: although there were changes among the Heads of the Managing Authorities after the preliminary elections in 2013, the Managing Authorities managed to preserve most of their expert staff.

Similarly, in **Germany**, the financial crisis had an impact in the 2007-2013 programming period, resulting in changes in various OPs to ensure that the ERDF as well as the ESF reacted to short-term and long-term effects. These changes had consequences for the 2014-2020 period, with some new instruments being introduced and others being strengthened: subordinated loans, equity capital and risk capital were strengthened, as was market entry for SMEs by offering the possibility of combining loans and grants.

In the **Czech Republic**, during the financial crisis there was some reduction of public spending due to savings measures. The political instability was reflected in strategic decisions on the implementation of some large contracts. An evaluation of the achievements of Cohesion policy carried out in 2012 found no significant impacts of the crisis on the implementation of EU Cohesion policy support.

In **Finland**, the impact of the financial crisis took the form of a shift towards more streamlined administration in order to make economic savings.

The financial pressure is concretely visible in the administrative reforms implemented for the 2014-2020 period (see also Box 11 on the concentration of tasks on four specialised Centres for Economic Development, Transport and the Environment ("ELY-Centres") and coordinating regional councils). In addition, the Managing Authority reduced the TA budget from 4% to 3%, which affects the number of people employed across the Intermediate Bodies (ELY-Centres and regional councils) and also at the level of the ministry. In Greece, the financial crisis and the following recession and the continuing deterioration of labour market is reflected in a high unemployment rate. In addition, the continued deterioration of the country's international position in terms of competitiveness characterises the Greek economic situation from 2009 until now. The audit surveillance of the Greek economy from the IMF-ECB-EU (see Box 2), the decrease in public expenditure and especially in the Public Investment Programme, and public disapproval of the structural reforms are among the main factors with negative impacts in OP implementation in the 2007-2013 programming period. However, in reality, due to the strict control in the Greek economy, the absorption of EU funding was made a binding requirement. Namely, in the Economic Adjustment Programme, which is based on the decisions taken in the context of the European Semester,<sup>37</sup> Greece adopted a system for the quick implementation of delayed projects.

As a reaction to the financial and economic crisis, the EU launched a new set of rules on 'economic governance' in 2011. EU economic governance can be seen as an umbrella term describing EU interventions controlling and monitoring the economic situation in the Member States. It is threefold, covering the European Semester as the observer and recommending branch,<sup>38</sup> the Stability and Growth Pact<sup>39</sup> as the legal regulative branch, and the macro-economic imbalance procedure<sup>40</sup> as the surveillance branch. On the basis of the Treaty on the Functioning of the European Union (TFEU), Member States are guided, ruled and monitored, and interventions addressing financial stability are implemented (for example, see Greece, Box 6).

The European Commission launched the European Semester to address the economic situation of the Member States and to achieve the Europe 2020 targets. The European Semester summarises actions taken by the European Commission as well as Member States the European Parliament and the Council in a yearly cycle of economic policy coordination. Since 2011, the European Commission publishes a yearly analysis of all Member States' programmes of economic and structural reforms and makes country-specific recommendations. Greece is the only Member State to have a full Economic Adjustment Programme of detailed guidance on how to improve its domestic situation<sup>41</sup>.

<sup>37</sup> During the 2014 European Semester, the European Commission again published country-specific recommendations for each Member State, along with an overarching communication on what is needed to return to growth and jobs. The recommendations are based on an assessment of each Member State's plans for sound public finances (Stability or Convergence Programmes, or SCPs) and policy measures to boost growth and jobs (National Reform Programmes, or NRPs), [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm).

<sup>38</sup> European Commission, economic and financial affairs: 'The European Semester is the first phase of the EU's annual cycle of economic policy guidance and surveillance.' Available at: [http://ec.europa.eu/economy\\_finance/economic\\_governance/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/index_en.htm).

<sup>39</sup> European Commission, economic and financial affairs: 'The Stability and Growth Pact (SGP) is a rule-based framework for the coordination of national fiscal policies in the European Union. It was established to safeguard sound public finances, based on the principle that economic policies are a matter of shared concern for all Member States. The Macroeconomic Imbalances Procedure (MIP) operates alongside the SGP to identify and correct macroeconomic imbalances and monitor competitiveness developments'.

<sup>40</sup> European Commission, economic and financial affairs: 'The Macroeconomic Imbalance Procedure (MIP) is a surveillance mechanism that aims to identify potential risks early on, prevent the emergence of harmful macroeconomic imbalances and correct the imbalances that are already in place'.

<sup>41</sup> European Commission Economic and Financial Affairs website: [http://ec.europa.eu/economy\\_finance/assistance\\_eu\\_ms/greek\\_loan\\_facility/](http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/)

One result out of the analysis described above are publications of country-specific recommendations which must be taken into account in the programming period. In many Member States, these recommendations address policy making and structural changes, as well as issues related to specific Cohesion policy instruments. In practice, structural changes have direct and indirect impacts on Cohesion policy instruments.

Country-specific recommendations concern budgetary issues as well as policy implementation issues. For example, the recommendations for 2013 covered the following aspects:<sup>42</sup>

- wage stability, fiscal stability, improvement of the service sector (Germany);<sup>43</sup>
- growth-friendly fiscal policy, effective implementation of on-going administrative reforms, employment rate of older workers, enhanced competition in product and service markets, improved capacity to deliver innovative products (Finland);<sup>44</sup>
- implementing the budget as envisaged, reducing the high level of taxation on labour, increasing the effective retirement age, strengthening the efficiency and effectiveness of the public employment service, implementing the anti-corruption strategy, establishing a comprehensive evaluation framework in compulsory education, improving energy efficiency in the building and industry sectors (Czech Republic);<sup>45</sup>
- female participation in labour markets, harmonisation of retirement systems, deficit correction, healthcare reforms, investing in education, strengthening the federal competition authority (Austria);<sup>46</sup>
- reinforcing the budgetary strategy, increasing housing supply, addressing youth unemployment, supporting low-income households, improving financial support to corporate sector, increasing network infrastructure investment (UK);<sup>47</sup>
- implementing growth-friendly fiscal policy, addressing risks related to private debts, improving the efficiency of the housing market, improving labour market integration of low-skilled young people (Sweden);<sup>48</sup>
- reinforcing the implementation of the budgetary strategy, enactment of the permanent expenditure rule, efforts to reduce youth unemployment, increasing female participation in labour markets, ensuring innovation-friendly business environment, renewing and extending energy generation capacity, improving the business environment (Poland);<sup>49</sup>

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<sup>42</sup> Greece and Croatia are not available. The recommendations for Greece are included in the Economic Adjustment Programme, and Croatia has been a Member of the EU only since 1.7.2013.

<sup>43</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Germany and delivering a Council opinion on the Stability Programme of Germany, 2012-2017, OJ 2013/C 217/09, 30.7.2013.

<sup>44</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Finland and delivering a Council opinion on the Stability Programme of Finland, 2012-2017, OJ 2013/C 217/07, 30.7.2013.

<sup>45</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Czech Republic and delivering a Council opinion on the Convergence Programme of Czech Republic, 2012-2016, OJ 2013/C 217/04, 30.7.2013.

<sup>46</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Austria and delivering a Council opinion on the Stability Programme of Austria, 2012-2017, OJ 2013/C 217/01, 30.7.2013.

<sup>47</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of United Kingdom and delivering a Council opinion on the Stability Programme of United Kingdom, 2012/13 to 2017/18, OJ 2013/C 217/23, 30.7.2013.

<sup>48</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Sweden and delivering a Council opinion on the Convergence Programme of Sweden, 2012-2016, OJ 2013/C 217/21, 30.7.2013.

<sup>49</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Poland and delivering a Council opinion on the Convergence Programme of Poland, 2012-2016, OJ C 217/16, 30.7.2013.



- preserving the fiscal position, addressing debt-bias in corporate taxation, increasing cost-effectiveness of age-related expenditure, reforming wage-setting systems, reducing youth unemployment, reducing non-Emissions Trading System (ETS) greenhouse gas emissions (Luxembourg);<sup>50</sup>
- remaining deficit, implementation of on-going reforms, extending good corporate governance practices in the banking sector, implementation of labour market and wage-setting reform, shifting the tax burden from labour and capital to consumption, opening markets in the service sector (Italy);<sup>51</sup>
- growth-friendly fiscal strategy, improving capacity for capital accumulation in the financial sector, stable corporate tax system, addressing youth unemployment, creating a supportive business environment, strategy on early school-leaving, abolishing regulated energy prices (Hungary);<sup>52</sup>
- preserving sound fiscal position, phasing out early retirement, accelerating the national Youth Employment Initiative, adopting a school education act, improving the business environment, accelerating the absorption of EU funds, strengthening the independence of the national regulatory system (Bulgaria);<sup>53</sup>
- growth-friendly fiscal policy, improving incentives to work, improving the labour market relevance of education and training systems, improving energy efficiency, improving efficiency of local governments (Estonia).<sup>54</sup>

Recommendations related to Cohesion policy, especially to ESF interventions, apply only in some Member States (see for example Italy, Hungary, and Sweden). Only the recommendations to Bulgaria have direct references to absorption of EU Funding.

However, in many cases the recommendations lead to austerity measures, which have a significant impact on Cohesion policy implementation in Member States with an already devastated economy and labour market. This occurs firstly because of the lack of co-financing budget, and secondly because Member States in a particularly weak economic situation are even more reliant on Cohesion policy instruments to fill the gap caused by national budget cuts. The austerity measures are not without controversy and are certainly considered too strict by many Member States. Experts<sup>55</sup> hold the opinion that the strict austerity measures led to the currently devastating unemployment rate, particularly in the younger population.

#### 4.1.2. Reflection of EC Position Paper

The European Commission summarised the lessons learned from the 2007-2013 programming period and provided EC Position Papers to support the Member States in the

<sup>50</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Luxembourg and delivering a Council opinion on the Stability Programme of Luxembourg, 2012-2016, OJ 2013/C 217/14, 30.7.2013.

<sup>51</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Italy and delivering a Council opinion on the Stability Programme of Italy, 2012-2017, OJ 2013/C 217/11, 30.7.2013.

<sup>52</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Hungary and delivering a Council opinion on the Convergence Programme of Hungary, 2012-2016, OJ C 217/10, 30.7.2013.

<sup>53</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Bulgaria and delivering a Council opinion on the Convergence Programme of Bulgaria, 2012-2016, OJ 2013/C 217/03, 30.7.2013.

<sup>54</sup> European Union (2013), Council Recommendation on the National Reform Programme 2013 of Estonia and delivering a Council opinion on the Stability Programme of Estonia, 2012-2017, OJ 2013/C 217/06, 30.7.2013.

<sup>55</sup> See for example: European youth forum, policy paper on youth employment April 2013 ([www.youthforum.org](http://www.youthforum.org)); Social Europe journal November 2012 ([www.social-europe.eu](http://www.social-europe.eu)); Eironline European industrial relations observatory on-line February 2013 (<http://www.eurofound.europa.eu>).

2014-2020 programming phase. The content of the EC Position Papers was structured along the main targets of the Europe 2020 Strategy and the Thematic Objectives. Administrative capacity formed an additional focus of the European Commission recommendations.

In the framework of the case studies, the authorities were asked to describe whether and how the European Commission's recommendations (mainly in its Position Papers) had been incorporated.

