

STUDY

Requested by the REGI Committee



# Absorption Rates of Cohesion Policy Funds

## Preliminary Study Results



**Regional Development**



Policy Department for Structural and Cohesion Policies  
Directorate-General for Internal Policies  
PE 747.284 - December 2023

EN



RESEARCH FOR REGI COMMITTEE

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# Absorption Rates of Cohesion Policy Funds

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## Preliminary Study Results

### **Abstract**

This study analyses the absorption rates of the EU Cohesion Policy funds in 2014-2020 over time across funds (ERDF, ESF, CF and REACT-EU) and across Member States and regions. It also provides a comparison with the programming period 2007-2013. A summary of absorption drivers, obstacles and undertaken solutions is presented based on the relevant literature and the initial findings of case studies. Conclusions and preliminary recommendations on improving the absorption of funds are set out.

This report introduces some preliminary results. A completed and more detailed study will be made public in April 2024.

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

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## LIST OF ABBREVIATIONS

<b>AA</b>	Audit Authority
<b>BN</b>	Billion
<b>CA</b>	Certifying Authority
<b>CF</b>	Cohesion Fund
<b>CP</b>	Cohesion policy
<b>CARE</b>	Cohesion's Action for Refugees in Europe
<b>CPR</b>	Common provisions regulation
<b>CRII</b>	Coronavirus Response Investment Initiative
<b>CEU</b>	Council of the European Union
<b>EC</b>	European Commission
<b>ECA</b>	European Court of Auditors
<b>EP</b>	European Parliament
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>FAST CARE</b>	Flexible Assistance to Territories
<b>GDP</b>	Gross Domestic Product
<b>MA</b>	Managing Authority
<b>MS</b>	Member State
<b>MN</b>	Million
<b>MFF</b>	Multi Annual Financial Framework
<b>NGEU</b>	Next Generation EU

<b>OP</b>	Operational Programme
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PP</b>	Percentage points
<b>RRF</b>	Recovery and Resilience Facility
<b>REACT-EU</b>	Recovery Assistance for Cohesion and the Territories of Europe
<b>SCO</b>	Simplified cost options
<b>TFBI</b>	Task Force for Better Implementation
<b>YEI</b>	Youth Employment Initiative

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## EXECUTIVE SUMMARY

Understanding the drivers of the absorption of Cohesion Policy funds is crucial for shaping the future of this policy aimed at promoting economic growth and social cohesion and reducing disparities among the EU Member States (MS) and their regions. In particular, it is crucial to understand what influences the speed of the absorption, how that is related to the effects of the Cohesion Policy and if the factors that speed up (or hinder) the absorption of the funds can and should be encouraged (or removed) at the EU as well as at the Member States level.

### Absorption rates in 2014-2020 and comparison with 2007-2013

A prolonged trend in the absorption of funds was observed in the first years of the 2014-2020 programming period: In fact, **just a quarter** of the total resources **had been paid out at the end of 2018**, while a significant catch-up took place near the end of the programming period. By the end of 2020, only 52.5% of the total financial resources available from the ERDF, CF, ESF and YEI for the 2014-2020 period had been paid to MS. At the end of **August 2023**, though, the **absorption increased significantly to 89%** (not considering REACT-EU funds) or 83% (when including REACT-EU).

The absorption rate of REACT-EU funds was about 45% at the end of August 2023, meaning that more than half of the resources still need to be paid out in the remaining months. Apart from REACT-EU, there are no significant differences in the absorption rates across the funds of the Cohesion Policy. In relation to the different regions category, the “Transition” regions perform worse than the “More developed” and “Less developed” (between these two, there is no significant difference).

**Differences in absorption rates are significant** across countries in 2014-2020. Approximately half of the MS had, as of August 2023, an absorption rate higher than the EU average. This group includes several countries that joined the EU relatively recently, while most of the largest and “older” EU MS registered a lower performance. These have a less satisfactory performance, also in the absorption of REACT-EU funds.

The absorption rate in 2014-2020 was consistently lower than in 2007-2013. Compared to the initial years of 2014-2020, early information on programming progress in 2021-2027 shows that absorption is even lower in the current cycle. **Low absorption rates pose a challenge** as they, amongst others, **may weaken the programmes' relevance and capacity to achieve the intended objectives**.

### Absorption drivers and barriers

The **factors that explain the key trends** observed in the expenditure of Cohesion Policy funding and why the financial performance may differ across MS can be divided into four groups:

- 1) Those related to the European policy and legal context;
- 2) Those related to the national institutional, policy and legal context;
- 3) Those linked to the national socio-economic context; and
- 4) Those related to the administrative capacity and the delivery modes, one of the strongest predictors of absorption.

**Barriers to absorption** are related to these groups of factors and may include:

- 1) Delays in adopting EU legal frameworks and guidelines, which may also change frequently, late adoption and overlaps between Multiannual Financial Frameworks periods and Operational Programmes;
- 2) Limited quality of government and lack of continuing political support, political instability, patronage and clientelism;

- 3) GDP per head, limits in available matching funds, low level of infrastructure development and innovation, low investments, vulnerability to external crises, low exposure or capacity to benefit from knowledge spillovers, limited labour force capacity; and
- 4) Inefficient institutional structures, training gaps, low public administration workforce engagement, inadequate practices and procedures for the selection of operations, insufficient digitalisation.

The **solutions** aimed at overcoming absorption obstacles include EU simplification initiatives, performance frameworks, provisions allowing flexibility, reduction of co-financing rates, reprogramming, phasing of projects, more intensive use of digitalisation, improving operation selection processes and practices, reinforcement of human resources, reorganisation of cohesion policy governance, revisions of domestic legislation, simplification of procurement, strategic plans/projects to support the project pipeline, guidelines, information events targeting beneficiaries, strengthened role of audit authorities, etc.

Case studies of different Operational Programmes (OPs) were conducted in six MS to gain an in-depth understanding of the absorption barriers and solutions aimed at overcoming obstacles. These case studies highlighted that the absorption delays reflect the rules of Cohesion Policy and seldom imply significant decommitments but may weaken the programmes' relevance and capacity to achieve the intended objectives. Thus, it is important to identify the main obstacles and related solutions. The solutions taken in the OPs covered in the case studies are varied and include strengthening capacity (e.g. through training, hiring of experts, task forces, and guidelines), improving operation selection, digitalisation, stakeholder consultation, coordination and communication, adjusting co-financing rates, front-loading (e.g. tenders published with a payment schedule that includes a pre-financing payment), and "phasing" of large projects; use of simplified cost options.

### Preliminary conclusions

Based on the analysis of payment data, pertinent literature and case studies, it can be inferred that a potential solution for substantially enhancing the typical absorption patterns observed in the 2014-2020 period, as well as in previous programming periods, may involve the adoption of an alternative policy approach. Radically changing the Cohesion Policy solely to boost absorption rates would have uncertain benefits but significant risks, most notably exacerbating the lack of consensus towards EU institutions and contributing to a perception of increasing detachment from citizens. On the contrary, an effective strategy to ensure that the Cohesion Policy meets expectations and achieves its intended intervention could involve removing or mitigating absorption obstacles, as identified in the study.

**At the EU level**, this may involve:

- Reducing the complexity of rules;
- Being more attentive to the specificities of the national contexts and avoiding one-size-fits-all approaches;
- It would also involve minimising uncertainties, providing timely and clear guidelines on the application of key principles and eligibility rules and supporting administrative capacity building in Member States.

**At the national (or regional) level**, authorities could envisage to take the following actions:

- Enhance their capacity;
- Enhance the effectiveness and efficiency of selection procedures and delivery modes;
- Bolster coordination between stakeholders and provide support for the capacity of beneficiaries.

## 1. ANALYSIS OF ABSORPTION RATES IN 2014-2020 AND COMPARISON WITH 2007-2013

### KEY FINDINGS

- By the end of 2020, only 52.5% of the total financial resources available from the ERDF, CF, ESF and YEI for the 2014-2020 period had been paid to Member States, while at the end of August 2023, the absorption rate amounted to 89% (not considering REACT-EU funds) or 83% (when including REACT-EU funds). Overall, a very slow trend in the absorption of funds can be observed in the first years of the 2014-2020 programming period. In fact, just a quarter of the total resources had been paid out at the end of 2018, while a significant catch-up took place near the end of the programming period.
- There are no significant differences in the absorption rates across the funds of Cohesion Policy (excluding REACT-EU funds), with the only exception of the YEI, which shows higher payment rates in the first years of implementation but a lower rate as of August 2023. In relation to the different categories of regions, the "Transition" regions perform worse than the "More developed" and "Less developed". Between the latter two, there is not a consistent difference.
- Overall, the absorption rate of funds allocated under REACT-EU is about 45% at the end of August 2023, meaning that more than half of the resources need to be paid out in the remaining months. ESF shows a lower absorption rate than ERDF in the additional funds allocated under REACT-EU.
- Differences in absorption rates are significant across countries in 2014-2020. Approximately half of the Member States had, as of August 2023, an absorption rate higher than the EU average. This group includes several countries that joined the EU relatively recently, while most of the largest and "older" EU MS registered a lower performance and also had a less satisfactory performance in the absorption of REACT-EU funds.
- The absorption rate in 2014-2020 was consistently lower than in 2007-2013, even without considering REACT-EU. For example, at the end of 2020, the absorption rate was ten percentage points lower than the absorption rate in the previous programming period, at the end of 2013. This concerns most countries, with a few exceptions (e.g. Romania, Czechia, Hungary). Early information on the progress of the 2021-2027 programming period shows that absorption is even lower in the current cycle compared to the initial years of 2014-2020.

This section of the report<sup>1</sup> provides an analysis of the absorption rates in the 2014-2020 programming period and a comparison with the previous programming period, 2007-2013, highlighting the general trends and the changes that occurred at the country level. The analysis covers all EU Member States, including the UK and focuses on the ERDF, the CF, the ESF and the YEI<sup>2</sup>. REACT-EU funds are analysed separately, given their specificity as additional resources introduced in response to the COVID-19 crisis in 2021 by Regulation (EU) 2020/2221.

<sup>1</sup> Please note that this report introduces some preliminary results. A completed and more detailed study will be made public in April 2024.

<sup>2</sup> In detail, the analysis covers 389 programmes implemented in the 2014-2020 programming period, out of which 76 are Interreg programmes.

According to the latest available data (end of August 2023), the total EU resources<sup>3</sup> programmed in the 2014-2020 programming period amount to approximately EUR 404bn, of which EUR 49bn are REACT-EU funds.

### 1.1. Absorption rates of Cohesion policy funds in 2014-2020

The analysis of absorption rates is based on EU funding paid out by the European Commission to a Member State's Operational Programme (OP) as co-financing towards eligible projects. The absorption rate is thus the percentage of the total amount committed to a paid OP. As mentioned for the programmed resources, the present analysis considers the payment data as updated as of the end of August 2023<sup>4</sup>.

#### 1.1.1. Absorption trends at European level

Cohesion Policy payments increased only gradually over the 2014-2020 programming period and the absorption rate did not pick up until 2018-2019, just two years before 2020, the last year of programming<sup>5</sup> (see Figure 1).

At the end of 2020, only 52.5% of the financial resources available from the ERDF, CF, ESF and YEI for the 2014-2020 period had been paid to Member States. As of the end of August 2023, the EU payments for ERDF, CF, ESF and YEI amounted to EUR 316.5bn, against EUR 355.1bn of planned resources, with an absorption rate of 89.1%. If REACT-EU funds are also considered, this leads to a lower absorption rate of 83.8% as of the end of August 2023.

The overall trend observed after 2020 shows that the COVID-19 pandemic did not negatively affect the programmes' absorption rate<sup>6</sup>. This is also due to the effectiveness of the support and flexibilities provided through the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+) to Member States.

The absorption trend is not considerably different across funds (see Figure 2), except for YEI, which showed a significantly higher absorption rate since the first years of programming. However, ERDF payments show a slower trend than CF, which can be surprising given that CF supports infrastructure projects that take longer to be completed. Furthermore, the ERDF absorption rates remain lower than the ESF and CF rates, both at the end of 2022 and at the end of August 2023 (see the following figures).

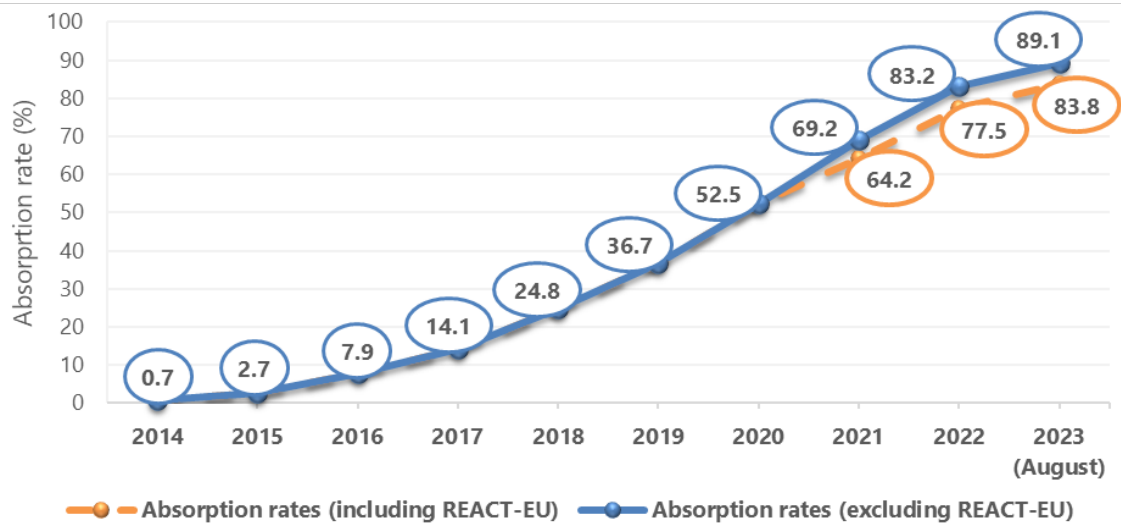
<sup>3</sup> Not including the national co-financing.

<sup>4</sup> The main source of information for this analysis is the database "ESIF 2014-2020 EU payments", which is available on the Cohesion Open Data Platform and updated daily. The database can be downloaded here: <https://cohesiondata.ec.europa.eu/2014-2020-Finances/ESIF-2014-2020-EU-payments-daily-update/-/gavt-q2qh>

<sup>5</sup> Though Member States, based on the N+3 rule, can spend their resources until the end of 2023.