In the case of the **Czech Republic**, the EC Position Paper<sup>56</sup> recommended: appropriate tools for more efficient project implementation; strengthening the role of civil society working with governmental authorities; integrating positive measures from the 2007-2013 period into the Public Servants Act; simplifications of the delivery system; reinforcing the project preparation and project development capacity of local and municipal authorities and bodies; enhanced use of electronic systems within the e-Cohesion principle; streamlining financial management; and continuing to actively implement the national anti-corruption strategy. The following solutions will be applied in response to the main critiques in the EC Position Paper:

- In relation to the European Commission's recommendation to introduce a Public Servants Act, a methodical guide for human resources development will be adopted by the government. A Public Servants Act should be in force from 1 January 2016. At horizontal level, there will be a mandatory requirement to put in place a code of ethics.
- With regard to the request to implement a national anti-corruption strategy, the Czech Republic will develop an anti-fraud and anti-corruption government strategy as well as an anti-fraud and anti-corruption strategy for the 2014-2020 programming period. The anti-corruption strategy is complemented by the 'Guidelines for Risk Management', which form part of the single methodological environment, whereby the risk of corruption in implementing the ESI Funds will be monitored and evaluated. In the view of the OP TA, the anti-corruption strategy will be carried out at three levels – the national policy level, the ESI Funds level and the level of the OP TA. The OP TA will follow the 'Strategy to anti-fraud and anti-corruption in the drawing of funds under the Common Strategic Framework in 2014-2020' and its related action plan.
- The European Commission also recommended the enhanced use of electronic systems within the e-Cohesion principles to decrease the administrative burden for beneficiaries and to reduce the administrative workload for the authorities concerned. The monitoring system 2014+ in the Czech Republic has been designed in accordance with the European Commission requirements/principles for the digitalisation of e-Cohesion policy, whereby most documents will be kept electronically on the system, possibly with the use of electronic signatures. The system enables the recording and management of a large number of attachments, and the distribution and display of different types of users (depending on their role), and it also allows for downloading and other similar functions.

The system also respects the principle of attaching embedded versions of documents, saved with a time stamp and always associated with the object (programme, operations, project) for which they were saved. The use of electronic communication and data exchange (including electronic signature), fully replacing

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<sup>56</sup> European Union (2012), Position of the Commission Services on the development of Partnership Agreement and programmes in the Czech Republic for the period 2014-2020, 30/10/2012.



the paper circulation of relevant documents between all subjects in the implementation process, should speed up the administrative process and reduce the cost of printing. In parallel, the system will manage all structured and unstructured information according to the rules defined for long-term saved information sources (long-term trusted archive).

In **Finland**, the EC Position Paper regarded the administrative procedures as generally good and reliable. The criticism mostly concerned the complexities of the administrative system, as well as the varied governance and management practices resulting from the high number of Intermediate Bodies.<sup>57</sup> The changes in Finland have been in line with the EC Position Paper's recommendations, and the country is currently in the process of **reducing the number of Intermediate Bodies** and **simplifying the administration**.

For **Sweden**, the EC Position Paper stated that administrative arrangements were generally considered to be sound, effective and efficient.<sup>58</sup> The future focus will follow the European Commission's recommendations, which underline the need to fine-tune the arrangements and further reduce the administrative burden for beneficiaries to ensure effective access to interventions. Furthermore, the European Commission noted that adequate administrative arrangements and capacity should be ensured for the planning, tracking and reporting of climate-related expenditure. In line with this recommendation, considerable emphasis has been placed on this new theme.

In **Italy**, the European Commission has increasingly focused upon the adequacy of administrative capacities, not least in the light of the poor spending performance of the 2007-2013 programmes. At the beginning of April 2014, the European Commission sent a letter to the national government and to all the regional Managing Authorities asking them to provide '**Administrative Strengthening Plans**' as soon as possible, which should indicate the available resources and their competencies and demonstrate that they are adequate to allow the programmes to be implemented according to plan and towards the desired results.<sup>59</sup> This letter will be followed by a joint document, signed by the European Commission and the Italian Department for Development and Economic Cohesion Policies, providing a template for the Plans. The Plans will have to be submitted to the European Commission at the same time as the OPs.<sup>60</sup>

The programme authorities in **Luxembourg** claimed that the European Commission had not criticised administrative capacity, particularly because there have never been any irregularities or delays in reporting.

<sup>57</sup> Komission yksiköiden kanta kumppanuussopimuksen ja -ohjelmien kehittämiseen SUOMESSA vuosina 2014–2020.

<sup>58</sup> European Union (2012), Position of the Commission Services on the development of Partnership Agreement and programmes in Sweden for the period 2014-2020, 9 November 2012.

<sup>59</sup> These plans are supposed to be slim documents (of c. 10 pages), which should include: (i) a re-appraisal of the competences and skills of all the staff in charge of functions related to the management and delivery of the programmes (i.e. a re-appraisal of the CVs of such staff); (ii) demonstration that the conditions are in place to guarantee timely implementation; (iii) evidence that some key 'horizontal functions' are being strengthened (e.g. financial procedures and control systems, IT and data management systems, legislative simplification); (iv) illustration of how transparency on every aspect of the OPs will be assured; and, (v) the identification of the person responsible for administrative capacity.

<sup>60</sup> Chiellino G. (2014), *Il diktat Ue per salvare I fondi*, in *Il Sole 24 Ore*, 4 April.

However, the EC Position Paper<sup>61</sup> did in fact state that Luxembourg should increase its administrative capacities with competent actors in order to be able to apply environmental evaluation, state aid and public markets, to ensure an efficient controlling environment and the operational capacity of control systems, to find a remedy for weak points in the implementation system (particularly first-level control), and to ensure that the selection process for projects is adequate. In the EC Position Paper, Luxembourg was also encouraged to ameliorate its financial management system, focusing on simplification and flexibility through online solutions, with a view to reducing the burden on beneficiaries. Moreover, partnership should become more efficient, as should the control of evaluations. Lastly, the OPs were encouraged to introduce an online platform based on external good practice to enable information exchange with the beneficiaries. However, Luxembourg had no intention to change anything beyond introducing the required e-Cohesion.

The EC Position Paper identified the administrative arrangements in the **UK** as being generally sound, and, given that significant change had taken place part-way through the 2007-2013 programming period in England, broad continuity was expected in 2014-20, with some efforts to fine-tune them and 'further reduce the administrative burden for beneficiaries to ensure effective access to interventions'. Thus, OP management and implementation in 2014-2020 will include some elements of continuity and some of change. In terms of continuity, OP management and delivery at sub-national level will continue to be the responsibility of Growth Delivery Teams, which comprise representatives of the Managing Authority departments. In terms of change, the role of the Local Enterprise Partnerships will be a new feature. The Local Enterprise Partnerships comprise partnerships between local authorities and businesses who have been involved in the OP preparation process for 2014-2020, through the submission of ESI Funds strategies that fed in to the preparation of the OPs. The Local Enterprise Partnerships will also have a role in programme implementation, by facilitating and supporting project preparation and submission in their local areas. Project proposals will then be assessed and approved by sub-committees of the Local Management Committees. The UK Government issued guidance in spring and summer 2013 and also held workshops to assist the Local Enterprise Partnerships in the development of their ESI Funds investment strategies. An additional £250,000 was given to the Local Enterprise Partnerships by the government in April 2013 to build the capacity and capability to develop their ESI Funds investment strategies in 2013.

The **Hungarian** OP management system was in general seen as effective by the EC Position Paper.<sup>62</sup> However, the EC Position Paper expressed concerns about the central programme management system, and the need to improve policy-oriented implementation, which should be accompanied by improved coordination. Furthermore, it was recommended that capacity should be improved in terms of audit, control and public procurement, and the administrative burden should be reduced to improve the technical capacities of all actors involved.

The Hungarian public authorities responded, applying lessons learned, by restructuring the programme management. The Managing Authority of programmes (previously located within the National Development Agency) will be located within the relevant ministries, and the central coordination function will be within the Prime Minister's Office. Interviewees

<sup>61</sup> European Union (2012), Position des services de la Commission sur le développement d'un Accord de Partenariat et de programmes au Luxembourg pour la période 2014-2020, Ref. Ares (2012)1369418 - 20/11/2012.

<sup>62</sup> European Union (2012), Position of the Commission Services on the development of Partnership Agreement and programmes in Hungary for the period 2014-2020, Ref. Ares(2012)1286381 - 30/10/2012.

indicated that most of the resources (human and financial) related to coordination and management tasks are likely to be reduced during the 2014-2020 programming period. There will be no separate (Implementation) OP and the TA budget will be reduced.

The Office for National Economic Planning (that belongs to the Ministry for National Economy) had a strategic role in the planning for the 2014-2020 programming period and the development of the PA (as well as three of the OPs). However, according to some opinions, the overall strategic planning was still fragmented, since other OPs were not developed by the Office, and there was no full coordination concerning their integration within the PA.

Concerning programme implementation, the selection of the majority of projects will be based on calls for applications (measures will be managed by various ministries/MAs). However, this process is seen as raising a significant administrative burden. Partly for this reason, a set of projects will be identified based on 'well-justified' policy decisions (and not on the basis of calls).

In order to retain the current human capacities and competences within the institutions, a Career Programme will be prepared for the employees.

The EC Position Paper for **Greece**<sup>63</sup> expressed major concerns about several different administrative capacity issues, which start with weak policy-making capacity, complex bureaucracy, and a lack of capacity in all aspects of programme implementation and management. The European Commission recommended establishing one central administration in charge of handling concerns, which would improve the quality and quantity of studies and expertise. Furthermore, management and control mechanisms should be significantly reduced in complexity to improve transparency and the division of responsibilities, and to simplify payment procedures. It is not clear from the statements or from the PA how Greece will acknowledge the recommendations of the EC Position Paper.

With regard to **Croatia**, the authors of 'European Perspectives on the 2014-2020 Partnership Agreements and Programmes: A comparative review of the Commission's Position Papers' identified the following conditionalities as relevant to Croatia and to the development of the country's ESI programme for 2014-2020:<sup>64</sup>

- Research and innovation: existence of national and/or regional strategies for smart specialisation;
- Transport: National Transport Plan – an Interim Transport Plan was under development at the time of the submission of the Croatian PA in April 2014;
- Environmental Protection and Climate Change: Effective implementation of the "EU Environmental Acquis" in waste management, wastewater management and environmental impact assessment;
- Employment: Design and delivery of active labour market policies in line with European guidelines as well as modernisation and strengthening of labour market institutions;
- State Aid rules: Strengthening the capacity for state aid.

<sup>63</sup> European Union (2012), Position of the European Commission Services on the development of Partnership Agreement and programmes in Greece for the period 2014-2020, Ref. Ares(2012)1337850 - 13/11/2012.

<sup>64</sup> European Perspectives on the 2014-2020 Partnership Agreements and Programmes: A comparative review of the Commission's Position Papers, pp. 63-67, Mendez, Bachtler and Granqvist, University of Strathclyde, April 2013.

In its PA proposal, the Croatian authorities seek to address these issues through the further development of organisational, legal and capacity enhancement. However, it seems that the IPA environment, which is significantly different to Cohesion policy, cannot be changed overnight. There are problems in understanding the differences between the IPA system and the Cohesion policy logic, which is significantly different in terms of structure and financial management as well as in the terms used, and monitoring and evaluation.<sup>65</sup>

The **Austrian** administrative capacity was generally seen as effective; however the Position Paper raised concerns about public financial resources. The recommendation included pooling resources that have been acknowledged, combining the previous nine ERDF OPs into one ERDF OP in 2014-2020. The main concerns relate to the audit authority, as the audit system in Austria is not adjusted to the available data of beneficiaries (personal costs certificates are not available in public authorities, but are requested by the audit authority), and this causes significant and on-going problems in the payment procedures.

The European Commission's view on administrative capacity in **Bulgaria** differs from the scenario described by Bulgarian officials. The EC Position Paper listed numerous recommendations concerning the management and control systems, coordination, human resources, the efficiency of procedures and the involvement of stakeholders. The Bulgarian changes concerned mainly simplification measures including electronic filing of applications and the reduction of Intermediate Bodies. Managing Authorities are taking stronger control over the process of selection, monitoring and evaluation of projects. Other measures concerning human resources and efficiency issues are not yet handled substantially, but improvements are planned.

The EC Position Paper reported an improvement of measures to achieve simplification and the implementation of e-Cohesion in **Germany**. However, the administrative burden still exists and needs to be reduced. Different federal states in Germany have tackled the problem differently. In the case of Saxony, simplifications are planned and the OP states that the Managing Authority is trying to implement flat rates in as many measures as possible. In North Rhine-Westphalia, the public procurement system has been changed towards a more SME-friendly system.<sup>66</sup> All the federal states are in the process of elaborating e-Cohesion tools with the aim of simplifying application procedures. However, some Managing Authorities claim that the need for information from the beneficiary is based on the requirements of the European Commission.<sup>67</sup>

The answer to the EC Position Paper by the **Estonian** Government was comprehensive. The implementation system for ESI Funds in 2014-2020 will broadly remain the same as in the 2007-2013 programming period. Nevertheless, there are a number of smaller adjustments to strengthen the functioning of the system, which also addresses the recommendations in the EC Position Paper. The application process will become fully electronic, and the existing management information system will be developed and extended. Secondly, the implementation system is to be simplified by merging the Certifying Authority with the Managing Authority and eliminating the level of lead ministries. This requires also harmonising the working processes of the administration – they will be made more precise and clearer.