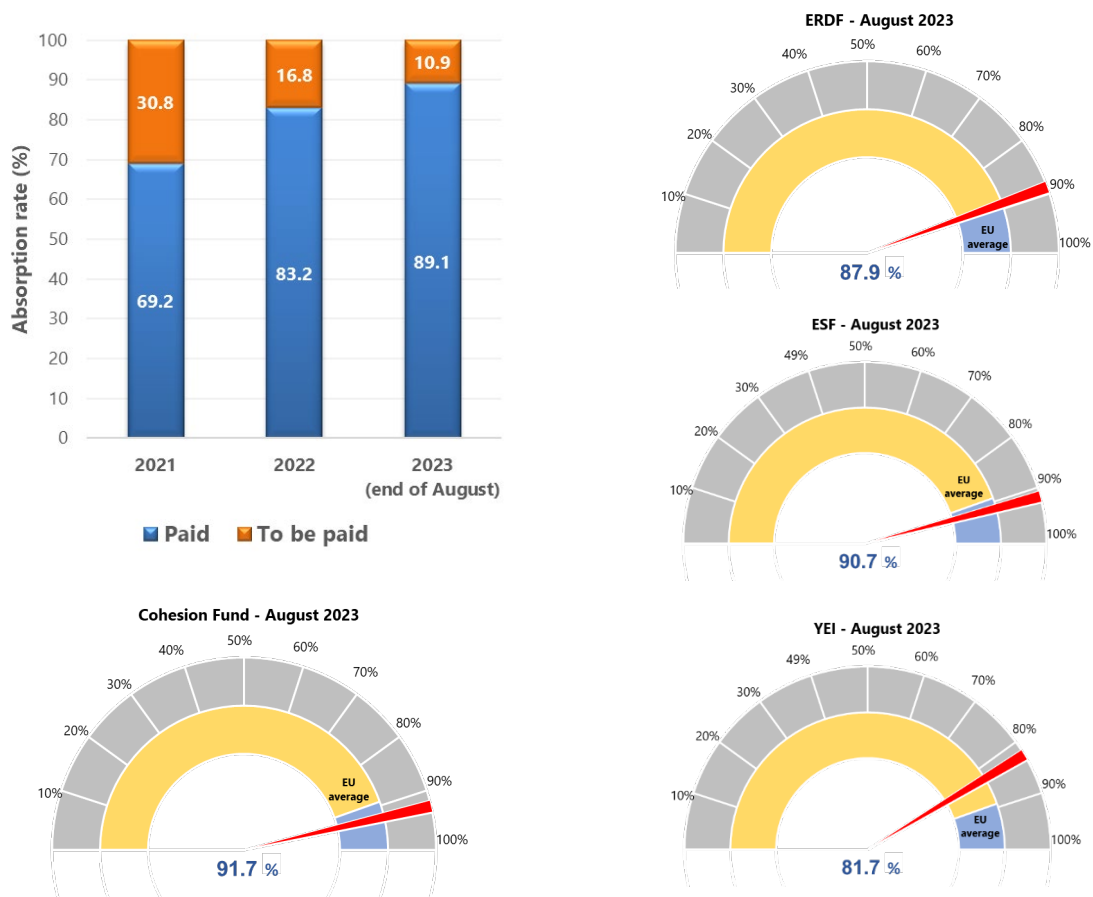
<sup>6</sup> Regarding ESF, see, for example, Ecorys, 3s. (2023), Study supporting the preliminary evaluation of the support provided by ESF and the Fund for European Aid to the Most Deprived (FEAD) under the Coronavirus Response Investment Initiatives (CRII and CRII+), Directorate-General for Employment, Social Affairs and Inclusion. doi:10.2767/44044

**Figure 1: Absorption rates of Cohesion Policy funds (ERDF, CF, ESF and YEI) over time**



Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

**Figure 2: Absorption rates of Cohesion Policy, total (bar chart) and by fund (speedometers)**

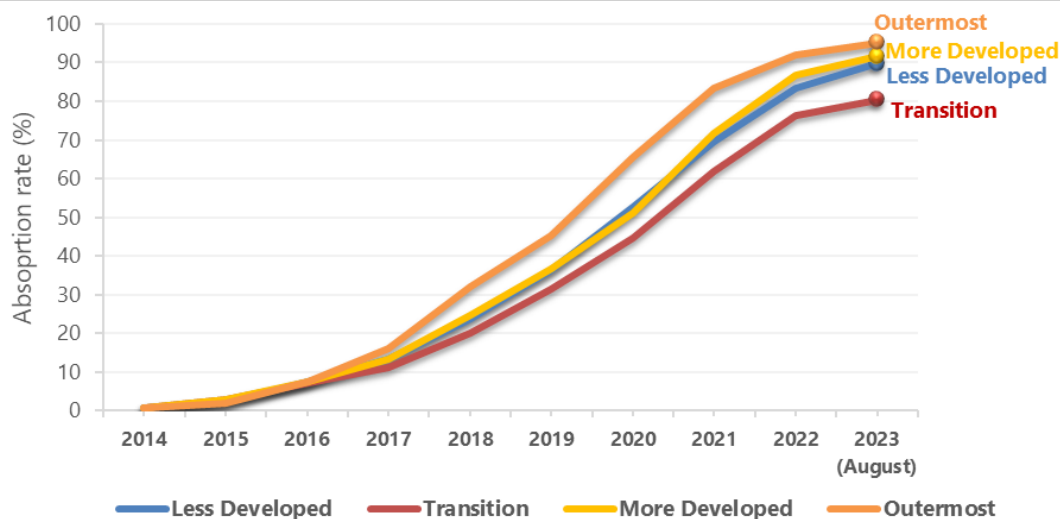


Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Data on EU payments also show that, considering all the funds together, payments for regions in “Transition” have been slower than the payments made for “More developed” and “Less Developed” territories throughout the analysed period (Figure 3) and still, in 2022-2023, the absorption rate is 7-8pp

(percentage points) lower in transition regions<sup>7</sup>. It can also be noted that, overall, “More Developed” and “Less Developed” regions show the same trend, without relevant differences. However, this is not the case for all countries: in France, Italy, Romania and Spain, the absorption rate is lower in less developed regions. It is worth noting that the EU Outermost Regions exhibit the highest absorption rates throughout the period, even though they only represent approximately 0.4% of the total planned EU Cohesion Policy funds<sup>8</sup>.

**Figure 3: Absorption rates of Cohesion Policy funds, by category of regions**



Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Note: REACT-EU funds not included

For the types of programmes, national programmes (programmes managed by a central administration, which may cover several sub-national territories) show higher absorption rates in the first years of the programming period, while the difference disappears later on, most notably after 2020 (Figure 4, left-side chart).

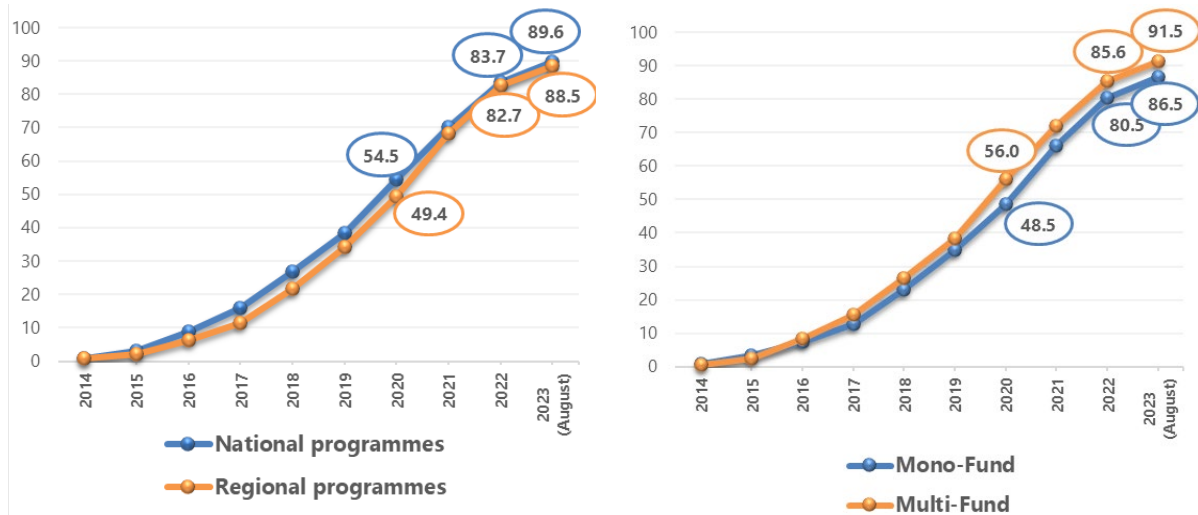
OPs can also be distinguished between mono-fund and multi-fund OPs. Multi-fund programmes have a better performance in terms of payments, and at the end of 2022 and in August 2023, their absorption rate is about 5pp higher than mono-fund programmes<sup>9</sup> (Figure 4, right-side chart).

<sup>7</sup> With the exception of France and the UK, in all countries that have transition regions, the programmes financing transition territories present a lower performance than the other categories of regions, both at the end of 2020 and at the end of August 2023.

<sup>8</sup> This figure (0.4%) includes the nine programmes targeting the Outermost Regions of France, Spain and Portugal, as well as the programmes for sparsely populated areas in Finland and Sweden.

<sup>9</sup> In countries where both national and regional programmes were adopted, a certain variation is observable, as at the end of 2023 in France, Germany and the Netherlands, national programmes present higher absorption rates (the difference being about 10pp) and in Hungary and Poland at a lesser extent. In Greece and Spain, regional programmes tend to have a better performance (of about 7-8 pp) as well as in Sweden, Czechia, Finland and Italy. In Ireland and Portugal, there are no differences in the payment rates between national and regional programmes.

**Figure 4: Absorption rates of Cohesion Policy funds by type of programmes, national vs regional (left), and multi-fund vs mono-fund (right)**



Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Note: REACT-EU funds not included

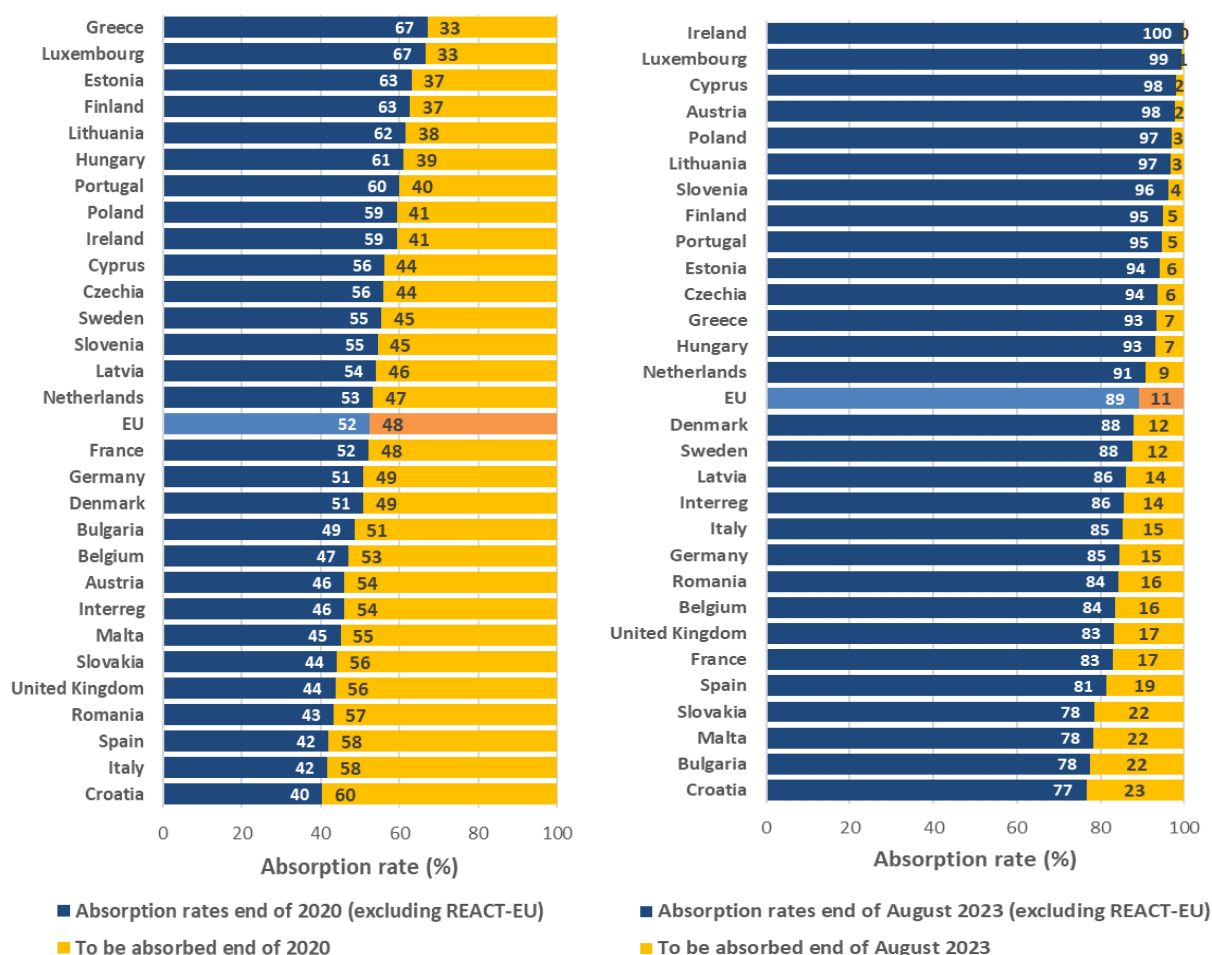
### 1.1.2. Differences in absorption across countries (without REACT-EU)

In 2020, at the end of the 2014-2020 programming period, slightly more than half of the total available ERDF, CF, ESF and YEI resources had been paid out (52.5%). This implies that, in just three years, between 2020 and 2023 (last year for spending funds according to the N+3 rule), Member States, on average, had to spend the same amount of resources spent in the previous seven years<sup>10</sup>, between 2014 and 2020.

Not all countries were under pressure to the same extent. Some Member States were confronted with a higher risk of losing resources and this may have produced pressure to prioritise expenditure rather than the selection of quality projects and their effectiveness. More specifically, Croatia, Italy, Spain, Romania and the UK had the lowest absorption rates at the end of 2020, but in five other countries (Slovakia, Malta, Austria, Belgium and Bulgaria) the payments-to-planned funds ratio was less than 50%. The countries with the best performances in terms of payments were Greece, Luxembourg, Estonia, Finland and Lithuania (Figure 5, left-side chart). The position of each country did not change substantially between 2020, the formal end of the programming period and August 2023, the last available payment data considered in the analysis. Approximately half of the Member States had, at the end of August 2023, an absorption rate higher than the EU average (Figure 5, right-side chart). This group includes several countries that joined the EU relatively recently (Poland, Slovenia, Czechia, Estonia, Lithuania, Hungary and Cyprus). Most of the largest and “older” EUMS registered a lower performance (e.g. Italy, France, Spain and the UK) as of August 2023. These countries also have a less satisfactory performance in the absorption of REACT-EU funds (see below).