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<sup>65</sup> Own perception, Metis 2014.

<sup>66</sup> Ziel2.NRW (2014), Operationelles Programm NRW 2014-2020 für den Europäischen Fonds für Regionale Entwicklung 'Investitionen in Wachstum und Beschäftigung' (OP EFRE NRW), p. 96 ff.

<sup>67</sup> SMWA (2014), Operationelles Programme des Freistaates Sachsen, für den Europäischen Fonds für regionale Entwicklung (EFRE) in der Förderperiode 2014-2020, Stand: 7. März 2014, p. 158 ff.

The involvement of national, regional and local partners during the 2014-2020 programming process was organised better than ever before. All the larger organisations of local governments, industry and NGOs were represented and consulted. The planning, tracking and reporting of climate-related expenditure will be coordinated for all ESI Funds, in accordance with the methodology developed by the European Commission. In practical terms, this means categorisation of expenditure. The Structural Assistance Act 2014-2020<sup>68</sup> also encompasses the regulation of horizontal issues, including climate change and environment. The Ministry of Environment is currently preparing a standard questionnaire to track support measures or programmes related to climate change or environmental issues. If the support measure or programme is somehow related to climate change or any other environmental issue, the support measure/programme needs approval from the Ministry of Environment.

To reinforce the capacity of beneficiaries as well as partners, training and consultations are planned during the application process and project implementation, with funding foreseen from TA. Beforehand, this requires training of administrative staff, in cases where training plans are under preparation. Also, a Structural Funds management information system will be developed to simplify the application process. With regard to the implementation of the EU Strategy for the Baltic Sea Region (EUSBSR), the PA includes information about coordination of activities, sharing information and avoiding duplication in functions and funding. The PA acknowledges that EUSBSR priorities were taken into account during the planning process, and that EUSBR objectives as well as the potential for international cooperation were kept in focus during the planning process; however, there is no further elaboration in the PA on international cooperation.

## **4.2. Performance assessment at Member State level**

### **4.2.1. Self-assessment of the effectiveness of capacities at management levels**

The authorities responsible for coordinating, managing and implementing the OPs described in the case studies were asked to rate the effectiveness of the capacity for each stage of the programme cycle.

It must be stressed that these ratings are based on self-assessments by the different types of authorities interviewed. Hence, comparisons between Member States are not possible. Nevertheless, the assessments give useful insights into views as regards the stage of the programme cycle that is considered to generate more capacity-related issues than others.

<sup>68</sup> Rahandusministeerium (2014), 2007-2013 Structural Assistance Act Passed 7 December 2006: This Act provides for the bases of and procedure for the grant, use, reclamation and repayment of structural assistance, and the bases for supervision over the grant and use of structural assistance and the procedure for challenge proceedings. Available at: <http://www.legaltext.ee/et/andmebaas/tekst.asp?loc=text&dok=XXX0003&keel=en&pg=1&ptyyp=RT&tyyp=X&query=2007-2013+Structural+Assistance+Act>

**Table 6: Self-assessment of effectiveness of capacities at management levels**

		Strategic programming/ thematic concentration	Performance framework	Project generation/ preparation	Project appraisal	Financial management	Monitoring	Evaluation	Simplification	Communication with beneficiaries	Financial instruments	Partnership principle
AT	CC											
	PM											
	IB											
BG	CC											
	PM											
	IB											
CZ	CC											
	PM											
	IB											
DE	CC											
	PM											
	IB											
EE	CC											
	PM											
	IB											
FI	CC											
	PM											
	IB											
GR	CC											
	PM											
	IB											
HU	CC											
	PM											
	IB											
IT	CC											
	PM											
	IB											
LU	CC											
	PM											
	IB											
PL	CC											
	PM											
	IB											

		Strategic programming/ thematic concentration	Performance framework	Project generation/ preparation	Project appraisal	Financial management	Monitoring	Evaluation	Simplification	Communication with beneficiaries	Financial instruments	Partnership principle
SE	CC											
	PM											
	IB											
UK	CC											
	PM											
	IB											
Total	CC											
	PM											
	IB											

Source: Assessment of interviewees, April 2014.

	ineffective
	less effective
	effective
	very effective

CC capacity in central coordination  
 PM capacity in programme management  
 IB capacity in programme implementation

Synthesising the self-assessment of the programme management capacity, the following statements can be made:

- **Overall, Member States make predominantly positive assessments about their capacities.** While some countries are more self-critical than others, overall assessments show an assumption of a comparatively strong effectiveness.
- **Negative assessments are less frequent and expressed with caution.** Again, these are more common in some Member States than in others.
- **The capacities at the programme-management level are felt to be the strongest,** followed by central coordination and programme implementation. However, this is likely to be due to most interviewees being located mainly in Managing Authorities and central coordination bodies and less so in Implementing Bodies.
- **The most-effective programme-delivery elements are felt to be financial instruments, evaluation and monitoring.** However, experience with financial instruments is still limited in many countries. Also, there are significant differences between countries in the assessment of evaluation and monitoring. Evaluation also receives quite low ratings, for instance in Italy, while monitoring capacities are felt to be weak in Hungary.
- **The least-effective programme-delivery elements are felt to be performance frameworks and strategic programming.** Capacities for the



performance framework are seen as comparatively weak, especially in Greece and Italy, while strategic programming receives the lowest ratings in Luxembourg and Poland.

- Other deficiencies in capacity for programme tasks appear to be country-specific, such as:
  - project generation and preparation (e.g. Italy and Greece),
  - communication with beneficiaries (e.g. Hungary and Italy),
  - implementation of simplification measures (e.g. Greece and Poland),
  - partnership principle (e.g. Italy and Hungary).

Case study interviewees expressed differentiated opinions on capacity strengths and weaknesses mentioning a few steps taken throughout the 2007-2013 programming period.

### **Box 7: Examples of weak capacity at programme-implementation level**

**Bulgaria:** The capacity of the Intermediate Bodies is considered to be weak in implementing the OPs, due to their lack of administrative capacity to evaluate and contract projects within a reasonable timeframe, e.g. 3-4 months from the end of the respective grant scheme. This has led to delayed implementation of a number of projects, especially for businesses. The most significant deficiencies have accumulated in the State Fund 'Agriculture' (Rural Areas Development Programme), where some projects have not been ranked, in certain cases for over a year. Although it had a very slow start, the OP 'Competitiveness' managed to generate momentum over time to reach a stage where reimbursement of incurred costs to beneficiaries was achieved within 30-40 days from the submission of technical and financial reports.

**Greece:** As seen from the experience of 2007-2013 programming periods, the major problems are not identified as in management, but in implementation. The main cause should be attributed to a series of deficits identified in the cooperation between regional public administration, central government and beneficiaries. With regard to political leadership and guidance, it is said that there are adverse effects, discontinuity of policy choices and fiscal mismanagement, lack of coordination, co-responsibilities and duplication of responsibilities horizontally (between ministries) and vertically (between services of the same ministry). In order to remedy the referred obstacles, the Greek Government proceeded with the simplification of processes and reallocated responsibilities to only one authority.

Reference was also made to the lack of qualified staff in several departments of the public sector, who would have been capable of progressing the desired reforms and operational needs in integrated interventions, and the inadequate number of staff in the Managing Authority primarily for monitoring unit and verifications.

On the other hand, since the Greek Government deficit discouraged public procurement, financial management systems included the obligatory advance payment for the contractor in order to boost project implementation. In addition, ministries used a series of measures to help strengthen the liquidity of contracting firms and to enable project-financing.



#### 4.2.2. Self-assessment of the effectiveness of capacities for different themes

Similar to the different programme managers' assessment of capacities for the various programme-delivery tasks, capacities were also assessed for each of the themes (Thematic Objectives) relevant for ERDF. The results in this respect could again show a very subjective and not necessarily comparable result. However, the pattern in Table 7 shows that the lowest effectiveness in capacities was mainly in hard infrastructure projects in 2007-2013. This can be explained by the very complex and long-lasting project process, including environmental impact assessments and complex public procurement procedures. Inefficiency can be detected in R&D support and SME support, where state aid rules come into force.

**Table 7: Effectiveness of capacities for different themes**

		Thematic Objectives							
		1	2	3	4	5	6	7	11
AT	CC								
	PM								
	IB								
BG	CC								
	PM								
	IB								
CZ	CC								
	PM								
	IB								
DE	CC								
	PM								
	IB								
EE	CC								
	PM								
	IB								
FI	CC								
	PM								
	IB								
GR	CC								
	PM								
	IB								
HU	CC								
	PM								
	IB								
IT	CC								
	PM								

		Thematic Objectives							
		1	2	3	4	5	6	7	11
LU	IB								
	CC								
	PM								
	IB								
PL	CC								
	PM								
	IB								
SE	CC								
	PM								
	IB								
UK	CC								
	PM								
	IB								
Total	CC								
	PM								
	IB								

Source: Assessment of interviewees, April 2014.

	ineffective
	less effective
	effective
	very effective
	no statement

CC	capacity in central coordination
PM	capacity in programme management
IB	capacity in programme implementation

In terms of management capacities along different Thematic Objectives, the following statements can be made:

- **The themes with the most-effective capacities are felt to be T011 (institutional capacity) and T03 (SMEs).** T01 (Research, Technology Development and Innovation - RTDI) also received mostly good assessments, while T04 (low-carbon economy) shows positive ratings (e.g. Luxembourg, Sweden) as well as negative ones (e.g. Estonia, see Box 8).
- **The themes with the least-effective capacities are felt to be T06 (environmental protection) and T05 (climate change).** Another theme with a number of negative assessments is T07 (sustainable transport) (e.g. Germany, Finland). T01 (RTDI) also received negative ratings, mainly in Estonia and Poland.
- **Capacities are mostly perceived to be either rather positive or rather negative across tasks and Thematic Objectives.** Differences in self-assessment of capacities between programme implementation tasks or Thematic Objectives are

small in most Member States. Although the capacities needed for the diverse programme cycle tasks or to implement projects under various Thematic Objectives are different, self-assessments of programme managers often resulted in either overall rather positive or rather negative pictures.

Case study interviewees gave several different examples of capacity weaknesses, as well as positive examples.

#### **Box 8: Examples of management capacity by thematic areas from the case studies**

**Estonia:** In terms of innovation, steps to prioritise the need for innovation were taken in the recent 2014-2020 R&DI strategy, approved at the end of 2013. According to the strategy, every sectoral ministry will have an R&D councillor and R&D action plan in its particular area. Low-carbon economy (or green economy) has been discussed considerably, but no real actions have been taken horizontally. Issues such as green procurement, zero-energy public housing, and zero-energy public transport have been discussed, but improvements are needed in implementation. To improve resource efficiency, a smart specialisation area has been agreed, involving themes such as material technology, functional food, more effective use of oil-shale, and smart construction.

**Greece:** With regard to central coordination in terms of monitoring water resources, and in line with the provisions of the Water Framework Directive, Greece has established and recently revised a national monitoring programme for the assessment of the status of surface water and groundwater, in order to obtain a coherent and comprehensive overview of water status within each river basin district. At EU level, the Hellenic Ministry of Environment, Energy and Climate Change is responsible for incorporating the "*acquis communautaire*" into national legal provisions, coordinating the implementation of EU environmental legislation, representing Greece at the EU Council of Environment Ministers, and participating in all related Council and European Commission Working Parties.

### **4.3. Structural or organisational challenges**

#### **4.3.1. Impact of the governance structure**

When considering the political system, the governance structure appears to have only an indirect impact – if any impact – on the administrative structure. Nevertheless, in federal states such as Germany and Austria, or in regionally dominated states such as Italy, the regional power influences the management structure. When looking into the case studies, however, no systematic pattern is visible other than the fact that most of the case study Member States are in general regionally organised when it comes to Cohesion policy implementation within their administrative systems. The most outstanding exception is Bulgaria but also Luxembourg (mainly due to its size), where Cohesion policy programme management and implementation are centralised.