<sup>10</sup> Or six years, considering that the actual start of the implementation phase in the programming period 2014-2020 was in 2015.

**Figure 5: Absorption rates of Cohesion Policy funds (ERDF, ESF, CF and YEI), as of the end of 2020 (left) and the end of 2023 (right), by country**

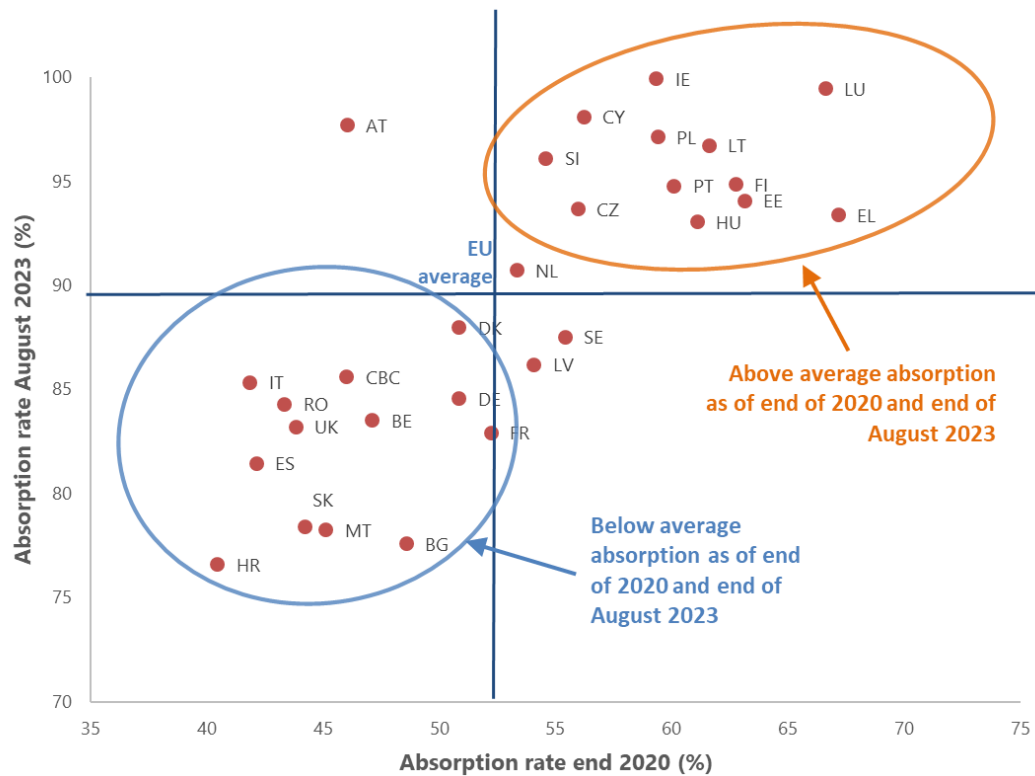


Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Note: REACT-EU funds not included

Figure 6 (see below) combines the absorption rates at the end of 2020 and at the end of August 2023. Figure 6 shows that there are countries (top-right quadrant) that had absorption rates higher than the EU average both at the end of 2020 and in August 2023: Ireland, Luxembourg, Cyprus, Poland, Slovenia, Lithuania, Portugal, Finland, Estonia, Czechia, Hungary, Greece and the Netherlands. Then, there are countries (bottom-left quadrant) that performed worse than the EU average, both at the end of 2020 and August 2020: Italy, Romania, the UK, Belgium, France, Denmark, Spain, Slovakia, Malta, Germany, Bulgaria and Croatia. It is worth noting that, in August 2023, Slovakia, Malta, Bulgaria and Croatia still had an absorption rate below 80%. Austria is a particular case, as it is the only country in the top-left quadrant of the figure. It experienced a high increase in the absorption rate between the end of 2020 and August 2023, going from 46% to 97%, meaning that about half of all available resources were paid in 32 months between the end of 2020 and August 2023.

**Figure 6: Combined absorption rates of European countries as of the end of 2020 and the end of August 2023**



Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Note: REACT-EU funds not included. The lines represent the EU average. CBC=Cross border cooperation

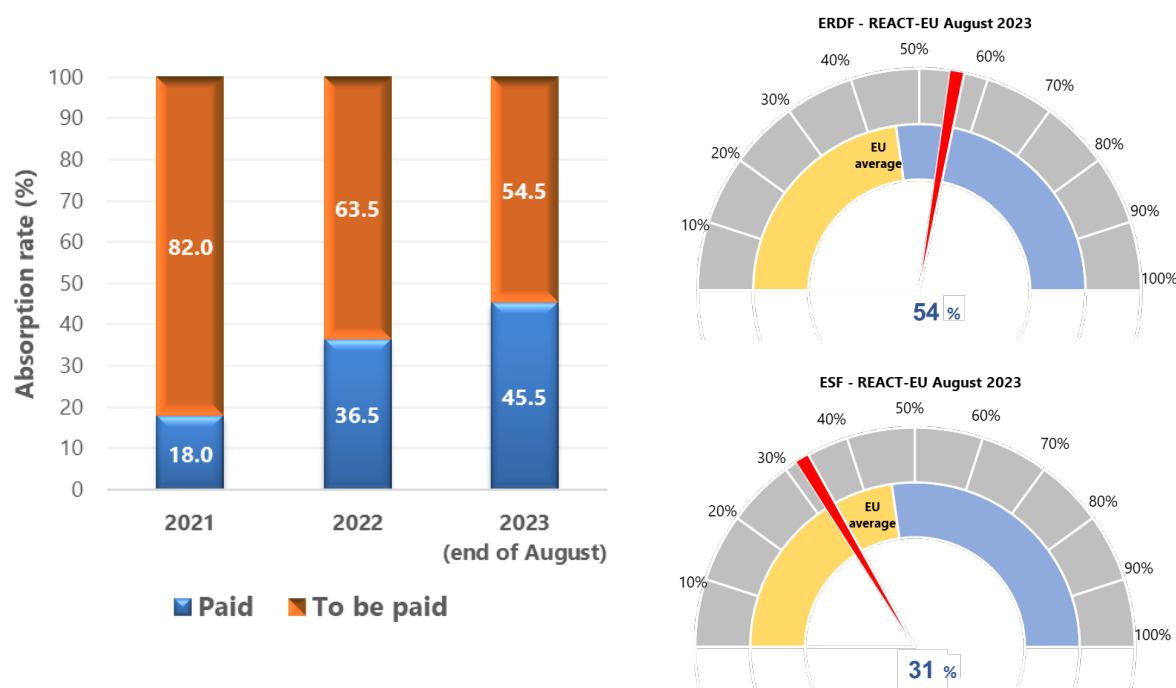
### 1.1.3. Absorption of REACT-EU funds

REACT-EU funds are additional EU resources financed by the Next Generation EU. The total budget is almost EUR 50bn, allocated in 2021 and 2022 to the existing Cohesion Policy programmes for financing interventions in response to the COVID-19 pandemic. REACT-EU funds were allocated to ERDF and ESF programmes and to the Fund for European Aid to the Most Deprived (FEAD), which is beyond the scope of the present analysis. Though REACT-EU is not a new fund but a “topping up” instrument, it was analysed separately, as requested in the specifications and because REACT-EU has its own specific rules<sup>11</sup>.

As of the end of August 2023, out of the available EUR 49.7bn, EUR 22.6bn of REACT-EU had been paid (less than half of the total budget). This means an absorption rate of 45.5% at the end of August 2023 (Figure 7, left-side bar chart). In comparison to REACT-EU, ERDF programmes outperformed ESF programmes. Indeed, at the end of August 2023, the REACT-EU absorption rate in ERDF programmes was approximately 54%, whereas in the ESF programmes it was just 31% (Figure 7, right-side speedometers)<sup>12</sup>. For a cross-country comparison of absorption of REACT-EU, see Annex 1.

<sup>11</sup> Among others, the national co-financing is not obligatory, the pre-financing rate is established at 11% (increased then to 15% because of the Russian aggression in Ukraine on 24 February 2022) and it is possible to reimburse retroactively projects that started on 1 February 2020.

<sup>12</sup> Another stylised fact to observe at the European level is that when the additional funds from REACT-EU were allocated to national programmes (67% of the total REACT-EU funds), the performance was higher than when they were allocated to regional programmes (49% vs 37% as of the end of August 2023). Similarly, the absorption rates of REACT-EU are higher in multi-fund programmes compared to single-fund programmes (63% vs 36% as of August 2023).

**Figure 7: Absorption rates of REACT-EU, total (left) and by fund (right)**

Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

#### 1.1.4. Overall absorption: Cohesion Policy funds and REACT-EU

If all programmed funds (including those allocated under REACT-EU) are considered, as in Figure 9, which shows the absorption rates across countries as of the end of August 2023, several conclusions can be drawn:

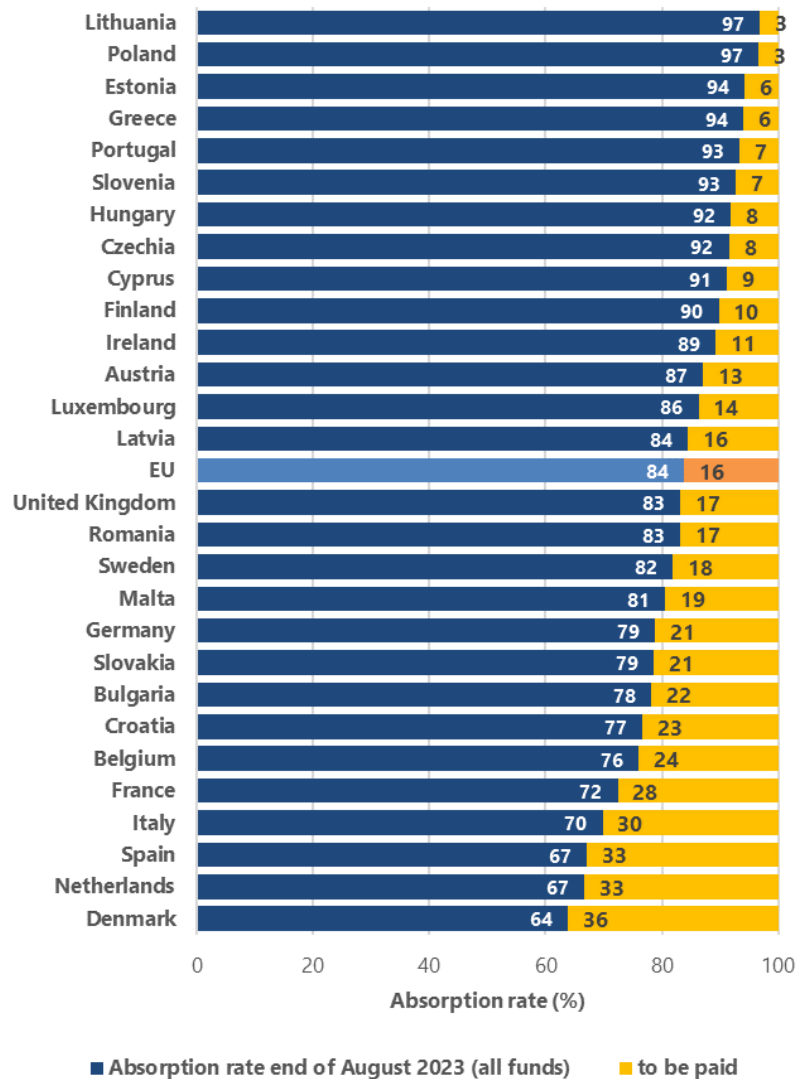
- A group of eleven countries<sup>13</sup>, less than half the EU MS, which account for 42% of the total resources, are below the EU average in terms of absorption. Among these, Spain, Italy, France, the Netherlands and Denmark have absorption rates that are lower than the EU average by over 10pp. For Denmark and the Netherlands, the overall low absorption rate is due to the low performance in spending funds allocated under REACT-EU.
- A small group of four countries - Sweden, Romania, Latvia and Luxembourg - are in line with the EU absorption average (approximately 0-3pp from the average)<sup>14</sup>. This group accounts for 10% of the total programmed resources.
- The remaining 12 countries<sup>15</sup>, accounting for 48% of the total programmed resources, have an absorption rate higher than the EU average. The situation in Ireland is to be noted, since the country shows a low level of absorption in the funds allocated under REACT-EU, whereas its situation is the opposite for the Cohesion Policy funds excluding REACT-EU.

<sup>13</sup> Italy, Spain, France, the Netherlands, Denmark, Belgium, Croatia, Bulgaria, Slovakia, Germany and Malta.

<sup>14</sup> As a reminder, the UK did not receive extra funds under REACT-EU.

<sup>15</sup> Sweden, Romania, Latvia, Luxembourg, Portugal, Slovenia, Hungary, Czechia, Cyprus, Finland, Ireland and Austria.

**Figure 8: Absorption rates of Cohesion Policy funds (including REACT-EU) as of the end of August 2023, by country**



Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

## 1.2. Comparison between the 2014-2020 and the 2007-2013 programming period

Previous analyses highlighted that the delays in the expenditure of European structural funds tend to accumulate across programming periods.

For example, the ERDF ex-post evaluation of the 2007-2013 programming period underlined that “the rate of payment and by implication, the rate at which programmes were implemented, was slower than in the 2000-2006 period, which, in turn, was slower than in the 1994-1999 period preceding it”. In the EU-15, the ERDF absorption rate decreased by nearly 7pp from the end of 2006 to the end of 2013. The reports also show that only after the sixth year of programming did the absorption rate of 2007-2013

start to catch up with that in the previous programming period (Applica and Ismeri Europa, 2016)<sup>16</sup>. The following chapter of this report summarises the findings of a literature review and provides information on potential causes of the accumulation of delays (see below) both at the European and national levels. These include delays in adopting legal frameworks and guidelines, overlaps between different programming periods and delays in designation procedures.