- **Austria:** One of Austria's characteristics is its strong federal system. In ERDF, for instance, this led to different national and regional eligibility rules, while basic standards were not harmonised among the nine regional ERDF OPs (nor in the ETC programmes). The aim of the 2014-2020 programming period is to achieve harmonisation of national and ERDF eligibility rules.

- **Germany:** The ERDF is not separate from the overall regional development policy. The ERDF is integrated in the overall regional development policy in the sense that it supports non-EU public funding. Therefore, it needs to be well integrated into all agendas, including those of the fund managers and Intermediate Bodies. However, the structural funding is influenced by the federal state system, with the OPs following the structure and territorial division of Germany.
- **Finland:** Finland has a long tradition of a relatively strong region-based approach to development in comparison with many other countries with centralised administrations. However, in recent years, the role of the Ministry of Employment and the Economy in the management of EU programmes is perceived (particularly from the regional perspective) to have increased, while other ministries are viewed to be perhaps less important. The only exception to this is the Ministry of Social Affairs and Health, which may have a stronger role in future, given the focus on the prevention of poverty under the ESF.
- **Bulgaria:** The national government and the respective ministries managing the OPs hold the main power in managing the programmes. The level of self-government is not sufficiently developed either in terms of decision-making power or financial resources. Most of the Managing Authorities have regional representations in the 28 districts of the country dealing with the operational management and monitoring of the projects. However, all decisions are taken centrally, including the verification of costs and payments to the beneficiaries.
- **Luxembourg:** Regional policy is managed centrally by the Ministry of Economy and Foreign Trade, without direct involvement of sub-national government levels.<sup>69</sup> The management and implementation structures of the ERDF are strongly bound to the established national civil service structures of the Ministry of the Economy. The Managing Authority of the ERDF programme is located in the Ministry of Economy and Foreign Trade (Directorate for Regional Policy). The Certifying Authority is located in the Directorate for Budget and Administration in the same ministry as well as in the Directorate for Financial Control at the Ministry of Finance. The Audit Authority is also located within the Ministry of Finance. TA staff within the Managing Authority plays a crucial role in day-to-day programme management. Processes are straightforward and streamlined.<sup>70</sup> The nature and objectives of regional policy are determined by the small size of the economy and the country and directly correspond to the objectives of the sectoral policies of the country.
- **Poland:** Poland is a regionalised unitary system. The key administrative issues are coordination and ensuring sufficient administrative capacity at regional levels to fulfil responsibilities. The regional self-governments are now responsible for the development and implementation of ROPs, including the evaluation and selection of projects to be co-financed under the programme, making payments to beneficiaries, project control, and programme monitoring and evaluation. In some Marshal Offices, expanded functions as Managing Authorities and Intermediate Bodies were carried out by existing departments or units that were involved in the preparation of the OPs, while in others organisational changes have taken place and new organisational units have been introduced. The increased share of funding for ROPs and the shift towards multi-funded ROPs emphasises the role of regional administrative capacity in the 2014-2020 programming period.

<sup>69</sup> EPRC (2009), Ex-post evaluation of Cohesion policy programmes 2000-2006 co-financed by the ERDF (Objective 1 and 2); WP 11: Management and Implementation Systems for Cohesion Policy. Final Report to the European Commission (DG for Regional and Urban Policy).

<sup>70</sup> Official Website of the ERDF in Luxembourg: <<http://www.feder.public.lu/>>.

- **Czech Republic:** The Czech OP management system has been transformed from regional towards central-oriented management. In the Czech Republic, European and domestic regional policies are managed and implemented separately with their own programming documents, and own implementation systems, rules and procedures. European resources in the Czech Republic are allocated through specific channels and structures dedicated to Structural Funds.

#### 4.3.2. Number of Operational Programmes and the impact of reductions

For some of the countries analysed in this study, it seems that the intention is to transfer previous experience in programme management to the 2014-2020 programming period, but without rearranging the management structure. With the reduction in the number of OPs – sometimes from many regional programmes to one national OP – the management structures do not mirror the reduction, and instead an additional level of management has been initiated. Although these changes resulted in an increasing shift of responsibilities towards the national level for the 2014-2020 implementation of ESI Funds, regional bodies are still responsible for implementing the regional share. All in all, the involvement of human resources has increased rather than decreased.

#### Box 9: Examples of management structure discussion in Member States

For example, in the **Czech Republic**, on-going discussions about the management set-up are progressing steadily and should lead to simplifications. At the coordinating level (Ministry of Regional Development), a streamlining process for all management bodies is being developed. More precisely, European and domestic regional policies are managed and implemented separately with their own programming documents, implementation systems, rules and procedures.<sup>71</sup> European resources are allocated through specific channels and structures dedicated to the Structural Funds. In the 2007-2013 programming period, Structural Funds OPs in the Czech Republic were managed and implemented by regional councils responsible for the eight regional OPs and by six national authorities responsible for the national OPs.

In **Poland**, the 2014-2020 ROPs will be joint-funded by ERDF/ESF. As a result, the region's administration plans to maintain separate ERDF and ESF units with responsibilities for the management of specific priorities in the new ROP. Both units have considerable experience in managing interventions under these headings. However, a new regional development unit has been created above this level to act as an overarching Managing Authority, with a particular focus on strategic issues.

In the **UK**, despite the changes in the number of programmes, there is continuity in terms of programme-management arrangements, with Local Enterprise Partnerships working with sub-national Growth Delivery Teams to deliver the programmes. These Growth Delivery Teams comprise representatives of the Managing Authority departments and are located sub-nationally. They are comparable to the ERDF Managing Authority's Programme Delivery Teams, which implemented the regional programmes in the latter half of the 2007-2013 programming period, after abolition of the regional development agencies.

<sup>71</sup> EPRC (2009), Ex-post evaluation of Cohesion policy programmes 2000-2006 co-financed by the ERDF (Objective 1 and 2); WP 11: Management and Implementation Systems for Cohesion Policy. Final report to the European Commission (DG for Regional and Urban Policy).

## 4.4. Capacity challenges and issues

Whenever the capacity issues of OP management have been discussed during interviews and similar studies, the most important issues were related to human resources, staff fluctuation,<sup>72</sup> knowledge and experience, and the lack of an adequate administrative framework.

**Human resources and staff fluctuation** were a key problem in the 2007-2013 programming period. Although there are potential ways out of the employment dilemma, the fluctuation problem will continue. In Bulgaria, human resources in public administration will remain one of the critical factors, especially in terms of maintaining a high level of motivation and reducing the turnover of staff. According to the authorities, when additional actors and smaller municipalities participate in the 2014-2020 programming period, there will still be issues related to the capacity of human resources, and this needs to be addressed. In Estonia, as no major changes are planned for the 2014-2020 programming period, no major capacity issues are expected.

Still, the practise so far has shown that at a certain point of EU funds implementation, when many support measures and programmes are being launched at the same time, the implementing agencies may lack human resources. This can be avoided with better communication between the Managing Authority and the implementing agencies, as well as better planning of activities.

### Box 10: Problems related to staff fluctuation

**Luxembourg:** Whereas the representatives from the ministries highlighted the effectiveness of administrative capacity in the 2007-2013 period, other studies indicated a relatively high staff fluctuation amounting to 33%, although it decreased over the 2007-2013 programming period. The TA team comprises merely three members of staff, of which one is an economist; one is a legal officer, and one an administrative and financial assistant. According to an earlier interview with the Ministry of Economy and Foreign Trade, the high level of staff turnover is a persistent challenge in the ERDF OP management and implementation, likely due to the lack of career prospects as well as the expiration of contracts with limited duration<sup>73</sup>. However, only two contractual agents have been hired and co-financed from the ERDF, and a significant workload is left to the civil servants at the ministry who are supported by national resources. Also, the authorities reported that there is no demand but also no time or resources to carry out any training. In sum, although the administration seems to be well established, programme management faces persistent human-resource challenges.

**Germany:** The main problem in the 2007-2013 programming period was the significant staff fluctuation which was due to a national wide employment law that limits employment contracts in governmental institutions to two years (after the end of contract, there is a short-term period of five years in which the person cannot work for any other governmental institution). This law also applies to employees of the Saxon Aufbaubank which had the role of an Implementing Body in the implementation.

<sup>72</sup> Radzyner, A., Frangenheim, A., Tödtling-Schönhofer, H. (2014), Co-financing salaries, bonuses, top-ups from Structural Funds during the 2007-2013 period, Final Report. Metis GmbH on behalf of the European Commission, DG for Regional and Urban Policy, February 2013.

<sup>73</sup> Autorité de Gestion FEDER 2007-2013 (2013), Programme Opérationnel FEDER 2007-2013 Compétitivité et Emploi, Rapport annuel d'exécution 2012 – Version approuvée par le Comité de Suivi le 23 mai 2013.

The know-how and experience built up by the Managing Authority is therefore lost, despite the regular training organised by the authorities. In 2014-2020, the Managing Authority of the ERDF OP Saxony plans to organise regular training for Fund managers, Intermediate Bodies and others on various topics ranging from ESI Funds to data-handling and IT systems (standardised system for all users). This training is expected to take place twice a year.

The budget for TA has been significantly increased in the 2014-2020 programming period in order to finance the staff of Intermediate Bodies. This is currently under negotiation with the European Commission. Saxony argues that due to the complexity of Cohesion policy, programme management and implementation places a significantly higher demand on human resources that cannot be financed by the regional budget.

**Finland:** In the past, administrative issues were experienced in the context of limited funding for human resources as a result of broader funding cuts. Another issue relates to external experts: given the small size of the country, the limited availability of external experts, restricted to a small number of consultancies, is a key problem. The situation has worsened in that many of these consultancies have now merged or joined forces, which effectively means that there is even less variety available. New experts rarely emerge, and there is a reluctance to use foreign experts.

With staff fluctuation, a drain of experience occurs. This is certainly not a new challenge, and different Member States have handled the problem differently. In many of the EU15, the current labour market crises has led to reduced staff fluctuation and, for example in Austria, the Managing Authority does not suffer significant staff fluctuation, as the jobs are considered better paid and safer than others.

What is generally criticised by the Managing Authorities is the lack of experience and knowledge of Intermediate Bodies<sup>74</sup> and beneficiaries at administrative level. However, best practices are always provided by the programme authorities to implementing bodies and beneficiaries, either on paper or electronically, with easily readable and usable guidance tools.

Another challenge which is sometimes underestimated is posed by restructuring and general administrative procedures that do not directly relate to Structural Funds procedures but which do affect them.

#### **Box 11: Examples of impact of administrative framework**

**Czech Republic:** The relatively high (although decreasing) staff fluctuation can be explained by the lack of a clear Human Resources strategy as well as a Civil Servant Law (Act of Public Servants), despite the fact that most staff managing and implementing Structural Funds OPs are public officials. Public administration modernisation and increased efficiency in OP management represent important fields for improvement.

<sup>74</sup> Radzyner, A., Frangenheim, A., Tödtling-Schönhofer, H. (2014), Co-financing salaries, bonuses, top-ups from Structural Funds during the 2007-2013 period, Final Report. Metis GmbH on behalf of the European Commission, DG for Regional and Urban Policy, February 2013.



According to an evaluation carried out in 2012, despite the progress in implementation, the persistence or even deepening of several problems (especially the overly close relations between Managing Authorities and the respective audit bodies, improper implementation of public procurement rules, and a high fluctuation of staff operating the management and implementation system) led to a suspension of certification of expenditure by the European Commission in January 2012. On the basis of progress in implementation of the Czech Action Plan, the certification procedure was partially reopened at the end of July 2012. According to the evaluation, 'the excessive attention of Managing Authorities to procedural and implementation issues in both day-to-day management and in evaluation activities indicates that a fundamental reform in this sphere is necessary.

These problems of an administrative nature clearly squeeze out much more important questions connected with the implementation of EU support, which is efficiency, effectiveness and even the strategic focus'.<sup>75</sup>

**Austria:** Due to the creation of one central Managing Authority for all ERDF programmes (as opposed to nine in the 2007-2013 programming period), new capacity issues are expected in institutional and procedural terms:

- Synergies between the former nine ERDF programmes can be drawn upon (e.g. important for evaluations),
- There is greater flexibility in financial terms than in the 2007-2013 programming period,
- Streamlined processes and information flows.

**Finland:** Administrative structures changed quite considerably during the 2007-2013 programming period. The key changes concerned the creation of the new Intermediate Bodies, namely the Centres for Economic Development, Transport and the Environment ("ELY-Centres"). This was carried out in the context of a broader regional governance reform at the start of 2010, which saw a reduction in the number of state regional authorities from six to two. The new authorities include the Agencies for Regional Administration and the aforementioned ELY-Centres. The ELY-Centres are Intermediate Bodies alongside the regional councils that are in place for Structural Funds purposes. Another key change comprises a merger at the central level. In 2008, the Ministry of Employment and the Economy was created, merging the units responsible for regional development from the Ministries of Trade and Industry, Labour and the Interior in pursuit of a more simplified central-level structure.

One of the most underestimated challenges is the parallel management of the 2007-2013 and 2014-2020 programming periods. In some cases, the programme management has been restructured in preparation for the 2014-2020 programming period, and the administrative staff works within two administrative structures for the 2007-2013 programming period and the 2014-2020 programming period (see Box 12).

### **Box 12: Examples of structure overlaps**

**Croatia:** The accession date of 1 July 2013 left Croatia in a unique position. As a new Member State, it was no longer eligible to receive financing under the IPA pre-accession instrument. However, with only six months left to run in the 2007-2013 period, it was not feasible to put programmes or projects in place, under the 2007-2013 rules, for such a short period of time.

<sup>75</sup> Blažek, J. (2012), Task 2: Country Report on Achievements of Cohesion policy – Czech Republic, Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013, Year 2 – 2012, Final version, A report to the European Commission.



The solution was that the European Commission made a provision from the 2013 budget to create convergence funds for Croatia to deal with the transfer from IPA to ESI Funding.<sup>76</sup> Some of the IPA OPs that were running at the time of Croatia's accession, such as the OP Transport, were turned into 'convergence' programmes to be funded from these allocations but to be run under the applicable rules of the 2007-2013 funding period.

These allocations represented some €449.4 million for Sustainable Growth, of which €299.6 million is to be funded from Structural Funds and €149.8 million from the Cohesion Fund.<sup>77</sup>

While this funding continues, for OPs that were still running at the time of Croatia's accession, certain Managing Authorities of these convergence programmes (such as the Ministry of Transport for the Transport OP) will not be Managing Authorities under the proposed structure set out in the PA submitted by Croatia to the European Commission for the 2014-2020 funding period. This means, in effect, that for the period up to 2016 the Croatian authorities will have to run two parallel structures and programmes.

While the Croatian authorities are obviously aware of the challenge that these different responsibilities present and are prepared to meet these challenges, it is not difficult to see that the transitional period for Croatia up to 2016 will:

- require staff to be operating in different rule environments with associated requirements, putting staff under additional pressure to 'get things right';
- put staffing levels under pressure, unless the Croatian Government is prepared to increase staffing levels in the short term in order to deal with the additional workload;
- require additional audit and monitoring efforts from the relevant audit and monitoring bodies; and increase the reporting requirements that the Croatian EU bodies will need to sustain in the interim period.

## 4.5. Measures put in place

The measures designed to handle the 2014-2020 programming period mostly relate to staff increases, but also to the improvement of information and cooperation processes, and lastly to the reduction of programme-management levels (Intermediate Bodies) and simplified administrative structures. But in times of financial crisis and **strict austerity measures**, increasing staff is not an option for all. Comparing the countries analysed, the Italian OP Calabria, all OPs in Luxembourg and the England OP will experience almost no change in the number of actors. In Luxembourg, although the complexity of tasks is expected to increase in 2014-2020, the Managing Authority did not receive permission to hire additional staff. The new tasks will be integrated into the existing system. The authorities will try to retain the management and implementation system that was used in 2007-2013 as much as possible. Although the financial resources are lower than in the 2007-2013 programming period, according to the authorities, a reduction of staff is however not foreseen. The Managing Authority expects that project partners and beneficiaries will remain almost the same, given that the same type of projects will be co-financed in 2014-2020 as in 2007-2013. A few new project partners will be added, such as communities, mainly for the energy/CO<sub>2</sub> projects.

<sup>76</sup> Inside Europe [www.InsideEurope.eu](http://www.InsideEurope.eu).

<sup>77</sup> Inside Europe [www.InsideEurope.eu](http://www.InsideEurope.eu).

**Increases in the number of actors and staff** are foreseen in strategic programming (Bulgaria, Poland, UK) and with regard to financial instruments, wherever new innovative financial instruments are planned to be introduced or expanded (Austria, Bulgaria, Greece, Hungary, Poland). More actors are also needed or foreseen for project generation/preparation in Austria, Bulgaria, Poland and the UK. In Greece, more actors are foreseen for the communication with beneficiaries.

In Germany, the programme management is perceived to be even more complex and time-consuming than in the past, and therefore the TA budget has been significantly increased in order to expand the amount of staff involved in programme implementation.

In the UK, learning from the 2007-2013 programming period will result in a major emphasis being placed on reducing the risk of programme interruptions, and building this into programme management processes. A dedicated team has been put in place within the Growth Delivery Teams network, managed centrally by the Managing Authority, to examine audit requirements and ensure compliance in the 2014-2020 programmes. The intention is to build compliance into all processes from the programme start.

**Reductions in the number of actors** are anticipated in monitoring and evaluation. In general, reductions in the number of actors involved are planned wherever Intermediate Bodies are to be removed (OP Technical Assistance in the Czech Republic and Bulgaria), or wherever the OP architecture is revised in a way to reduce the number of actors involved (e.g. Austria, where there will be one ERDF OP instead of nine; and Greece, where a reduction in the number of Managing Authorities will take place). Looking at the countries analysed, the greatest reductions in the number of actors are expected in Bulgaria, the Czech Republic and Greece.

Due to the **removal of Intermediate Bodies** in 2014-2020, the Czech OP TA will lose staff in the areas of project generation/preparation, project appraisal, simplification and communication with the beneficiaries. There will be no additional actors in any of the programme cycle stages. The same applies to Bulgaria, where a number of programme cycle stages will have fewer actors due to the removal of Intermediate Bodies. Nevertheless, more actors are expected in strategic programming, project generation/preparation, and financial instruments.

In Greece, fewer actors are expected in strategic programming, project generation, financial management and monitoring (i.e. in the central coordinating authority, the Managing Authority and the Certifying Authority). The structure and operation of the management and control **system will be simplified and decentralised**. According to the authorities interviewed, the reduction of Managing Authorities based on the principle of 'one Managing Authority per programme', the reduction of beneficiaries (as a result of the evaluation study in progress, on administrative and operational capacity) to ensure the effective implementation of co-financed projects, and the decrease in assignments to avoid overlapping responsibilities, will all promote a simple and effective programme structure.

In Italy, when the 2014-2020 programmes are launched, the main area that will have been strengthened in terms of administrative capacity at the regional level will be the ability to **track and audit Cohesion policy expenditure**. This is an area where substantial improvements have been made over the past few years, with dedicated investments in the design of procedures and training of officials.

The regional Managing Authorities do have a very advanced control system, and the intention is to extend it beyond the ERDF programme and mainstream it across the regional administration for all regional expenditure and policies.

In the UK, the strengthening of links between ERDF and ESF within the Managing Authority is seen as a positive development. Management of the two **funds will be more closely aligned** in future, potentially also including co-location within one department. This is expected to have a major positive impact on programme management in 2014-2020, as there will be potential cross-fertilisation of skills and expertise.

The Local Enterprise Partnerships responsibility for including ERDF and ESF within their local strategies will bring both challenges and opportunities. There will be a need for continued engagement with the Local Enterprise Partnerships and on-going support from the Managing Authority. The Managing Authority is confident that it has sufficient resources to support programme delivery.

### **Box 13: Programme management structure in Croatia**

In **Croatia**, the planned management structure has two layers at the Intermediate Body level with the designation between Intermediate Bodies 1'IB1s' and Intermediate Bodies 2'IB2s'. IB1s will concentrate on calls for proposals and overall monitoring of projects, while IB2s will be tasked with verification of the eligibility of costs, on-the-spot checks, and sending payment requests to the Paying Authority.

Staffing estimates for the ERDF/CF OP Competitiveness and Cohesion, by 2015, are 100 at Managing Authority level and 250 at Intermediate Body level. For the ESF OP Efficient Human Resources, it is estimated that, by 2015, 80 persons will be required at Managing Authority level with a further 100 working at Intermediate Body level.

It is felt that there is now a sufficient level of staff with relevant experience in EU funds to staff the institutions through transfers from other bodies and through redeployment as the IPA and convergence programmes wind down.

This organisational set-up does seem, at first sight, to be adding another layer of check and complexity to the operation of the management and control system. However, the Croatian draft PA states that the delegation of specific tasks to the different Intermediate Bodies will streamline procedures and contribute to a better flow of information and documents. Most of the Intermediate Bodies have experience in the management of EU funds.

Under the IPA, the Croatian authorities had already set up a National Fund and Audit Authority. The National Fund, located in the Ministry of Finance, will become the Certifying Authority for EU funds, and the Audit Authority, whose role was defined by the IPA Implementing Regulation 718/2007, will now deal with both IPA requirements and the responsibilities set out in the Cohesion policy regulations for 2014-2020.

The Croatian authorities plan to introduce the required legislation in the form of an Act on the Institutional Framework for ESI Funds Management in the Republic of Croatia. This Act will establish:

- The management and control systems
- A coordinating body performing Member State and horizontal functions
- An independent Audit Body.<sup>78</sup>

The enactment of this legislation is indicatively forecast for the third quarter of 2014.

<sup>78</sup> Croatian draft Partnership Agreement, p.132, April 2014.

## 4.6. Concluding remarks

**Since the beginning of the financial and economic crisis**, strong mechanisms have been put in place to accompany and monitor economic developments in Member States. These instruments range from political recommendations to monitoring instruments, and they have both direct and indirect influence on Cohesion policy implementation. The most important indirect influence arises with austerity measures, which have influence on human resource availability as well as co-financing availability for programme management and implementation. Furthermore, Cohesion policy instruments are increasingly taking the role of filling the budget gaps evolving from the economic recession.

**The most direct influence can be seen with the Position Papers** published by the European Commission, which directly address Cohesion policy strategy development. In terms of management capacities, the EC Position Papers provide detailed recommendations for improvement in all Member States. However, the self-assessment of Member States does not show the necessary awareness of capacity issues in their countries, although it has to be said that the results emerging from self-assessment only reflect subjective and biased opinions.

Detailed analysis reveals that the **challenges of management capacity are similar in many Member States** and mostly relate to staff fluctuation and lack of experience and knowledge at Managing Authority and Intermediate Body levels. Staff fluctuation in less-developed Member States is mainly caused by low average wages and by private companies headhunting experienced staff. Furthermore, the general staff employment stop in public authorities due to austerity measures in the public sector means that staff in Cohesion policy management is employed only for limited timeframes and with flexible contracts. The employment situation is relatively unattractive, and experienced staff takes every opportunity to move to other employers.

The fact that **bureaucracy is still a major** issue results in parallel systems with a lack of adjustment and flexibility. Member States with a detached Cohesion policy system (a system separate from the general administrative system) run the risk of the duplication of processes. Other reasons for high bureaucracy include the use of processes that are not adjusted to the national bureaucracy and a lack of fair and transparent communication between administrative levels. Nevertheless, Member States are highly concerned about control and audit reports and the consequences of failure. The reaction to this fear is over-bureaucratic management with duplication of control loops.

After the last **seven years of OP management, Member States have gained considerable experience** that they aim to build upon. Therefore, there is a certain reluctance to accommodate new instruments and systems.