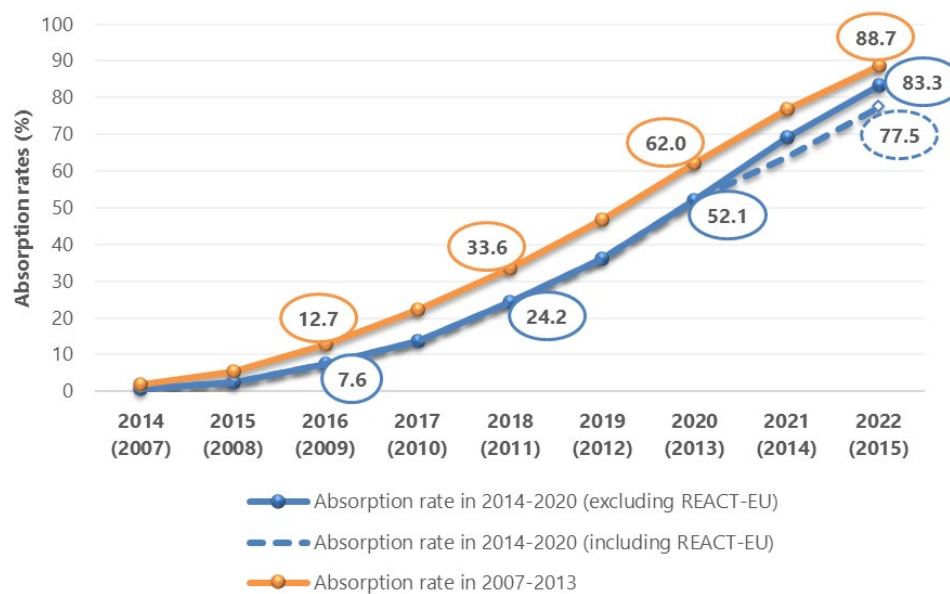
Both programming periods have been affected by exogenous factors, more specifically the great international recession in the 2007-2013 programming period and the COVID-19 pandemic followed by the war in Ukraine in the 2014-2020 programming period. These external factors interact with internal factors (e.g. the administrative capacity of the public administrations) and affect the absorption capacity of the Member States.

In the following paragraphs, we compare absorption rates in the 2014-2020 and 2007-2013 programming periods and analyse the general trends and relevant changes across MS. The analysis was carried out by comparing the years from 2007 to 2015 for the 2007-2013 programming period and from 2014 to 2022 for the 2014-2020 programming period<sup>17</sup>.

Figure 11 illustrates that, since the start of the programming period, absorption rates during the 2014-2020 programming period remained consistently lower than those recorded during the 2007-2013 period across all nine years considered. At the end of 2020, the absorption rate of ERDF/CF/ESF was 10pp lower than the absorption rate of the same funds in the 2007-2013 period at the end of 2013. The gap narrows to approximately 4pp in 2022 compared to 2015, when REACT-EU funds are excluded. However, when REACT-EU is considered, the difference between the two programming periods at the end of 2022 (2015) closely resembles what was observed at the end of 2020 (2013), meaning that overall, the additional REACT-EU funds complicated the catch-up process in terms of financial absorption.

<sup>16</sup> Applica and Ismeri Europa. (2016). *WP1: Synthesis report. Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)*. European Commission.

<sup>17</sup> The main source of information is the database "SF 2007-2013 Funds Absorption Rate", which is published on the Cohesion Open Data Platform and was updated in January 2023. This database contains information on payments for the ERDF, the CF and the ESF, broken down by countries, funds and year and can be downloaded here: <https://cohesiondata.ec.europa.eu/2007-2013-Finances/SF-2007-2013-Funds-Absorption-Rate/kk86-ceun><sup>17</sup>. It is worth noting that the database for 2007-2013 includes payments to the territorial cooperation programmes distributed to the countries, whereas in the database for 2014-2020 the payments to the territorial cooperation programmes are provided separately and not distributed to the countries. This affects only the ERDF funds. However, the incidence of programmed resources for territorial cooperation absorbs only 4.6% of the total budget. It is not possible to compare the situation at the end of 2016 (for the 2007-2013 programming period) and 2023 (for the 2014-2020 programming period), since for 2023, as seen above, we have partial data, updated at the end of August 2023.

**Figure 9: Absorption rates of Cohesion Policy funds (ERDF, CF ESF) in 2007-2013 and 2014-2020**

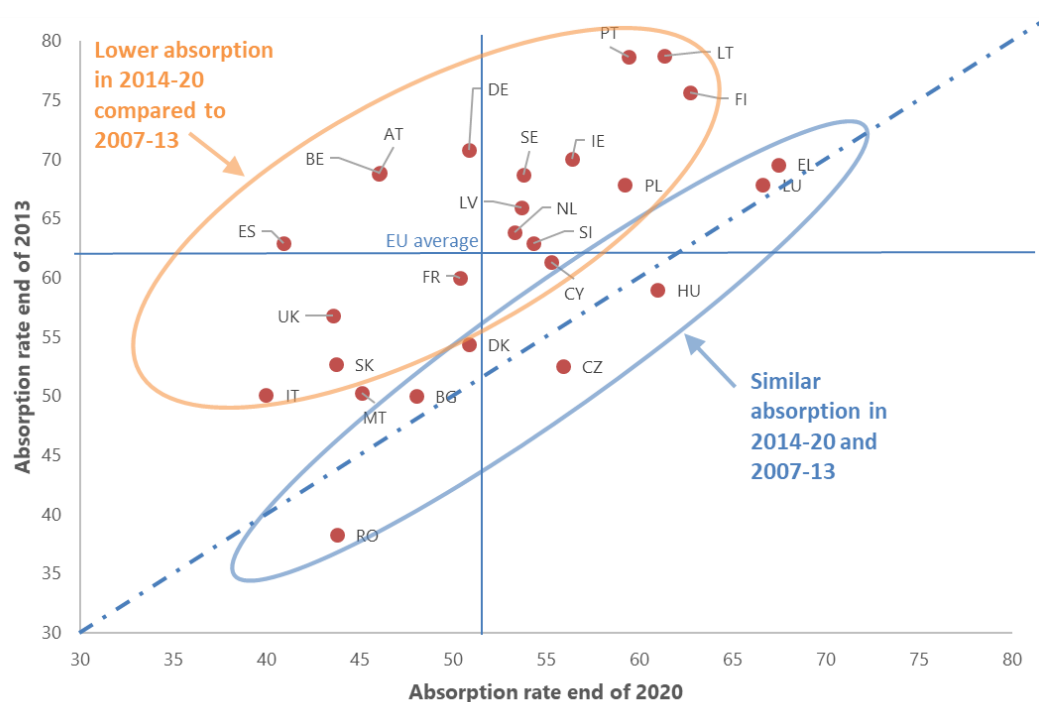
Source: [Cohesion Open Data Platform](#), database on EU Payments for [2014-2020](#) and for [2007-2013](#).

Note: YEI is not included in 2014-2020

At the end of 2020, when assessing the situation across various countries, it was evident that almost all countries experienced lower absorption rates compared to the end of 2013. Notably, Germany, Belgium, Austria and Spain witnessed relatively significant decreases. The only exceptions are Romania, Czechia and Hungary, which had absorption rates in 2014-2020 higher than in 2007-2013 by 2-5pp. The gap between individual countries and the EU average absorption rate did not change substantially from 2007-2013 to 2014-2020. Figure 12 illustrates that Czechia and Hungary, which had lower absorption rates in 2007-2013, exceeded the EU average in 2014-2020. Conversely, Belgium and Austria and, to a lesser extent, Spain and Germany, showed an opposite trend.

Finally, though 2021-2027 is beyond the scope of this study, it can be observed that after two years of implementation (Figure 13), the absorption rate of Cohesion Policy programmes in 2021-2027 at the end of 2022 is already lower than the absorption after two years of implementation in 2014-2020 and in 2007-2013 (namely at the end of 2008 and at the end of 2015). These data confirm that over time, across different programming periods, the absorption rates show a deterioration.

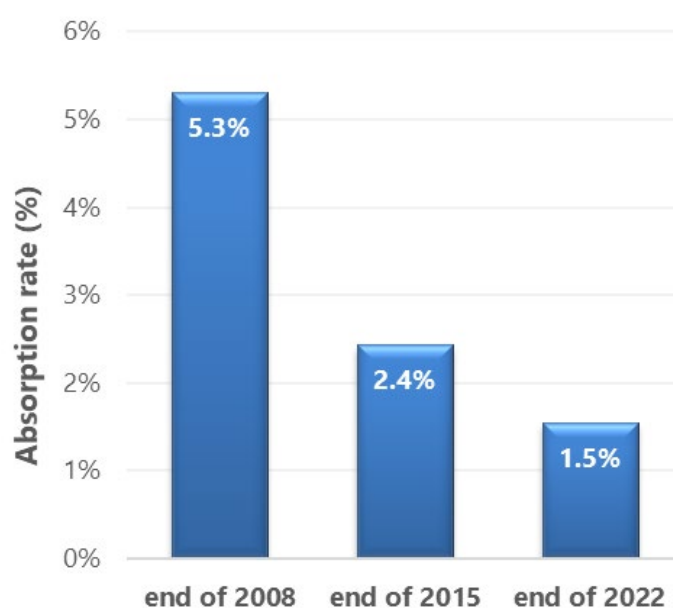
**Figure 10: Differences between absorption rates of Cohesion Policy as of the end of 2013 and the end of 2020**



Source: [Cohesion Open Data Platform](#), database on EU Payments for [2014-2020](#) and for [2007-2013](#)

Note: YEI is not included in 2014-2020. The vertical and horizontal lines represent the EU average. The diagonal line indicates the cases that have the same absorption rates in the two programming periods. Below the diagonal line, there are countries with higher absorption rates in 2014-2020 than in 2007-2013. Croatia has not been included since it joined the EU in 2013.

**Figure 11: Differences between EU absorption rates in the second year of programming during 2021-2027, 2014-2020 and 2007-2013**



Source: [Cohesion Open Data Platform](#), database on EU payments for [2014-2020](#), [2007-2013](#) and [2021-2027](#).

Note: REACT-EU is not included in 2014-2020. Just Transition Fund is not included in 2021-2027 (if included, the absorption rate would be even lower, 1.49% vs 1.52%).

## 2. ANALYSIS OF ABSORPTION DRIVERS, BARRIERS AND SOLUTIONS

### KEY FINDINGS

- The factors that explain the key trends observed in the expenditure of Cohesion Policy funding and why the financial performance may differ across Member States can be divided into four groups: 1) those related to the European policy and legal context; 2) those related to the national institutional, policy and legal context; 3) those linked to the national socio-economic context; and 4) those related to the administrative capacity, one of the strongest predictors of absorption and the delivery modes.
- Barriers to absorption are related to these groups of factors and may include: 1) delays in adopting EU legal frameworks and guidelines, which may also change frequently, late adoption of OPs and overlaps between MFF periods and between OPs; 2) limited quality of government and a lack of continuing political support for EU-financed policies, political instability, political patronage and clientelism; 3) GDP per head, limits in available matching funds, low level of infrastructure development and innovation, low investments, vulnerability to external crises, low exposure or capacity to benefit from knowledge spillovers, limited labour force capacity; 4) inefficient institutional structures, training gaps, low public administration, workforce engagement, inadequate practices and procedures for the selection of operations, and insufficient digitalisation.
- Solutions aimed at overcoming absorption obstacles may be adopted at the EU level and/or at the MS level. The former include EU simplification initiatives, performance frameworks and provisions allowing for flexibility. Domestic solutions include a reduction of co-financing rates, reprogramming, phasing of projects, more intensive use of digitalisation, improving operation selection processes and practices, reinforcement of human resources, reorganisation of cohesion policy governance, revisions of domestic legislation, simplification of procurement, strategic plans/projects to support the project pipeline, guidelines, information events targeting beneficiaries, strengthened role of audit authorities, etc.

The effective absorption of EU Cohesion Policy funds is essential for promoting economic and social convergence among MS and their regions. The funds are pivotal in advancing the EU's overarching goal of reducing disparities and fostering sustainable development. However, as we explore the details of how the EU Cohesion Policy is implemented, we are confronted with significant disparities in absorption rates among MS and even within individual MS across different regions (as shown in the previous section on payments). To address these challenges, this section seeks to unravel the underlying factors contributing to the variations in absorption rates. The critical solutions that have the potential to enhance absorption rates are discussed, paving the way for more effective policy implementation.

### 2.1. Absorption drivers and obstacles

Absorption drivers can be defined as the factors that explain the key trends observed in the expenditure of Cohesion Policy funding. Most notably, absorption tends to start slowly. Then it accelerates in the last years of programming, a pattern that, where it is more pronounced, may jeopardise the achievement of

a programme strategy and an adequate selection of projects, leading to unsatisfactory results and reducing the expected effects of EU funding. This issue did not show signs of improvement over time. Still, delays do seem to accumulate across programming periods, as highlighted in the literature and confirmed by the analysis of payments carried out in the previous chapter of this study (ECA, 2017; Mendez, 2017; EP, 2017; EP, 2023). Moreover, absorption rates vary greatly across countries and regions (ECA, 2021; Mendez et al., 2022), which may magnify disparities in the effectiveness, efficiency, relevance and coherence of policy, a pattern that may harm especially the most disadvantaged regions.

Based on an extensive literature review, the most important drivers of absorption have been grouped as follows: 1) drivers related to the European policy and legal context; 2) drivers related to the national institutional, policy and legal context; 3) drivers related to the national socio-economic context; and 4) drivers linked to the administrative capacity and delivery modes.

Absorption obstacles can be defined as dimensions of those drivers that, in a particular context, have a negative (constraining) impact on expenditure, causing low absorption and/or delays that, ultimately, can also translate into less effective use of funds or a lack of achievement of pursued Cohesion Policy objectives.

### 2.1.1. European policy and legal context

Absorption drivers falling in the realm of the EU policy context are related to the capacity to adapt and respond to changes in the legal framework, comply with new rules and minimise overlaps among programming cycles by closing timely and without delaying a programming period. Several factors can be mentioned for this group of drivers. Rules and regulations governing the planning, implementation, monitoring and cohesion fund policy controls (e.g. new priorities introduced across programming periods, regulations of the funds of cohesion policy and novelties of those, concentration, partnership, programming, additionality principles, ex-ante conditionalities, N+3, overlapping of programming periods and overall complexity of rules and controls). Changes introduced for simplifying and accelerating implementation (e.g. e-cohesion, simplified cost options<sup>18</sup> (SCOs) etc.) and policy changes introduced to respond to crises (e.g. NGEU and RRF, REACT-EU, CRII and CRII+, CARE, and FAST-CARE) are also relevant in this respect.

Corresponding barriers to absorption include delays in adopting legal frameworks and guidelines by the EU and national institutions; late adoption of MFF periods and OPs; difficulty adapting to complex rules and procedures; a lack of coherence in legislative requirements; and frequent changes in regulations. These are among the most common challenges MS encounters in the EU fund absorption process. In more detail, based on the literature review, the most important factors hindering absorption that contribute to explaining cross-country differences in performance are discussed below.

**Delays in adopting legal frameworks and guidelines:** Adopting the legislative framework is a crucial prerequisite for preparing OPs, as it provides legal certainty to MS regarding the alignment of their spending plans with EU objectives. Furthermore, the adoption of OPs by the Commission marks the commencement of payments from the EU budget for these programmes. The delays at these stages negatively affect the timely implementation of projects on the ground (ECA, 2021). For example, in the last four programming periods, the regulation laying down common provisions (CPR) on the Structural

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<sup>18</sup> For example, SCOs may include: Flat rate financing (specific categories of eligible costs, clearly identified in advance, are calculated by applying a fixed percentage to one or several other categories of eligible costs); Standard Unit Costs (predefined amounts per unit of input, output or outcome; for instance, the cost of a training programme could be calculated on the basis of standard costs per participant or per hour, regardless of the actual expenses incurred); Lump Sum Payments (the costs of an operation are calculated on the basis of a pre-established amount duly justified by the Managing Authority and are reimbursed if planned activities and/or outputs are completed; for instance, lump sum payments can be used for research projects). See the European Commission (2021).

Funds was adopted just before the start of the programming cycle but with an increasing delay: in June 1999 for the 2000-2006 programming (CEU 1999); in July 2006 in relation to the 2007-2013 programming cycle; in December 2013 for the 2014-2020 programming (CEU and EP, 2013); and in June 2021 for the 2021-2027 programming cycle (CEU and EP, 2021).

**Overlaps between MFF periods and various funding sources** hinder the absorption of EU funds, as MS often continue to spend money from previous OPs while the new MFF is in effect. Additionally, the need to reconcile spending from previous periods with the differing requirements of the new MFF can create administrative burdens, potentially slowing down the absorption of funds (ECA, 2018a). Furthermore, Managing Authorities (MAs) are currently concerned that the urgent need to quickly use the RRF funds, which have shorter timeframes and tight schedules, might lead to a focus on them at the expense of the ESIF for the 2021-2027 period (Ferry et al., 2021).

**Designation procedures of Authorities**<sup>19</sup> are considered the most complex in ESIF management by some MAs, despite initial intentions to simplify them. The EC guidance on designation procedures<sup>20</sup> and the MS cautious approach have increased the workload and led to more elaborate procedures (OECD, 2020).

During the 2014-2020 financial period, notable difficulties arose from delays in the appointment of national authorities and the audit process related to such appointments. Meeting the prerequisites of **ex-ante conditionalities** when adopting the 2014-2020 OPs took longer than initially expected (ECA, 2018a). These barriers relate not only to the EU framework but also to the national policy and legal context.

**Lack of feasibility assessment:** The European Commission did not perform a pre-implementation impact assessment to assess the viability and potential need for simplified funding models, such as performance-based financing, in 2014-2020 (ECA, 2021).

Other barriers relating to both the European and national policy and legal contexts include the complexity of rules, a lack of coherence in legislation, regulatory changes and uncertainty regarding how to interpret EU requirements.

**The complexity of rules and procedures** spanning areas like human resource management, audit, procurement and financial management poses a significant obstacle to the efficient absorption of EU funds. The intricate regulations prove to be a significant burden for MAs time-consuming and meticulous compliance efforts. There is also the absence of practical guidance, particularly affecting beneficiaries' efforts to understand and apply these regulations. To address this uncertainty, some countries introduce additional and often stricter control measures, increasing administrative burdens and transaction costs for MAs (OECD, 2020).

**The lack of coherence and overlap in legislative requirements** create an administrative burden by requiring adaptation to various sets of regulations and consuming time and resources. This adds extra bureaucracy related to compliance and documentation of adherence to different standards, introducing the risk of ambiguity and inconsistencies in the interpretation and application of overlapping regulations, potentially leading to errors and administrative issues (OECD, 2020).

**Changes in regulations and strategies:** MAs encounter significant challenges due to frequent changes in rules, regulations and strategic documents, requiring constant interpretational effort. Additionally,

<sup>19</sup> According to Regulation 1303/2013, art.123, each Member State must designate the Managing Authority, the Certifying Authority and the Audit Authority for each programme. The regulation also sets out the procedures for the designation of the Managing Authority and the Certifying Authority.

<sup>20</sup> European Commission (2014).

some countries alter eligibility rules mid-project, affecting already-approved projects (OECD, 2020)<sup>21</sup>, while shifts in sectoral strategies by line ministries or new governments can impact investment priorities at the OP level. The linkage of OPs to sectoral budget plans, rather than overall sectoral strategies, further affects OP implementation stability, especially when sector budgets are annual with limited year-to-year forecasting (OECD, 2020).

**Uncertainty regarding requirements:** The procedures and guidelines for OP project selection, control, verification and audits are subject to interpretation, causing uncertainties in eligibility criteria, complicating applications and impacting monitoring and control. This inconsistency can cause delays, hinder absorption and reduce the appeal of ESIF co-financing for beneficiaries (Hapenciuc et al., 2013; OECD, 2020).

**'One-size-fits-all' approach in management and control:** Many cases demonstrate a uniform approach to administrative and management procedures for project implementation, lacking differentiation based on project type, sector or size. This results in heavy requirements and obligations for projects of varying scales and natures (OECD, 2020).

Furthermore, some barriers to absorption are at the intersection of the European policy context and the administrative capacity of national and regional governments. These include, for example, a **low uptake of simplification measures**. In other words, in 2014-2020, MS were hesitant to adopt new simplified funding models, such as performance-based models, due to uncertainties regarding their implementation, complexity and concerns about audit arrangements. Uncertainties on financial control, especially in areas like state aid and procurement, particularly discourage their use despite some attempts at clarification (ECA, 2021)

Finally, there are other EU framework rules whose effects on absorption are unclear. For example, there is mixed evidence on the role of **N+2/N+3 rules**, which extend the timeframes for utilising allocated funds, allowing for more flexibility in project implementation. This can reduce the rush to spend funds within the traditional N+1 framework and potentially lead to better planning and execution of projects, ultimately increasing absorption rates. However, a longer timeframe may also produce complacency and reduce urgency, potentially decreasing absorption rates. An additional issue is the increased administrative burden caused by overlapping funding periods and OPs, which hinders effective project design and implementation (Carrión, 2020; ECA, 2018a; Incaltarau et al., 2020).

### 2.1.2. National institutional, policy and legal context

Absorption drivers belonging to this group are related to the distribution of competencies in a particular country (e.g. centralisation, decentralisation, degree of regionalisation) and coordination arrangements, political stability, quality of government and judiciary (corruption, clientelism, quality and impartiality of health, education and politics), state aid and public procurement rules, etc.

At the national level, absorption obstacles include a limited quality of government, a lack of continuing political support for EU-financed policies, political instability, political patronage and clientelism and decentralisation, etc.

**Government quality:** "Quality governments"<sup>22</sup> are more likely to promote transparency and accountability in the allocation and use of EU funds, are better equipped to select projects that align with

<sup>21</sup> Ibid. The study on which the findings are based was conducted in Bulgaria, Croatia, Greece, Poland (Lubelskie) and Spain (Extremadura). However, the analysis presented in the publication does not allow for determining whether the described problem occurred in all the studied countries and regions.

<sup>22</sup> Here, we refer to the data collected and the indexes developed by the Gothenburg Institute of Quality of Government. In this context, the quality of government is intended as a measure of citizens' perceptions of impartiality and corruption, focusing on three policy areas:

regional or national development priorities and tend to manage well-established administrative structures and skilled personnel (Mendez et al., 2022; Surubaru, 2017a).

**Lack of political support:** The active involvement of politicians can shape the creation of more robust institutional structures, processes and the expertise needed for the daily administration of EU funding (Surubaru, 2017a). However, there is a thin line between promoting the use of EU funds by politicians and treating the funds in a clientelist manner, as described in absorption barriers. Political support frequently plays a role in adopting suitable legal and institutional measures aimed at enhancing the efficiency of management and implementation procedures (Surubaru, 2017a).

**Political instability and alternating ruling parties:** Frequent shifts in political party control over OPs, coupled with limited capacities, contribute to absorption issues. The changes result in delays in project funding and implementation as parties modify OPs as well as exchange projects, priorities and staff within the management and control systems (Hagermann, 2019; Surubaru, 2017a). However, some research focusing on the 2007-2013 programming period suggests that political stability's effect on absorption rate is rather weak compared to other factors, especially administrative capacity (Incaltarau et al., 2020).

**Political patronage** refers to appointing individuals to key positions within institutions based on their political loyalty rather than their qualifications, which can potentially disrupt managerial continuity and hinder the development of expertise in institutions responsible for managing EU funds (Surubaru, 2017b).

Other factors, still related to the institutional and policy context, have unclear effects on absorption. These include, for example, clientelism, regional autonomy and fiscal decentralisation.

**Political clientelism** involves using political power to distribute benefits, such as EU-funded projects and public procurement contracts, to loyal supporters, potentially leading to inefficiency and favouritism in the allocation of resources and ultimately undermining the efficient absorption of EU funds (Surubaru, 2017b). The existing literature is, however, inconclusive regarding whether a high level of clientelism reduces the absorption of funds or, on the contrary, serves as motivation for their full utilisation.

**Decentralisation and regional autonomy** have a double-edged-sword impact on absorption rates. In 2007-2013, it was observed that regional autonomy can increase absorption rates in areas with high capacities of sub-national authorities, whereas in other cases, the opposite effect may occur (Mendez et al., 2022). This observation can also be extended to 2014-2020.

**Fiscal decentralisation** has a similarly unclear effect, with some studies showing a negative correlation with high absorption rates (Applica, 2014; Surubaru, 2017a), while others suggest a weak positive correlation (Kersan-Škabić et al., 2017).

### 2.1.3. National socio-economic context

Absorption drivers that belong to this group are related to the national and regional socio-economic context, including growth performance and prospects, level of development and regional disparities (e.g. developed, less developed and transition regions), the existence of complementary and/or overlapping policies at the national and regional level, etc. In this case, obstacles to the absorption of funds include GDP per head, limits in available matching funds, a low level of infrastructure development

and innovation, low investments, vulnerability to external crises, low exposure or capacity to benefit from knowledge spillovers and limited labour force capacity.

**Lower GDP** is a good predictor of high absorption, as lower-income countries are significantly more likely to strive for fast fund allocation to accelerate economic growth (Applica, 2014).

**Higher allocations** can often correlate with higher absorption rates (Incaltarau, 2020; Mendez et al., 2022) due to reasons such as increased capacity (with more funds available, implementing agencies may have the resources to expand their capacity, such as hiring more staff) and project scalability (higher allocations can enable the scaling up of successful projects, allowing for the replication of models that have proven effective).

**Higher labour force capacity** correlates positively with higher absorption of EU funds as it ensures a larger pool of skilled and available workers, which can facilitate the successful implementation of selected projects (Kersan-Škabić et al., 2017).

**Spillover effect:** The data regarding the effective use of pre-accession assistance (Special Pre-Accession Programme for Agriculture and Rural Development, 2000-2006) in Slovakia show that there is a spatial spillover effect in terms of financial and political knowledge that is beneficial for the effective utilisation of EU funds. This means that communities adjacent to regions with high income and administrative capacity have higher absorption rates (Zubek et al., 2016)<sup>23</sup>.

**The availability of domestic credits** positively correlates with higher absorption of EU funds (Tigănasu et al., 2018), as the projects typically require co-financing from the beneficiaries. **Low financial capacity** adversely affects the absorption of funds, as it hinders the ability to provide co-financing, making it challenging to leverage external resources (Hapenciuc et al., 2013).

**A low level of development** in terms of, e.g. infrastructure, innovation and investments poses challenges for regions with serious infrastructure needs. These regions struggle to rapidly implement and maintain ambitious projects, leading to difficulties in efficiently utilising available resources (Kersan-Škabić et al., 2017; LSE et al., 2013). Paradoxically (regarding their needs), less developed and transition regions often struggle to effectively utilise EU funds in sectors like R&D, innovation, ICT or the low-carbon economy due to their weaker innovation systems and less robust business sectors, which limit their capacity to implement projects in these areas (Darvas et al., 2019).

**Vulnerability to financial crises and recessions** has a detrimental effect on the absorption of funds, as they require abrupt programme adjustments and limit the availability of local matching funds (Darvas et al., 2019).

**Beneficiaries' capacities:** Beneficiaries, especially subnational governments, are significantly limited in effectively designing infrastructure projects. About two-thirds of subnational governments did not consider the entire life cycle of infrastructure investments during the project design phase. Furthermore, they face capacity gaps in meeting project selection criteria, participating in the call process and dealing with complex procurement requirements (OECD, 2020).

The connection between familiarity with EU rules and absorption appears somewhat nuanced. Specifically, some Member States that have recently joined the Union tend to face more challenges in absorption, as indicated by the payment data, even though this is not always the case. Some analyses highlight that **new Member States** are more likely to absorb significant funds. This may be caused by a

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<sup>23</sup> Zubek, N. and Henning, C.H.C.A. (2016) *Local Government, Spatial Spillovers and the Absorption of EU Structural Funds*. *Journal of Agricultural Economics*, V: 368-397.

greater need for investment in infrastructure, economic development and institution building and a high motivation to utilise available EU funding to bridge development gaps (Applica, 2014).

#### 2.1.4. Administrative capacity and delivery modes

Administrative capacity at national and regional levels is one of the key factors in explaining the variable performance of Cohesion Policy in Europe (Smeriglio, 2015). Absorption drivers that relate to administrative capacity include the quantity (total staff and turnover) and quality (competencies and skills) of human resources in the public administrations in charge of programming, implementing, monitoring and controlling interventions. Delivery modes are closely related to these drivers because the public administrations establish them. Delivery modes include rules and practices governing the programming and implementation of programmes, including the degree of digitalisation and effective selection of operations (e.g. sound intervention logics, appropriate needs analysis to avoid a lack of proposals, sound budgetary planning, timely appraisals of proposals, effective complaint and contract management, etc.).

In addition to insufficient and not sufficiently competent human resources, the obstacles to the absorption of funds related to administrative capacity and delivery modes may include inefficient structures, training gaps, low workforce engagement, inadequate practices and procedures for the selection of operations (including an excessive top-down approach to priority setting), insufficient digitalisation and a lack of communication<sup>24</sup>.

**Administrative capacity** is one of the most frequently emphasised factors correlating with high absorption rates (Applica, 2014; Incaltarau et al., 2020; Kersan-Škabić et al., 2017; OECD, 2020; Tigănasu et al., 2018; Tosun, 2014). Administrative capacity has several dimensions, such as organisational structures, human resources, systems and tools as well as favourable framework conditions (EC, 2020).