**Improvements can be seen in changes to implementation procedures** intended to simplify application procedures for beneficiaries, and also in the reduction of implementing bodies involved. In some cases, this might lead to increased centralisation, but it could also help to increase effectiveness. The e-Cohesion service, when it is in place, should help to compensate for the reduced implementation systems. Another improvement is the general attempt to more closely align funds, although it is yet to be seen how the actual alignment will take place. At present, the intended modifications are only described in draft OPs.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### KEY FINDINGS

- Administrative capacity is increasingly being viewed as central to the performance of Cohesion policy, reflected in the prioritisation of the development of administrative and institutional capacity and effective governance as one of the thematic objectives for the 2014-2020 period.
- Most Managing Authorities consider their administrative capacity to have been largely effective in the 2007-2013 period, and many have made serious efforts to address capacity problems. However, capacity development has often been constrained by institutional instability, staff turnover and lack of training. Crisis-driven austerity measures have led to pressure on human resource availability as well as on co-financing for programme management and implementation. Also, capacity varies greatly between countries across the stages of the programme management cycle.
- Preparations for 2014-2020 are now well advanced for many programme management tasks. The programming process has not always been easy, especially where it has involved major thematic shifts or compliance with ex-ante conditionalities. In addition, the results orientation has been difficult for many countries.
- The efficient and effective management of the Funds in 2014-2020 is expected to be a major administrative challenge, with increased demands on administrative capacity compared to 2007-2013. This is compounded by changes in administrative structures and, in some Member States, limited staff resources and tighter Technical Assistance budgets, particularly where there are on-going constraints on public finances due to the fallout of the crisis. However, many countries are making a commitment to improve capacity, and especially to ensure simplification for beneficiaries.
- Key recommendations are that: Partnership Agreement /Operational Programme negotiations should include detailed consideration of the adequacy of administrative capacity; Member States with a record of weak implementation should develop an administrative capacity action plan; European Commission support will be needed, but Member State concerns about trust will need to be addressed for the sake of effective knowledge-sharing; a major investment in knowledge is required; and there is a need for more scrutiny by the European Parliament of the European Commission and Member States on all of these issues and for more debates (public hearings, reports) and studies on the topic of administrative capacity.

The aim of this study has been to assess the programming preparations and administrative capacity among Member States for managing and implementing Cohesion policy in 2014-2020. The purpose is to show whether and how Member States have learned from past experience and what steps they have taken to improve administrative capacity for the 2014-2020 programming period.

This final chapter of the study draws conclusions and recommendations from the research conducted, largely on the basis of 14 national case studies. The chapter first discusses the importance accorded to administrative capacity in the literature and the policy reforms for 2014-2020. It then reviews the experience related to administrative capacity in 2007-2013, identifying the key factors that were responsible for constraints and how they were addressed.

This review is followed by a summary of the preparations for the 2014-2020 period through programming of PAs and OPs, with a focus on the specific challenges for administrative capacity. The conclusions include recommendations for strengthening administrative capacity in 2014-2020.

## **5.1. The importance of administrative capacity for Cohesion policy**

Administrative capacity is increasingly being viewed as central to the performance of Cohesion policy. Previous research and evaluation have found that many EU Member States have weaknesses in the administrative structures and systems needed for managing and delivering Cohesion policy effectively.<sup>79</sup> Particular problems identified include: the lack of a strategic approach to economic development; inadequate coordination of institutions and policies; corruption and lack of accountability; poor financial audit and control; insufficient separation between politics and administration in payment decisions; high staff turnover; lack of specialist skills and equipment; fragmentation of sub-national authorities; and frequent institutional change. The need to improve administrative capacity has become more pronounced as a result of the EU enlargements over the past decade, as well as the variable quality of governance among some accession countries,<sup>80</sup> although it is also an important challenge for effective economic development in parts of the EU15, such as southern Italy.<sup>81</sup>

During the preparatory deliberations on the reform of Cohesion policy for 2014-2020, the Barca Report stressed that Member States needed to put in place the necessary administrative capacity to manage the Funds, but also emphasised the requirement for the European Commission (notably DG for Regional and Urban Policy) to upgrade its human and organisational resources to strengthen its role as a 'contract partner' in overseeing the implementation of proposed reforms. These issues were also included in the conclusions of the Fifth Cohesion Report<sup>82</sup> and subsequently the EU regulations for 2014-2020, which prioritised the development of administrative and institutional capacity and effective governance as one of the Thematic Objectives for the 2014-2020 period. The European Commission devoted a specific chapter to administrative capacity in its Position Papers sent to Member States in advance of the negotiations on the PAs, and a specific unit (competence centre) was established in DG for Regional and Urban Policy, tasked with supporting public administrations 'to improve their capacity to efficiently and effectively plan, implement and evaluate high quality investment programmes furthering cohesion policy'. A counterpart unit in DG Employment, Social Affairs and Inclusion has the wider remit of supporting administrative reform and better governance across the public administrations of Member States. A key recommendation in this context is for the European Parliament to provide effective scrutiny of the work of these units by, for

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<sup>79</sup> Bachtler, J., Gorzelak, G. (2007); Bachtler, J. *et al.* (2009); Barca, F. (2009).

<sup>80</sup> Bachtler, J., Mendez, C., Orzžę, H. (2013).

<sup>81</sup> Milio, S. (2007); Charron, N. (2013).

<sup>82</sup> European Commission (2010). Fifth Cohesion Report. p. 256 ff.



example, inviting the European Commission to report and account on the achievements and challenges faced.

## 5.2. Capacity constraints in 2007-2013

The case study research undertaken for this report in 14 countries indicates that **many authorities consider their administrative capacity to have been largely effective** to deal with the major tasks in the programme management cycle in 2007-2013. These tasks encompass strategic programming and thematic concentration, the performance framework, project generation, project appraisal, financial management, monitoring, evaluation, simplification, communication with beneficiaries, financial instruments and the partnership principle. However, the national self-assessments do not always correspond to the assessments made by the European Commission as expressed in the Position Papers, or to the evidence in evaluation reports and other studies. Managing Authorities were sometimes reluctant to be frank about problems, or they felt that problems were historical and being addressed. In other cases, there was uncertainty about what newer tasks – for example, related to the performance framework or financial instruments – might involve.

This highlights a potential problem for the European Commission in identifying and supporting improvements to administrative capacity: **a lack of confidence and trust among some Managing Authorities about being open with regard to administrative capacity constraints**. There is a perception that admitting specific problems will influence the European Commission's approach to control and audit, potentially leading to penalties related to non-compliance or non-fulfilment of conditionalities, for example. Some separation of functions may be needed to improve trust. Indeed, over time, the provision of support for administrative capacity might need to be organised through an arms-length executive agency to be effective. This could be politically controversial given the implied increase in European Commission competences and the need for additional administrative and human resources. In the short term, a more appropriate solution could be for the European Commission to offer more 'soft' support for improving administrative capacity through the facilitation of informal exchanges between Member States and regions on how to develop effective capacity as well as the provision of guidance to the Member States on best practices to encourage learning in this area.

The case study research identified three generic constraints on administrative capacity in 2007-2013. The first is **institutional instability associated with legislative, organisational or procedural changes**. Among the case studies, this was most evident in Hungary, where there was a major restructuring of institutional responsibilities at national and regional levels during the period, but also in Finland (ministerial amalgamation, creation of new regional centres and agencies) and the UK (abolition of Regional Development Agencies in England and creation of 'Local Enterprise Partnerships'). In the latter two countries, the loss of specialist expertise could be contained, but in Hungary the implications for institutional memory and retention of expert knowledge were significant.

The second capacity constraint is **high staff turnover in Managing Authorities and Intermediate Bodies**. Case study research in Luxembourg identified staff fluctuation amounting to one-third of personnel in the Managing Authority; in the Czech Republic, one Managing Authority experienced an annual turnover rate of between 13% and 21% per year over the 2009-2012 period. In some countries, high turnover is due to internal administrative restructuring. However, there are also structural explanations, notably (in

some Central and Eastern European countries) the lack of human resource management policies and strategies within the civil service, associated with poor salaries and lack of career prospects.

In the Saxony case study, turnover was attributed to German employment legislation limiting the tenure of certain public sector employment contracts to two years.

Lastly and partly related to turnover, there is widespread evidence of **the influence of training and professional development on administrative capacity**. Training is almost universally provided for staff but sometimes restricted to the specific tasks required for certain programme management functions; support for the broader personal and professional development of staff was missing in some countries, leading to poor motivation and lack of job satisfaction (e.g. Czech Republic, Hungary, Luxembourg). Conversely, in the case of the Polish case study (Śląskie), the self-assessment of good administrative capacity was attributed to the investment in training and personal development of staff; the emphasis on flexibility allows staff to be transferred between units in response to the changing circumstances and workload pressures. Austria provided a similar example of staff being given responsibility for a wide range of tasks to avoid a concentration of know-how and skills in single individuals, accelerating the implementation of processes and mitigating the risks associated with staff turnover.

These factors demonstrate how much **administrative capacity for Cohesion policy is influenced by the wider quality of government in each country**. The Italian case study research, drawing on experience from the *Mezzogiorno* and specifically Calabria, identified the influence of political interference in public administration, weaknesses of civil society institutions, and lack of engagement by the private sector as underlying the deficits in administrative capacity for managing the Structural Funds. Similar issues arose in the Czech case study research, which cited structural problems such as insufficient separation of management and audit functions and lack of compliance with public procurement.

As the previous section has discussed in detail, **the administrative capacity for Cohesion policy varies greatly across the specific tasks in the programme management cycle**. The main issues are as follows.

- **Inadequate strategic coordination of programming and/or implementation**, primarily in countries with several national Managing Authorities but no national coordination authority. Coordination is also becoming a challenge in some federal countries or regionally dominated countries where the regionalised approach to programming has not required a capacity for coordination at national level until now (Austria, Finland, Italy).
- **Lack of professionalism in project generation**, with insufficient or misdirected targeting of calls, and insufficient support for beneficiaries – with project preparation by Intermediate Bodies sometimes placing more emphasis on control than on support (Hungary, Italy).
- **Deficiencies in project appraisal, selection and support**, especially lack of capacity to evaluate and contract projects within a reasonable timeframe (leading to delays), as well as to provide follow-up monitoring and support for project implementation (Bulgaria, Hungary, Italy).



- **Lack of clarity in the allocation of roles and responsibilities** among Managing Authorities and with Intermediate Bodies, and poor dialogue and cooperation between national government bodies and regional authorities (Greece, Italy).
- **Problems of communication with beneficiaries** and the absence of streamlined communication channels, such as a one-stop shop for advice (Austria, Finland, Greece, and Hungary).
- **Weak capacity for implementing projects at local level**, especially among smaller local authorities, NGOs and small businesses, which lack sufficient people and knowledge to deal with administrative requirements (Estonia, Italy).

Of course, these problems are not universal and, in most cases, countries have effective capacity for dealing with at least some of the programme management tasks. Among the tasks examined, the **administrative capacity for evaluation appears to be the best developed**, reflecting the combination of regulatory obligations and systematic support and guidance from the European Commission over a long period. Poland is a particularly good example in this respect, reflecting the major investment in evaluation at national level, the provision of tools, guidance, knowledge-exchange opportunities and support for evaluation activities at different levels.

The research also indicates that **Managing Authorities have been making serious efforts to address capacity constraints** during the 2007-2013 period. The case study research identified examples of organisational changes to simplify and improve coordination (Czech Republic, Greece, Hungary), clarify roles and responsibilities (Sweden), improve the capacity of beneficiaries (Bulgaria) and implement quality-improvement mechanisms such as customer surveys (Luxembourg).

Further, **administrative capacity generally improves over time** as greater experience is gained in managing and implementing Cohesion policy. This is evident in the case study research on the effectiveness of capacity for different themes. In traditional areas of support, such as SME development, which have been central objectives for two or more programme periods, the experience built up means that capacity is often well developed and regarded as largely effective. By contrast, authorities struggle to deal with newer regulatory or administrative challenges until they develop practical experience.

**Smaller countries with good governance appear to have some advantages in building effective administrative capacity**, such as Austria, Finland, Luxembourg and Sweden. This can be attributed at least partly to the shorter lines of communication, easier exchange and sharing of experience, and personal knowledge of all the relevant authorities involved in Funds management (and in one case – Luxembourg – even knowledge of project applicants). On the other hand, they may be more prone to administrative disruption when key staff leave, unless flexibility is built into training, professional development and job content.

### 5.3. Preparations for the 2014-2020 period

**Member States have generally made significant progress with programming.** The completion of work relating to strategic planning, thematic concentration, the performance framework, simplification, communication channels, and partnership consultation has reached an advanced stage or has been finalised in most Member States.

By contrast, implementation tasks such as project generation and appraisal, control mechanisms, monitoring and evaluation are making slower progress and, in some countries, work has not yet started or is at a very early stage.

**There are significant changes in the programme architecture.** The overall number of OPs for 2014-2020 is considerably lower than in 2007-2013, due to a rationalisation of programmes and Managing Authorities in some countries reflecting lower funding allocations and ambitions of a more coordinated approach to Cohesion policy management with reducing Implementing Bodies. As a result, there is a certain centralisation of programme management in several countries, although this is not universal; France and Poland are increasing the proportion of funding administered by regional self-governments. Many Member States are using multi-fund OPs, in some cases combining the ERDF, the ESF and the CF.

**The programming process has not been easy.** Some of the partnership engagement has been protracted and complex, with difficulties in striking an appropriate balance between top-down direction and bottom-up influence. **Thematic concentration is driving major shifts in resource allocation in some countries** – less so in the More-Developed Regions, where the main Thematic Objectives were already being promoted through Structural Funds, but more in the EU12 where the move away from infrastructure support has been difficult and sometimes contentious. The introduction of ex-ante conditionalities has brought to light significant policy, strategic or administrative deficits, and **in a number of countries, ex-ante conditionalities will require several years to be met.** It is not clear at this stage whether the 2016 regulatory deadline for the fulfilment of ex-ante conditionalities will be achieved in all cases, but developments should be closely monitored by the European Commission and reported to the European Parliament periodically.

**Member States were often slow to appreciate the implications of the regulatory requirements relating to the performance framework and results orientation.** Understanding and complying with these requirements have proved to be challenging, especially as, at this stage in the negotiations, the European Commission appears to be taking a hard line on its expectations. Particularly difficult are different interpretations of legislation in each European Commission unit. More multi-lateral exchanges between the European Commission services and Member States in the Coordination Committee for European Structural and Investment Funds (COESIF) could be one way to verify the extent of this problem and potential solutions.

## 5.4. Capacity Challenges for 2014-2020

The efficient and effective management of the Funds in 2014-2020 is expected to be a major administrative challenge, with **increased demands on administrative capacity** compared to 2007-2013. These additional demands are associated with increased reporting requirements, the novelty of the performance framework, and the requirements of e-cohesion data exchange. At the same time, many Managing Authorities and Implementing Bodies in the study do not expect to have increased administrative resources, and in several cases are anticipating having fewer staff. Most Member States have been allocated a lower level of Cohesion policy funding with (in some cases) major reductions in TA resources.

**A further challenge to capacity is the reform of administrative structures** underway (Austria, Czech Republic, Greece, Hungary), involving varying degrees of change to institutions, procedures and human resources. In Austria, the rationalisation of ERDF

programmes involves creating a single, new national ERDF Managing Authority for the first time. In the Czech Republic, regional programmes are being replaced by a single Integrated Regional OP.

Hungary has seen a reorganisation of tasks and responsibilities with coordination being taken on by the Prime Ministers' Office, accompanied by new lines of reporting to ministers and closer supervision of Intermediate Bodies. In Greece, there is an on-going process of (Kallikritis) reform to regional and local self-governments.

Across all the case studies, **Managing Authorities expressed concern about the expected steep learning curve associated with new Thematic Objectives.** Low-carbon economy, resource efficiency, sustainable transport networks and (in some cases) innovation are the key Thematic Objectives requiring investment in new capacity; these may have been supported by other parts of government but are often new to the Managing Authorities and Intermediate Bodies delivering Cohesion policy. The same applies to the introduction (or extended use) of financial instruments and integrated territorial development interventions. In addition to acquiring knowledge and expertise, there is the challenge of establishing effective working relationships with government departments, implementation bodies and beneficiaries in these newer areas. With respect to integrated territorial development, there are particular capacity demands associated with the involvement of local organisations such as community groups which lack expertise and resources.

**The research indicates a considerable commitment among Managing Authorities to improve administrative capacity for the 2014-2020 programming period.** Common to many countries are steps to reduce the administrative burden for beneficiaries by harmonising rules across priorities or themes, the streamlining of processes and procedures, reducing reporting requirements and improving data management (including through e-cohesion). Other steps identified through the case study research include:

- an effort to ensure stable systems and rules throughout the whole period (Hungary);
- harmonisation of rules for the recruitment and remuneration of staff as part of wider changes to the legal basis for the civil service (Czech Republic);
- clearer assignment of responsibilities (Greece);
- rationalisation of the number of Intermediate Bodies (Estonia);
- integration of EU and domestic programming (Poland);
- more targeted and relevant project generation and selection systems (Czech Republic, Hungary, Italy);
- reinforcement of professional and administrative support (e.g. a 'project doctor' service) for project implementation (Hungary); and
- support for capacity development among small, local actors (Bulgaria).

Finally, it is important to note a concern that **investment in learning may be at risk.** As noted above, the administrative capacity for evaluation is well developed in most if not all of the case study countries. The past decade has seen significant improvements in this area, driven by the European Commission, as part of an increasing (though not universal) appreciation of the value of critical self-assessment and learning. In the face of reduced TA budgets, it appears that some countries are trying to retain TA-funded staff numbers

wherever possible and instead make savings in TA expenditure on issues such as evaluation, studies, and training.

## **5.5. Programme cycle summary**

The case studies show the different state of the art in implementing the programme cycle. Table 8 provides a synthesis covering the different aspects of proposed changes in the 2014-2020 programming period and their major impact along the policy, drawing on Sections 0 and 0 of this report. The analytical grid distinguishes four stages/functions of the cohesion policy cycle (programming of strategies and priorities, implementation arrangements, project generation, and programme management) and a series of key areas of Cohesion policy change that are considered to be particularly relevant to the preparations and administrative capacity of the Member States. The synthesis also indicates the level of action on each issue, as well as its timeframe (where relevant) and potential risk of delay.

**Table 8: Summary of programming performance along the programme cycle**

Governance level	Cohesion policy cycle	Key areas of Cohesion policy change 2014-2020	Performance	Risk
<b>National governance</b>	Programming	PA	PAs have successfully been prepared in most Member States. However, some Member States have a traditionally poor communication culture between administrative levels, which influences the PA process. Other Member States with a federal state system have a very complicated and time-consuming participation process.	Since almost all PAs have been delivered, there is no risk.
		OPs	Due to the tight thematic concentration based on the CPR, the OPs have been well elaborated along the defined path. Multi-funded OPs have been planned in many different Member States. The implication of this change cannot yet be foreseen. However, the result-oriented approach in particular did not meet the common understanding. Various feedback loops had to be created in order to lead the OPs towards the necessary result orientation. The different interpretations at European Commission level as well as at ex-ante level did not help Member States in their tasks.	The result-driven approach is already seen critically, since there is no understanding of how to evaluate the results or how any form of negative evaluation result will impact financially.
		Thematic concentration	Thematic concentration in general did not seem to be a problematic issue. However, in the process of programme design several stakeholders tried to force through topics funded in the 2007-2013 period but which are not applicable in the proposed investment priorities.	Thematic concentration has been given greater importance in the new Regulations to enhance effectiveness by avoiding dispersion and fragmentation in the use of the Funds. If there are any unforeseen events in the future, the very inflexible programme structure will not allow rapid attention to be given to upcoming issues. This is most relevant for those Member States with a significant share of the Cohesion policy budget.

Governance level	Cohesion policy cycle	Key areas of Cohesion policy change 2014-2020	Performance	Risk
		Structure of the programmes	<p>OPs in general follow similar paths. However, the following groups can be distinguished:</p> <p>Thematic OPs at national level – transition and less-developed regions;</p> <p>ROPs (single-funded ERDF) with 80% thematic concentration on TOs 1-4 – more-developed regions;</p> <p>ROPs (multi-funded programmes ERDF, ESF) – regional dominated Member States;</p> <p>Only national OPs (multi-funded programmes ERDF, ESF) – either small Member States or small budget</p>	Multi-funded OPs do have the potential for administrative efficiency, but the case studies do not show any signs of combined programme management as yet. There is a risk of even more inefficiency and lack of coordination between managing and implementing bodies.
		Partnership principle	The process of developing the PA was one of 'multi-level governance', given that it was based on the involvement of a large number of different partners. All of the Member States analysed in the case studies established platforms, working groups, PA committees, thematic working groups, and public consultations.	Multi-level governance in some Member States with a lack of cooperation culture has not been implemented sufficiently and has not achieved the intended result of better cooperation between governance levels. The risk of segregation and lack of information flow in some Member States still exists. No action is foreseen to counteract this tendency.
Managing Authorities	Implementation	Ex-Ante conditionalities	<p>The EU12 especially performed very well in the development of certain ex-ante conditionalities. Given the large amounts of Structural Funds resources, the administrative and the political levels had a considerable interest in enforcing the required conditionalities.</p> <p>This helped to fill certain strategic gaps at national and regional levels.</p>	The correlation between the fulfilled ex-ante conditionalities and the programme implementation cannot be assessed at the time of writing of the study. But developments should be closely monitored by the European Commission and reported to the European Parliament periodically.

Governance level	Cohesion policy cycle	Key areas of Cohesion policy change 2014-2020	Performance	Risk
		Financial instruments	There has been a learning effect in the field of financial instruments from the 2007-2013 programming period. In some cases, financial instruments only started to be applied in 2012 given the lengthy preparatory period which was due to the novelty and complexity of those instruments.	Financial instruments have a timely overhang from the 2007-2013 period, which will certainly influence the 2014-2020 period. Furthermore, the complexity of financial instruments is in many Member States too high to allow effective implementation. Case studies reveal the need for even more staff to implement those instruments. Wherever private banks are responsible for financial instruments, the conditions are similar to private loans and guarantees, and this tends to thwart the effect of Cohesion policy support.
		Administrative structure	<p>The administrative structure is particularly weak in those Member States where OP management is detached from the general public administrative procedures.</p> <p>The implementation of programmes is performing well only where Managing Authorities and Intermediate Bodies are closely linked to the line management of national and regional administration.</p>	Administrative structure is increasing in complexity with every new programming period. The Cohesion policy programmes created new positions, and the administrative staff is keen to keep those positions especially in times of crises. So the 2014-2020 programming period will again be used to create jobs rather than to decrease administrative structures.
<b>Implementing Bodies</b>	Project generation	Simplifications	Simplifications are targeted in several different ways: either in joint administrative systems, changes in the project appraisal procedure (e-Cohesion), or via the implementation of flat rate or standard costs. Some Member States even adapted national procurement law in order to support project management for SMEs.	The administrations do not perceive that simplifications introduced by the new regulatory framework will help to simplify the administrative process in practice.

Governance level	Cohesion policy cycle	Key areas of Cohesion policy change 2014-2020	Performance	Risk
		Information, communication	<p>The development of communication channels is generally advanced-to-finalised in most countries. The changes generally consist of the modernisation of communication tools for beneficiaries</p> <p>(E-communication). The e-Cohesion tool seems to be most promising in this respect. However, the tool is still not established in most of the Member States, and it is yet to be seen how Member States can effectively employ e-Cohesion in order to simplify communication process.</p>	The majority of simplifications have been channelled through e-Cohesion, but no system is yet implemented, and it is questionable whether these systems will be launched by the time the programmes are approved (although the deadline for implementing the e-cohesion requirement is end of 2015)
		Support for project development, management of project submission	Project development and management are usually considered to be effective at Intermediate Body level. Nevertheless, problems and difficulties of applicants are manifold, <sup>83</sup> and it is not yet clear how those factors will be eased in the 2014-2020 programming period.	Many Managing Authorities are restricting their direct support for beneficiaries to the e-Cohesion requirement, although previous research <sup>83</sup> for the European Parliament indicates wider and persistent challenges.
		Project appraisal and selection	There will not be many changes with regard to project appraisal (in terms of human capacity, etc.), but countries are not advanced in the preparation of this policy phase for 2014-2020.	
<b>Implementing Bodies</b>	Programme management	Simplifications	Simplifications at Intermediate Body level are usually considered to be effective. However, in some countries the simplifications are expected to lead to more difficulties than before, usually due to changes in management systems and changes in the quantity of human resources.	