**Inefficient organisational structures:** Complex, multi-layered institutional structures, a lack of coordination and excessive oversight can significantly hinder efficient fund absorption. Inefficient structures result in role uncertainty, task duplication, fragmentation and uneven workloads among staff. Ineffective working groups, disconnection between front-line and back-office expertise and oversight mechanisms further compound the problem, causing delays and preventing critical knowledge from informing management and strategic processes (Hapenciuc et al.; OECD, 2020).

**Training gaps:** Existing training programmes often fall short in keeping the staff updated on legislative, regulatory, procedural and process developments, hindering their ability to effectively manage EU funds. The absence of a competency framework in most MAs contributes to these issues, as training is not aligned with organisational and individual development needs, making it less effective in addressing the organisation's long-term objectives and staff's motivation and engagement (OECD, 2020).

**Low workforce engagement** is also an important obstacle related to issues such as poor management practices, limited career development opportunities, perceived unfairness in promotions and training allocation and high workloads, especially for those interacting with beneficiaries and government institutions. Bureaucratic procedures further contribute to frustration and hinder effective job performance (OECD, 2020).

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<sup>24</sup> An ex-post evaluation of the delivery system of ERDF programmes 2007-2013 identified several factors causing the implementation delays, such as "problems in setting up systems for project preparation and selection, insufficiencies in the public procurement systems and the setting up of systems for managing and following up projects, leading to a constantly high discrepancy between contracted amounts and payments to beneficiaries. Another fact is the high turnover among key staff in the EU12". European Commission (2016). COMMISSION STAFF WORKING DOCUMENT Ex-post evaluation of the ERDF and Cohesion Fund 2007-2013.

**Call design:** Calls for proposals that have brief application periods, are structured to foster competition or are published only once can encounter a restricted response. This challenge may be especially pronounced in smaller beneficiary groups (OECD, 2020).

**Procurement practices** pose a significant challenge for both MAs and beneficiaries, particularly smaller ones, due to the limited resources and technical expertise needed to navigate these processes. Ineffectual procurement practices, coupled with unclear or frequently changing procurement laws and lengthy procedures, can hinder the efficient execution of projects, thereby impeding the absorption of funds (OECD, 2020).

**Top-down priorities** can hinder the absorption of EU funds by restricting stakeholder input and failing to account for the beneficiaries' diverse needs and capacities, including regional or local authorities, the private sector and civil society (OECD, 2020). This often results from inadequate consultation among MAs, intermediate and sector bodies or other beneficiaries. The problem may also stem from a broader misalignment between priority axes and the actual conditions and needs of the recipient pool targeted by the funds (OECD, 2020; Zubek et al., 2016).

**Limited use of digital technologies:** Without robust digital tools and platforms, MAs and beneficiaries may face challenges in effectively tracking, reporting and optimising the use of EU funds, potentially leading to delays and inefficiencies in allocation and implementation (Hapenciuc et al., 2018).

**Lack of communication:** Stakeholders, including beneficiaries, face serious difficulties in accessing information about available support and funds. It is crucial to have a clear understanding of both the advantages and disadvantages as well as the benefits and costs associated with utilising EU funds, especially innovative financial instruments. This clarity is essential for fostering participation and, consequently, ensuring effective absorption of these funds (OECD, 2020).

## 2.2. Solutions aimed at overcoming absorption obstacles

Solutions aimed at overcoming absorption obstacles may be undertaken at the EU level and/or at the MS level (solutions implemented by central or regional governments). Examples of EU-level solutions may include EU simplification initiatives, performance frameworks, provisions allowing flexibility between priority axes and other flexibility rules introduced after a crisis (e.g. CRII and CARE etc.). Examples of domestic solutions include reduction of co-financing rates, reprogramming, phasing of projects and more intensive use of digitalisation (e.g. advanced e-cohesion systems that are internally and externally interoperable). Additionally, solutions should make operation selection more effective (e.g. ensuring adequate needs and market analysis, accelerating preparation and selection of proposals with the timely set up of evaluation committees), reinforcement of human resources, reorganisation of cohesion policy governance (e.g. improving coordination mechanisms, creation of a government task force in direct contact with Commission staff, etc.), revisions of domestic legislation, including SCOs, simplification of procurement, strategic plans/projects to support pipeline and impact, guidelines, information events targeting beneficiaries and strengthened role of audit authorities, etc.

It is important to note that a division between EU and domestic solutions is blurred because, as previously highlighted, several challenges arise at the intersection of EU and national domains (such as overlapping regulatory frameworks) or occur at both levels to a similar extent (such as ambiguity in interpreting laws and guidelines). Additionally, actions at the EU level can trigger improvements at the national level in the case of numerous interventions defined as domestic.

### 2.2.1. EU-level solutions

Apart from flexibility rules and provisions, such as those introduced in the aftermath of the COVID-19 pandemic and the war in Ukraine, other solutions that mitigate absorption drivers include cost simplifications, flexibility in reporting and tailored support.

**Simplified cost options** enhance the absorption by streamlining administrative processes, reducing the bureaucratic burden on MAs and beneficiaries and enabling them to allocate resources more efficiently towards project implementation (ECA, 2021).

**Flexibility in reporting** for performance reviews improves the absorption of EU funds by allowing MS to adapt their reporting of outputs and expenditures to better meet spending targets. The flexibility accommodates variations in project implementation and financial flows, ultimately enhancing the efficiency of fund utilisation (ECA, 2021).

**Tailored support**, as exemplified by the Task Force for Better Implementation (TFBI)<sup>25</sup>, is crucial for increased absorption. It involves creating individualised action plans, permitted by the legislative framework, that improve programme design and implementation. Moreover, the organisation of technical meetings and seminars allows for targeted assistance, enabling the exchange of best practices and administrative capacity improvement, thereby facilitating more effective utilisation of EU funds (ECA, 2018b).

Besides reviewing the solutions undertaken at the EU level to mitigate absorption problems, the existing literature puts forward several suggestions:

**Importance of sticking to the timeline:** To prevent delays, the European Commission, in agreement with the EP and the Council, could consider creating a schedule that incorporates crucial milestones (such as the proposal and adoption of the legislative framework) to guarantee the timely commencement of OP implementation at the outset of the programme period (ECA, 2018b).

**Monitor challenges:** To respond quickly to absorption issues, it is essential for the European Commission to consistently oversee budget implementation and respond promptly if any delays in implementation are identified (ECA, 2018b).

**Test various flexible arrangements:** To ensure the efficiency of EU fund management, it is important to balance the benefits and risks associated with granting greater flexibility to MS. To achieve this, further experimentation with the relaxation of rules could be considered, allowing MS to have more autonomy in defining and adapting their action priorities. Additionally, there is a need to continue promoting results-based control while exploring various modes of reducing the reporting burdens on stakeholders. A continuous monitoring of the effects of these changes should be maintained to assess what impact they have on the effectiveness of fund utilisation.

**Clarify regulations:** To increase the interest of MA and beneficiaries' interest in ambitiously using EU funds, it is crucial to simplify and clarify fund management, reporting and audit regulations. This involves creating explicit and unambiguous guidelines for managing critical issues and risks. Collaborative efforts between the European Commission and MS could be encouraged to address complex matters at the intersection of European and national regulations to ensure a unified understanding among all relevant parties.

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<sup>25</sup> At the end of the 2007-2013 programming period, in 2014, the European Commission set up a Task Force for Better Implementation to assist Member States suffering from low absorption rates of Cohesion Policy funds. Eight Member States received support from the Task Force for Better Implementation: Bulgaria, Croatia, Czech Republic, Italy, Romania, Slovakia, Slovenia and Hungary. The Task Force, in cooperation with the Member States, developed action plans with measures aimed at improving the funds absorption.

### 2.2.2. Domestic solutions

The most common solutions implemented at the national and/or regional level to overcome absorption problems include deciding on higher co-financing, reprogramming, retrospective financing and project phasing.

**Increasing the EU co-financing** rate alleviates the financial burden on MS, making it more affordable for them to initiate and complete projects. A trade-off includes a reduction in the scale of projects and a diminished sense of ownership by national authorities (ECA, 2018b; Mendez et al., 2022).

**Reprogramming OPs** allows Member States to adjust and reallocate resources to align with changing priorities and circumstances. The flexibility prevents de-commitment; however, it also risks jeopardising a long-term vision in favour of short-term gains (ECA, 2018b).

**Retrospective financing** allows beneficiaries to receive funding after successful project implementation, which obviously increases absorption. Nonetheless, there is a potential risk that projects funded in this way may be less in line with the objectives of EU funds, as they might not have been initially conceived with the specific goals of the EU in mind. Additionally, questions may arise regarding the necessity of using EU funds for financing if national resources are already available for the same purpose (ECA, 2018b).

**The phasing of projects** enhances the absorption of EU funds by allowing funds to be progressively disbursed as key outputs are achieved, ensuring a more efficient allocation of resources throughout the project's lifecycle (ECA, 2018b). It is worth noting that project phasing may also have some disadvantages, such as increased project length and increased labour and material costs and may cause delays if there are too many changes in the project plan. Therefore, phasing should be applied carefully.

A 110% **overbooking** is utilised in some cases. This happens when the selected amount is greater than the planned amount to ensure better absorption in case some projects fail during implementation or extra money becomes available (EC, 2023).

Besides identifying the most common solutions undertaken at the national and/or regional level to mitigate absorption problems, based on the literature review, suggestions on how to improve absorption can also be identified:

**Strengthen (partnership with) beneficiaries:** One suggestion is to provide tailored capacity-building programmes for fund beneficiaries and intermediate bodies. The programmes could cover general EU funding mechanisms and administrative requirements while also addressing specialised topics such as effective project design and procurement challenges. Engaging stakeholders effectively can enhance programming and align projects with beneficiary needs and capacities (ECA, 2021; OECD, 2020).

**Improving coordination:** Efficient coordination among various public investment stakeholders, including MAs, intermediate bodies, beneficiaries and government entities at different levels, is crucial for maximising the effectiveness of public investments. However, it is essential to prevent dialogue fatigue, as many MAs already engage in numerous meetings and coordination activities related to fund management (OECD, 2020).

**Enhancing communication:** It would be useful to create a customised information and communication strategy for the OPs and their beneficiaries, employing straightforward language and using various communication channels tailored to different beneficiary groups. Additionally, consider establishing a centralised contact point or disseminating a comprehensive contact list complete with department descriptions and responsibilities. This will streamline access for beneficiaries, ensuring they can easily reach out to the appropriate contact (OECD, 2020).

**Improving needs assessment:** It would be beneficial to conduct a survey or an analysis of municipalities, counties and enterprises, even those not using EU funds, to acquire insights into their needs and capacities. Utilise this data as a foundation for designing future programmes and call initiatives (OECD, 2020).

**Improving risk management:** Supporting efficient drafting and approval of programming documents is essential. At the national level, it is crucial to have early Partnership Agreements in place, designate operational entities and establish a pipeline of prepared projects to launch programmes in the new period swiftly. Maintaining effective risk management and early project issue identification throughout the investment cycle is vital to preventing decommitments (OECD, 2020).

**Upskilling EU funding units:** MAs must create strong learning and development strategies that tackle staff challenges. These strategies could also match hiring needs. An important first step is to analyse gaps in skills and competencies using tools such as the European Commission's competency framework. Additionally, capacity-building policies could not only prioritise training but also emphasise staff retention and competitive manager compensation. It is also crucial to depoliticise the EU funds unit to promote a fair distribution of resources, ultimately strengthening the effectiveness and credibility of the EU funding programmes (Hagemann, 2019).

### 3. PRELIMINARY FINDINGS OF CASE STUDIES

#### KEY FINDINGS

- The case studies confirm that the typical trend of Cohesion Policy absorption (i.e. being very low at the beginning of programming and catching up only in the final years) is to some extent physiological in the sense that it reflects the rules of Cohesion Policy. The delays seldom imply significant decommitments but may weaken the relevance of the programmes and their capacity to achieve the intended objectives. For these reasons, it is important to identify the main obstacles and related solutions.
- Most of the absorption obstacles highlighted during the interviews relate to the complexity of EU rules, the difficulties of authorities in adapting to them and, most notably, the lack of administrative capacity.
- The solutions taken are various and include strengthening capacity, e.g. through training, hiring of experts, task forces and guidelines; improving operation selection, digitalisation, stakeholder consultation, coordination and communication; adjusting co-financing rates; front-loading (e.g. tenders published with a payment schedule that includes a pre-financing payment); “phasing” of large projects; and using simplified cost options.

#### 3.1. Summary of absorption obstacles and solutions in the OPs covered in case studies

The case studies confirm that, despite the absorption of Cohesion Policy funds following the typical trend described in the previous chapters of this report (i.e. it is very low in the first years of programming and then accelerates only in the final years), this is to some extent physiological in the sense that it reflects the rules of Cohesion Policy, but it seldom implies a decommitment, meaning that the total amounts made available are eventually used in most of the cases.

However, delays in fund absorption may weaken the intervention strategies, the relevance of programmes and the capacity to achieve the intended objectives. For these reasons, it is important to identify in-depth reasons for delays and solutions.

The following table presents the main obstacles to Cohesion Policy fund absorption, as well as examples of solutions taken to improve implementation and absorption of funds in each Member State covered in the case studies and related to the Operational Programmes that were sampled. The final findings of the case studies, an in-depth analysis of absorption and best practices or important obstacles will be provided as part of the final study.

**Table 1: Absorption obstacles and solutions adopted in the OPs covered by the case studies**

2014-2020 OPs	Key obstacles to absorption	Examples of solutions
<b>Italy</b> <ul style="list-style-type: none"> <li>• National OP Enterprises and Competitiveness (ERDF)</li> <li>• Regional OP Emilia-Romagna (ERDF)</li> <li>• Regional OP Emilia-Romagna (ESF)</li> <li>• Regional OP Campania (ERDF)</li> </ul>	<ul style="list-style-type: none"> <li>• Significant effort required and challenges encountered in reprogramming.</li> <li>• Displacement effects in some policy areas: initiatives launched to mitigate the crisis have reduced demand for Cohesion Policy funds</li> <li>• Uncertainties due to the poor alignment between EU and national legislation in procurement law; in relation to 2021-2027, the application of DNSH and climate proofing is a source of further uncertainty.</li> <li>• The complexity of EU rules, e.g., competition rules, may penalise support for some types of firms, such as mid-caps.</li> <li>• Implementation problems with infrastructure and public work projects.</li> <li>• Economic/financial and administrative capacity of local administrations.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen capacity for planning, managing, and reprogramming.</li> <li>• Simplification of measures.</li> <li>• Digitalisation.</li> <li>• Constant dialogue with beneficiaries and provision of support to them.</li> <li>• Consultation and coordination with social parties to plan relevant tenders.</li> <li>• Internal reorganisation of offices aimed at increasing efficiency and coordination.</li> <li>• Enhanced cooperation with local public agencies.</li> <li>• Limited political interference: the strategy remains valid throughout the programming period.</li> </ul>
<b>Malta</b> <ul style="list-style-type: none"> <li>• Investing in human capital OP (ESF)</li> <li>• Fostering a competitive and sustainable economy OP (ERDF/CF)</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity in terms of staff numbers and skills, given the size of the labour market.</li> <li>• Rigidity of EU rules and practices that do not take fully into account the contexts (e.g., a limited number of beneficiaries makes direct awards more appropriate than calls).</li> <li>• Bias towards grants, while financial instruments would need different eligibility rules and audit processes.</li> <li>• Limited adaptation of EU rules to global changes. For example, ICT investments tend to be based on a subscription-based model rather than capital investments, which deserve adapted eligibility rules.</li> <li>• Delays in the adoption of GBER amendments caused delays in the launch of grant schemes.</li> <li>• Difficulty in introducing simplifications (e.g., difficult to apply SCOs in the context of State Aid rules).</li> </ul>	<ul style="list-style-type: none"> <li>• Training programmes aimed at strengthening capacity.</li> <li>• Front loading: tenders are published with a payment schedule that includes a pre-financing payment supported by a pre-financing bank guarantee provided by the winning bidder.</li> <li>• Overcommitment: selection of multiple projects with a capped amount.</li> </ul>
<b>Croatia</b> <ul style="list-style-type: none"> <li>• OP Competitiveness and Cohesion (OPCC) (ERDF/CF)</li> <li>• OP Efficient Human Resources (OPEHR) (ESF)</li> </ul>	<ul style="list-style-type: none"> <li>• Limits in administrative capacity, especially in relation to project planning (e.g., limits of MAs in identifying a stock of projects ready to be financed or in respecting the planned timetable concerning the launch of the calls, with a delay of usually 3-4 months).</li> <li>• Excessively lengthy project preparation procedures are often caused by uncertainties in laws and a cumbersome bureaucracy. This can include issues like unresolved land registry problems, resource shortages, and lengthy processes to obtain permits.</li> <li>• Errors and irregularities due to incorrect application of public procurement rules.</li> </ul>	<ul style="list-style-type: none"> <li>• Set up of “task forces” by the MA to reduce the number of irregularities: a network of coordinators in the field of public procurement, a network of coordinators in the field of state aid, and a management network aimed at standardising practices and ensuring better and more efficient procedures.</li> <li>• Provision of guidelines/instructions for the management of irregularities.</li> <li>• Continuous increase of capacities (staff and knowledge) in managing the system.</li> <li>• Advancements in digitalisation. In the information system for the collection of microdata, a significant upgrade was introduced to improve the reporting system.</li> </ul>

	<ul style="list-style-type: none"> <li>•Lack of capacity among beneficiaries in relation to proposing quality projects for funding; which concerns especially larger infrastructural projects, which undergo many revisions before acceptance.</li> <li>•Frequent and numerous complaints delay implementation.</li> <li>•Uncertainties due to significant changes required by the public authorities at the contract stage compared to the tender documentation. This may lead to significant implementation delays.</li> <li>•Long periods of verification of the eligibility status (e.g., NEET population 'Not in Employment or Training', SMEs, absence of state aid, etc.) due to still lacking fully integrated national registers.</li> </ul>	<ul style="list-style-type: none"> <li>•"Simplified cost options" were implemented in the approval of reimbursements.</li> </ul>
<b>Poland</b> <ul style="list-style-type: none"> <li>•Regional OP Śląskie Voivodeship (ERDF/ESF)</li> <li>•National OP Infrastructure and Environment (ERDF/CF)</li> </ul>	<ul style="list-style-type: none"> <li>•Uncertainties arise from the lack of harmonisation between EU and national procurement legislation. In the context of 2021-2027, applying DNSH and climate-proofing adds a layer of uncertainty.</li> <li>•Problematic or too slowly developed methodologies for calculating eligible costs by EC, e.g. monitoring and claw-back mechanisms in investment aid for research infrastructures (Art. 26 of Reg. No 651/2014) or eligibility of costs for the modernisation of heating systems in buildings.</li> <li>•Significant increase in construction producer price and construction cost indices (partly due to the influx of investments/market saturation and partly to external factors).</li> <li>•Very complex and prolonged public procurement procedures, especially for the most significant infrastructural investments.</li> <li>•Increasing complexity of regulating conflicts of interest is putting some pressure on implementation systems.</li> </ul>	<ul style="list-style-type: none"> <li>•Tailoring national legislation to complement EU implementation rules or stimulating required behaviours or changes, especially in the environment and energy sectors.</li> <li>•Accelerating the contracting of projects by strengthening capacity and digitalisation.</li> <li>•Phasing of major projects (splitting implementation between two periods).</li> <li>•Having a pool of projects ready to be financed.</li> <li>•Simplification of measures during COVID-19.</li> </ul>

<b>Bulgaria</b> <ul style="list-style-type: none"> <li>•OP Transport (ERDF/CF)</li> <li>•OP Environment (ERDF/CF)</li> </ul>	<ul style="list-style-type: none"> <li>•Delays in large infrastructure projects require longer preparation, procurement, execution, and final approval. This is sometimes aggravated by archaeological findings that block public works.</li> <li>•Fragmentation of projects creates more management burden.</li> <li>•Difficulty of using some initiatives, such as CARE, in the context of investment programmes.</li> <li>•Internal political instability hindered the functioning of the National Assembly (e.g., difficulties in adopting legislative changes and strategic decisions).</li> <li>•Frequent change of national rules (e.g., Spatial Development Act: more than 70 changes after its adoption).</li> <li>•Administrative capacity issues such as improper application of the Procurements Law, which may lead to financial corrections, delays in the evaluation of project proposals, and a cumbersome appeals procedure in procurement.</li> <li>•Global changes in prices and supply conditions.</li> </ul>	<ul style="list-style-type: none"> <li>•Investing in staff training.</li> <li>•Digitalisation is promoted in most of the phases of the project cycle (e.g., information campaigns, application, reporting).</li> <li>•Effective selection of operations thanks to sound intervention logic and appropriate needs analysis.</li> <li>•Specific norms aimed at regulating the work of MAs and intended to motivate them.</li> <li>•"Phasing" projects across programming periods saves time and reduces the risk of appeals and unforeseen work. This is because the procurement process covers the entire project, even though two separate programmes finance it.</li> </ul>
<b>Spain</b> <ul style="list-style-type: none"> <li>•OP Andalucía (ERDF)</li> <li>•OP Castilla y León (ESF)</li> </ul>	<ul style="list-style-type: none"> <li>• Late approval of the OPs and appointment of the Intermediate Bodies.</li> <li>• Delays in the intervention planning, the publication of calls, and the operation selection.</li> <li>• Lack of or insufficient human resources.</li> <li>• Difficulties in communication and coordination between the stakeholders involved in the implementation.</li> <li>• Challenging application of simplified cost options.</li> <li>• Changes in the regulatory framework for public procurement have created uncertainties.</li> <li>• In relation to the EU legal framework, the high complexity of the administrative processes necessary for the management of the funds and the uncertainty surrounding the regulations and their application.</li> <li>• Strict control, verification, and audit requirements; inconsistent criteria on the eligibility of expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• Change in the co-financing rate.</li> <li>• Enhanced digitalisation (e.g., a new module developed to improve the processing of funding requests).</li> <li>• Strengthening of the human resource base in the administrations (e.g., more technical staff, appointment of interim civil servants).</li> <li>• Reinforced dissemination of information on funding opportunities through different channels of communication.</li> <li>• Use of simplified cost options for costs' certification (ESF Castilla y León).</li> <li>• Hiring of interim personnel (ERDF-Andalusia).</li> </ul>

## 4. PRELIMINARY CONCLUSIONS

### KEY FINDINGS

- Overturning the ordinary absorption patterns observed in the 2014-2020 and in the previous programming periods could require adopting an approach different from that of the EU Cohesion Policy. But, while the potential benefits of embracing a different model (e.g. a RRF-like approach or another) are uncertain, there are clear disadvantages to abandoning the current Cohesion Policy framework (e.g. reduced role of territories, less funds for lagging behind regions, risk of eroding consensus towards EU institutions).
- On the other hand, removing or mitigating absorption obstacles, such as those identified in the present study, is a viable strategy to ensure that the Cohesion Policy delivers according to expectations and intended intervention logics.
- At the EU level, it is essential to reduce the complexity of rules, be more attentive to the specificities of the national contexts and avoid one-size-fits-all approaches; minimise uncertainties and provide timely and clear guidelines on the application of key principles and eligibility rules; and support administrative capacity building in MS.
- At the national (or regional) level, it is important to strengthen administrative capacity; improve the effectiveness and efficiency of selection procedures and delivery modes; reinforce coordination between stakeholders and support the capacity of beneficiaries.

The absorption of Cohesion Policy funds follows a known trend, starting slowly in the first years of programming and then accelerating near the end of the programming period. This pattern concerns most of the EU Member States, despite significant variations across countries. It also concerns all the programming periods considered in the analysis, even if delays tend to accumulate over time and absorption during 2014-2020 was slower than in 2007-2013. The initial information available for 2021-2027 confirms that delays continue to accumulate (see Chapter 1 of this study for detailed information on these trends). However, it can be claimed that such delays do not usually translate into significant decommitments or losses of resources because most authorities are able to find solutions to avoid losing funds. Nonetheless, spending delays can still be considered an issue insofar as they may weaken the relevance of programmes and jeopardise intervention strategies.

These trends in absorption, based on the evidence provided by the existing literature and the preliminary findings of the case studies conducted in this study, can be considered by and large physiological. That means they mainly depend on the rules of Cohesion Policy and on the capacity of MS or specific authorities to abide by and adapt to changes and novelties introduced at the beginning of each programming cycle as well as during the implementation of a programming period as a consequence of a crisis.

Therefore, the delays in implementation and absorption tend to be more significant where there are unfavourable conditions, e.g. in terms of administrative capacity, low effectiveness and efficiency of delivery modes and a weaker socio-economic context, which may make it more challenging to adjust to the EU rules and changes introduced at the EU level.

Overturning the ordinary absorption patterns observed in the 2014-2020 and the previous programming periods would require adopting an approach different from that of the EU Cohesion Policy. This may necessitate a heightened emphasis on a select set of key priorities, initiatives or eligible expenditures. Moreover, assessing the RRF's European added value and transformational potential is difficult,

considering that there are significant limits in the RRF monitoring framework (ECA, 2023b)<sup>26</sup>. Therefore, while the potential benefits of replacing a typical Cohesion Policy approach with a different model (e.g. a RRF-like approach or another) are uncertain or non-existent, some disadvantages are clear. Indeed, abandoning the Cohesion Policy could be done only at the price of giving up on the participation of territories, scaling down the partnership approach to programming, and/or cutting back on the funds made available for addressing specific issues or communities. Opting for such an approach may exacerbate the lack of consensus towards EU institutions and contribute to a perception of increasing detachment from citizens.

What could be done is to remove or mitigate implementation and absorption obstacles such as those identified in the present study. Some are linked to the national context and require national or regional solutions. Other absorption obstacles are linked to the EU regulatory and legal context and require EU-level solutions. Nonetheless, the EU level may intervene not only by removing supranational obstacles (e.g. related to EU regulations as well as their changes and flexibility) but also by encouraging national and regional authorities to adopt initiatives to improve their respective institutional and administrative contexts. Thus, by roughly distinguishing between those targeting the EU level and those targeting the national level, several preliminary recommendations can be proposed.

At the EU level: Simplify further the rules as much as possible and tailor them more to the instrument used; foster a sense of ownership of EU policies and better tailor policy to specific needs; avoid uncertainties and provide timely and clear guidelines regarding the application of key principles and eligibility; minimise displacement effects such as those between RFF and Cohesion Policy; continue supporting MS by promoting mutual learning and exchange of good practices.

At the national (or regional) level: Strengthen administrative capacity through training, recruitment, better planning and enhanced digitalisation; improve the effectiveness and efficiency of selection procedures and delivery modes; strengthen coordination; ensure that national and regional legislative initiatives align with EU rules and regulations to avoid uncertainties and blackouts; support the capacity of beneficiaries.

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<sup>26</sup> ECA Special report 26/2023, "The Recovery and Resilience Facility's performance monitoring framework – Measuring implementation progress but not sufficient to capture performance".