<sup>83</sup> Tödtling-Schönhofer H. Hamza C.(2011), Barriers for applicants to Structural Funding, Directorate General for Internal Policies Policy Department B: Structural and Cohesion Policies Regional Development, 19/12/2011.



Governance level	Cohesion policy cycle	Key areas of Cohesion policy change 2014-2020	Performance	Risk
		Monitoring	Monitoring was seen as effective in all cases analysed. However, monitoring systems are not yet fully established for the 2014-2020 programming period. Programme indicators in 2007-2013 were criticised as being unmeasurable and excessive in number by some managing authorities.	Result-driven programmes will have a definite impact on monitoring and will increase the complexity of the monitoring process.
		Financial management	Financial management at Intermediate Body level is usually considered to be effective. This is however not the case in countries facing management-related difficulties (unclarified management structures and sharing of responsibilities). However, although interviewees claimed to have no problems, the absorption rates especially in the EU12, Spain and Greece seem to contradict this assessment.	Due to lack of co-financing budget as well as lack of staff able to manage the programmes, there is again a significant risk to implementation and absorption, not least because most programmes will not be approved until 2015.
		Control and evaluation	Control and evaluation are generally seen as effective and unproblematic, but with the general criticism that the processes are usually time-consuming. Simplifications are expected in this area.	The evaluation plans will be more important and potentially complex due to the new emphasis on results. In most Member States the plans have not been established yet. Although the formal deadline is one year after the adoption of the programmes, it is important to launch the preparations immediately to meet the greater expectations for 2014-2020 in performance-related tasks. Various issues are hampering the evaluation process, and it will be necessary to quality check the evaluation plan before implementation.

**Source:** Metis/EPRC based on interviews and literature research, April 2014

## 5.6. Recommendations

The research for this report underlines the importance of administrative capacity for good management and implementation of Cohesion policy. While some countries have made progress in improving capacity during the 2007-2013 period, the state of capacity varies greatly across countries and programme management tasks. The new policy and regulatory requirements of the 2014-2020 period present new demands on administrative capacity and, notwithstanding the preparations being made by Member States, there is considerable uncertainty regarding the capacity needed and how it should be developed.

Ensuring adequate administrative capacity will be critical for securing the commitments and targets in the PAs and OPs. During the recent budgetary negotiations, Member States were rightly critical of the high level of outstanding commitments that remain unpaid. The challenge of timely absorption will be intensified in the 2014-2020 period by new Thematic Objectives, new types of intervention, and (in some countries) new structures and programme architectures. Further, the attention given to spending will be accompanied by a greater focus – in both the Council and the European Parliament – on the results of programmes.

### European level

1. Member States assessments of the role of the European Commission in the negotiation of strategies are mixed, with some pointing to improvements and greater added value than in previous periods and others highlighting an excessively bureaucratic approach and loss of quality and efficiency in programming. The **European Commission has to assure internal standardisation of programme implementation in an adequate time frame and should assure aligned and consistent internal understanding of legislation before negotiating with the Member States** in order not to increase complexity and inefficiency even more.
2. In the post-2020 policy phase, the programming and legislation phase has to be either accelerated or the starting point of the preparation shifted to an earlier date in order to keep the overall timetable of the programming period.
3. The European Commission clearly has a responsibility to focus on specific capacity problems in each Member State and **involve the capacity action plans** to improve administrative capacities in the negotiation **phase**. The OPs do not always sufficiently explain the administrative improvements; this should be prioritised over comparatively less important issues such as OP structure and terminologies.
4. The research has reinforced the recognised need, during both the programming and subsequent implementation stages, for **support from the European Commission services to Member State authorities in improving administrative capacity**. There is considerable scope for the administrative capacity units in DG for Regional and Urban Policy and DG Employment, Social Affairs and Inclusion (with adequate resources) to facilitate learning and exchange of experience among Member States. Short-term options would include the organisation of peer reviews and good practice workshops on what works in specific national contexts (the beneficiary simplification initiative in Luxembourg is a good example, the approach to building evaluation capacity in Poland is another). This would provide the basis for knowledge-generation that can then be codified, translated into guidance for Managing Authorities, Intermediate Bodies and beneficiaries and be disseminated through resource support and information services.

5. Trust is a crucial pre-condition for effective knowledge-sharing on administrative capacity between the Member States and the European Commission services. As noted above, there are concerns in some national authorities that the European Commission will not be able to separate its support and control responsibilities, i.e. that openness about capacity problems in Managing Authorities and Intermediate Bodies could backfire by triggering additional European Commission scrutiny through control and audit. The European Commission will need to allay this concern at an early stage if it is to engender a constructive and cooperative working relationship with Member States on administrative capacity functions. Some separation of functions would be desirable; ideally, the provision of support for administrative capacity would be organised through an arms-length executive agency to be effective – although at a time of scarce resources this would be difficult to justify. It is also important that the European Commission offer more ‘soft’ support for improving administrative capacity such as facilitating informal exchanges between Member States and regions on how to develop effective capacity as well as the provision of guidance to the Member States on best practices to encourage learning in this area. The ETC support programme INTERACT<sup>84</sup> provides some good examples of knowledge exchange and training, as do other inter-regional knowledge exchange networks.
6. There is a pressing need for **investment in knowledge about administrative capacity**. A starting point is for the European Commission and Member States to share knowledge and experience to define a set of minimum administrative capacity requirements for each of the main programme management tasks. Similar work is necessary to develop measures of administrative capacity that would allow comparison across countries and programmes, and this would provide a valid basis for identifying certain elements of capacity as ‘good practice’. There is also a lack of knowledge about the links between administrative capacity and performance in implementing Cohesion policy; research is needed on how certain configurations of administrative structures, systems, tools and human resources lead to good absorption, outcomes in line with objectives and low error rates. Lastly, there is a lack of credible evidence and understanding of ‘what works’ – which forms of capacity-building such as training, professional development, tools, knowledge-exchange etc. are effective, efficient and feasible in terms of resources and timescales.

### Member State level

7. Member States with a record of weak implementation or inadequate capacity should have an action plan in place demonstrating that they have analysed objectively the capacity for each programme management task, identified deficits, committed the necessary resources and have a reporting mechanism to demonstrate that the necessary measures are implemented.
8. The negotiations on the PAs and OPs should include systematic scrutiny of the adequacy of administrative capacity for each of the tasks being approved. While there are clear regulatory requirements addressing the topic, there is a danger that the quality checks conducted by the European Commission in practice and the associated dialogue with Managing Authorities, give insufficient weight to the importance of capacity, particularly because of the need to address many other regulatory compliance requirements in programming and different views about the state of administrative capacity.

<sup>84</sup> [http://www.interact-eu.net/about\\_us/about\\_interact/22/2911](http://www.interact-eu.net/about_us/about_interact/22/2911)

The European Commission usefully highlighted perceived deficits in administrative capacity in its Position Papers, but not all Member States share the European Commission's assessment, and it appears likely that not all its recommendations will have been acted upon.

Preliminary feedback from the negotiation of PAs and ERDF/ESF programmes indicates that the main foci have been thematic concentration (especially eligibility and financial prioritisation of thematic objectives and investment priorities), the results orientation, ex-ante conditionalities, the territorial dimension, and types of intervention planned within the Thematic Objectives and Investment Priorities chosen by the Funds. Insofar as management and implementation issues have been considered, discussions have concentrated on specific organisational arrangements such as the status of Intermediate Bodies or coordination between Funds. It is not evident (so far) that the quality and numbers of staff, expertise, systems and tools, etc. have been given a high profile – although clearly the programme negotiations still have a long way to go. The results of the negotiations on administrative capacity in the programming of the ESI Funds should be reported by the European Commission (see recommendations to the European Parliament in section 5.7. of this report).

9. Member States have the primary responsibility for ensuring adequate administrative capacity and investing in the necessary administrative capacity-building. It will be important to ensure that Member States with a record of weak implementation or inadequate capacity have an action plan in place demonstrating that they have analysed objectively the capacity for each programme management task, identified deficits, committed the necessary resources (especially at a time when programme allocations have fallen in many Member States and TA budgets are under pressure), and have a reporting mechanism to demonstrate that the necessary measures are implemented. The lessons from the 2007-2013 period (and previous periods) is that weak administrative capacity for Cohesion policy is often a function of the wider quality of government in the country concerned, and improvements take time. It may be necessary, therefore, for administrative-capacity action plans to be timetabled across the whole 2014-2020 period, and some issues (e.g. deficits in strategic planning) may need to be addressed with reference to the post-2020 period.

### Regional level

10. The sometimes considerable lack of interaction and coordination between regional and national authorities can be a key issue in inadequate capacity. However this can be driven by both levels and differs between Member States. Managing Authorities at national level have to assure that sufficient and effective communication with the regional level is assured. **The above-mentioned capacity action plans should also take account of the communication activities between national and regional level and should introduce consequences in case of omission.** The European Commission should provide periodic feedback to the European Parliament and the Council of Ministers on the latest developments with regards to these action plans as part of the annual consultation of key organisations representing partners at EU level on the implementation of the Funds within the framework of the partnership principle (Article 5.6, CPR).

## **5.7. Recommendations to the European Parliament**

Based on the analysis in the present study, the following steps are recommended to the European Parliament in view of improving the administrative capacity in the Member States to ensure a good future management and implementation of Cohesion policy. In general, in order for the European Parliament to act upon the existing and the possible upcoming challenges, more communication and reporting on specific issues from the European Commission to the European Parliament are recommended. More thought should however be given, in a next step, on how to avoid that extra-reporting results in increasing the administrative burden for the European Commission as well as regional and national authorities. Reporting should therefore be understood as a way to communicate the latest developments and pressing issues in a concise and brief manner (including participation in public debates during committee meetings) rather than long and complex papers.

The new requirements on Cohesion policy in 2014-2020 and especially the increasing emphasis on the role of administrative capacity in enhancing performance imply a need for more accountability across EU institutions on the achievements and challenges. In particular, there is a need for more scrutiny of the European Commission, the Commissioners, and national ministers in front of Parliamentary committees on the topic of administrative capacity. A key recommendation in this context is for the European Parliament to provide effective scrutiny of the work of the new administrative capacity units in DG for Regional and Urban Policy and DG Employment, Social Affairs and Inclusion by following up on the achievements and challenges faced.

Moreover, this study has shown that at Member State level, the PA and OP negotiations have not (primarily) focused on administrative capacity (see section 5.6 of this report). The ability of the European Parliament to hold other institutions to account would require better insights on the differences and determinants of administrative capacity across different Member States. The European Parliament could contribute to this knowledge base for example through own-initiative reports, public hearings and studies on capacity during the implementation of the new round of programmes for 2014-2020. Also, the European Commission should be invited to elaborate and present a report on the results of the negotiations on administrative capacity in the ESI Funds programming to the Committee on Regional Development (REGI). It would be important to give an overview of developments at Member State level with regards to introducing and implementing simplification measures such as e-cohesion that is to decrease the administrative burden for beneficiaries and the authorities involved. These results could for instance be included as a separate chapter to the report on the outcome of the negotiations concerning the PAs and the OPs that the European Commission has to prepare and submit by 31 December 2015 according to Article 16.3 of the CPR.

Additionally, regular reporting by the European Commission to the European Parliament could be requested in areas that are expected to be most problematic, notably the fulfilment of ex-ante conditionalities, the implementation of capacity action plans and the performance framework and reserve.

For instance, periodic feedback could be given on the latest developments in the capacity action plans as a part of the annual partnership consultation of key organisations representing partners at EU level (Article 5.6, CPR). In view of avoiding any additional burden, the umbrella organisations themselves should have collected feedback and information on the latest developments and report it to the European Commission during this consultation. This could ultimately lead to ameliorating the communication between the national and regional level.



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- Position Papers and Partnership Agreements: [http://ec.europa.eu/regional\\_policy/what/future/program/index\\_en.cfm](http://ec.europa.eu/regional_policy/what/future/program/index_en.cfm)
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