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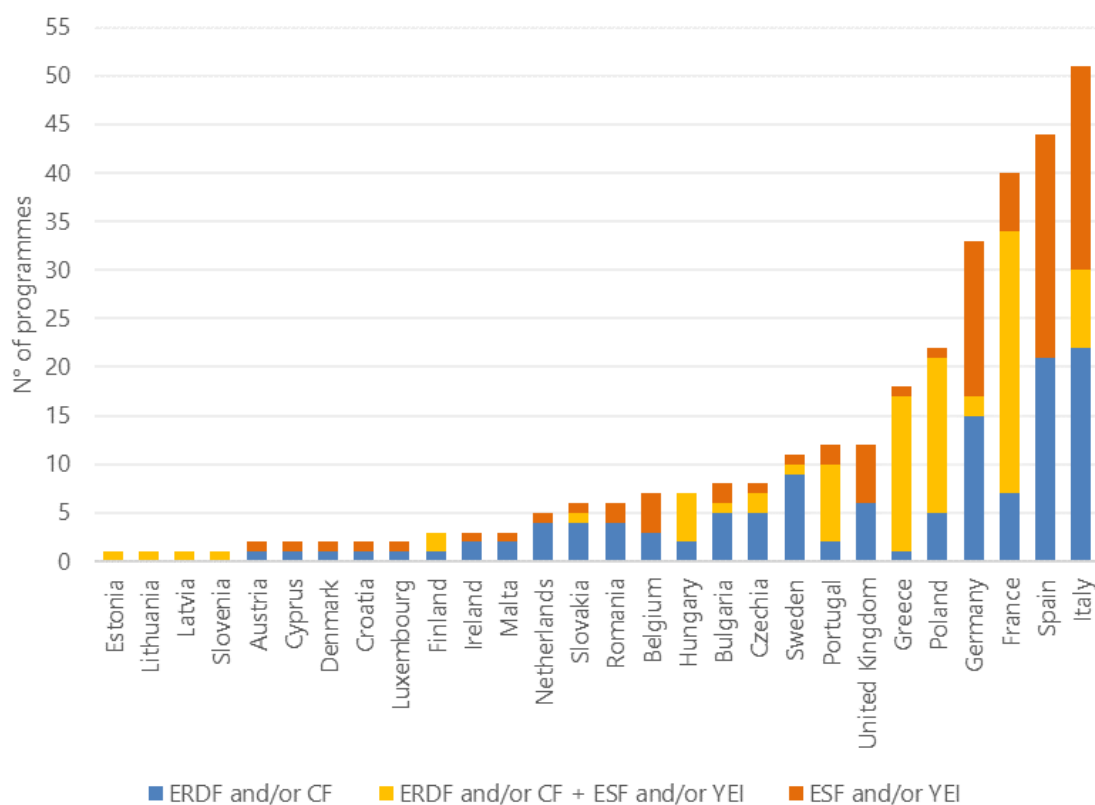
## ANNEX

### Annex 1: Additional information and figures from the analysis of absorption rates

#### Scope of the analysis

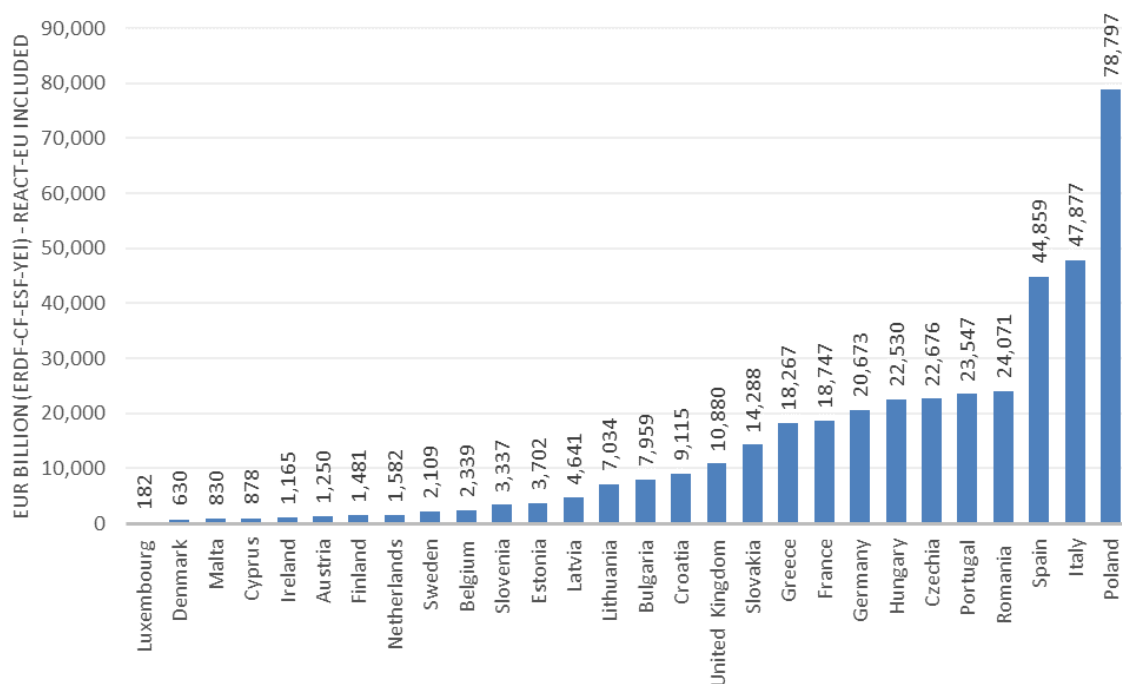
The analysis covers 389 programmes implemented in the 2014-2020 programming period, out of which 76 are Interreg programmes. Countries with the largest number of programmes are Italy, Spain, France, Germany, Poland and Greece. All together, these countries account for 208 out of 313 programmes managed by countries and regions or more than 60% of the total number of programmes. Estonia, Lithuania, Latvia, and Slovenia have only one programme. Multi-fund programmes integrating ERDF and/or CF with ESF and/or YEI are widespread in France, Greece, and Poland (see the following figure).

**Figure 12: Number of Operational Programmes covered in the analysis of payments, by country**



Source: [Cohesion Open Data Platform](#)

In line with what has emerged regarding the number of programmes, even in terms of financial resources, the countries receiving the greatest amount of funds are Poland, Italy and Spain, which together account for 42% of total funds. They are followed by Romania, Portugal, Czechia and Hungary (see the following figure).

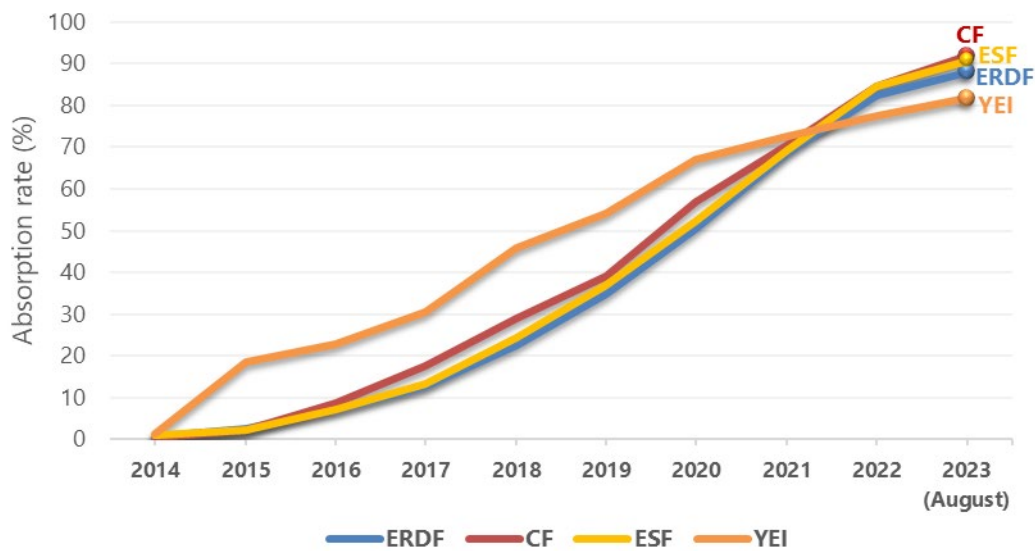
**Figure 13: Total resources programmed (ERDF-CF-ESF and YEI), including REACT-EU funds (in EUR billion)**

Source: [Cohesion Open Data Platform](#)

### Additional data and figures on absorption of Cohesion Policy funds

The following figure shows the absorption rates of each fund of Cohesion Policy from 2014 to August 2023.

The detailed situation of absorption rates at the end of August 2023, across countries and in the different funds of Cohesion Policy is shown in the following table. As far as the Cohesion Fund is concerned, the worst performance in terms of absorption rate can be observed in Croatia, Bulgaria and Latvia, all of which show payment rates below 80%. Malta and Greece are also distant from the EU's average. When it comes to the ERDF, the correlation between the two series of absorption rates with or without REACT-EU is high (0.70), meaning that, apart from some exceptions (notably Denmark, Netherlands and Luxembourg), the position of countries does not change substantially, at least in relation to the EU's average, including or not REACT-EU. Besides the three mentioned countries, Slovakia, France, Spain, Belgium and Croatia are the Member States with the lowest absorption rates. In relation to the ESF, the position of countries changes substantially depending on whether or not REACT-EU is taken into consideration. When REACT-EU funds are considered, Italy and Spain show very low absorption rates (respectively 50% and 60%), followed by the Netherlands, Denmark and France. With regards to the YEI, Romania shows a very low performance (37%), but also Spain and Greece have absorption rates below 80%.

**Figure 14: Absorption rates at EU level by fund, over time**

Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Note: REACT-EU funds not included

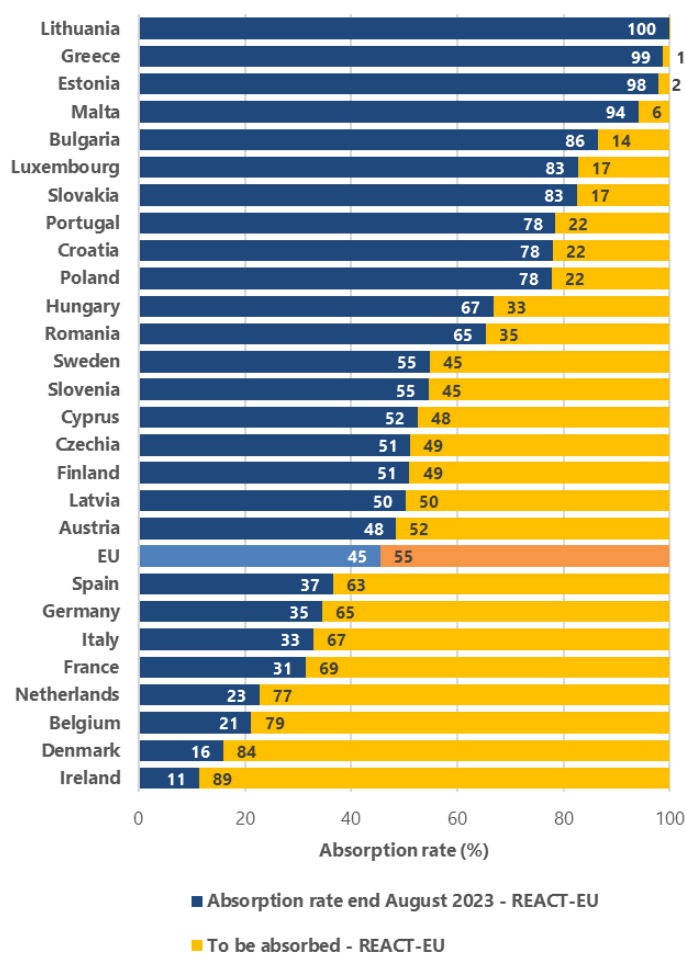
**Table 2: Absorption rate of EU funds as of the end of August 2023, by country and fund (sorted by total absorption rate, including REACT-EU)**

Countries	REACT-EU not included					REACT-EU included		
	CF	ERDF	ESF	YEI	Total – no REACT-EU	ERDF	ESF	Total – with REACT-EU
Denmark		86	90		88	55	76	64
Netherlands		84	97		91	63	70	67
Spain		80	89	75	81	70	60	67
Italy		84	87	89	85	76	58	70
France		80	87	85	83	70	75	72
Belgium		79	87	90	84	73	77	76
Croatia	74	73	92	89	77	71	93	77
Bulgaria	62	82	91	85	78	81	92	78
Slovakia	84	69	95	99	78	69	94	79
Germany		81	90		85	75	85	79
Malta	81	79	71		78	78	84	81
Sweden		89	86	86	88	87	77	82
Romania	91	82	84	37	84	80	83	83
United Kingdom		85	81	82	83	85	81	83
<b>EU average</b>	<b>92</b>	<b>88</b>	<b>91</b>	<b>82</b>	<b>89</b>	<b>84</b>	<b>80</b>	<b>84</b>
Latvia	74	92	90	84	86	88	89	84
Luxembourg		100	99		99	72	100	86
Austria		97	99		98	86	88	87
Ireland		100	100	99	100	100	78	89
Finland		95	95		95	89	90	90
Cyprus	95	99	102	90	98	83	100	91
Czechia	95	92	97	99	94	88	97	92
Hungary	92	94	92	86	93	92	91	92
Slovenia	91	98	100	98	96	91	98	93
Portugal	89	97	94	91	95	95	92	93
Greece	80	97	97	75	93	97	97	94
Estonia	89	96	98		94	96	98	94
Poland	99	97	94	86	97	96	94	97
Lithuania	100	95	96	97	97	96	96	97

Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

As shown in the following figure, Ireland and Denmark, which are in line with or above the EU average when REACT-EU funds are not considered, show the lowest absorption rate of REACT-EU at the end of August 2023 (less than 20%). The Netherlands also showed an absorption lower than the performance of Cohesion Policy funds before REACT-EU. Other countries with low absorption rates in REACT-EU funds are Belgium, France, Italy, Germany and Spain. The low performance of Spain and Italy, which together account for half of total REACT-EU funds, explains the overall low EU absorption rate. Conversely, there are countries such as Malta, Bulgaria, Croatia, Slovakia and, to a lesser extent, Romania that have REACT-EU funds' absorption higher than the performance of Cohesion Policy funds without REACT-EU (as seen above).

**Figure 15: Absorption rate of REACT-EU as of the end of August 2023, by country**



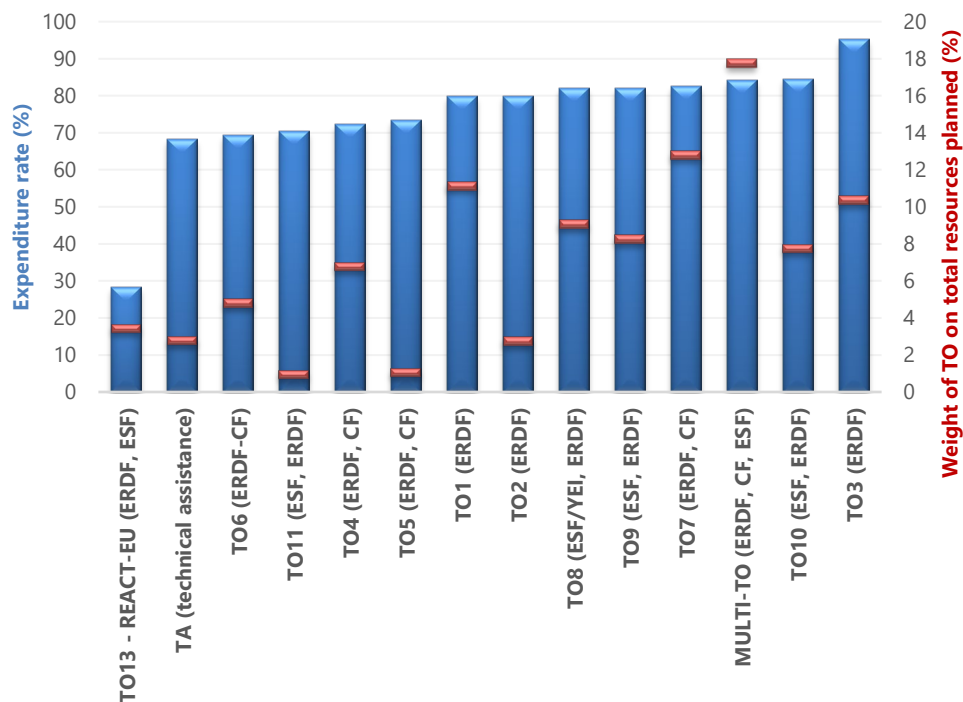
Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

### Box 1: Differences across 2014-2020 Thematic Objectives

To compare financial performance across 2014-2020 Thematic Objectives (TOs), the expenditures declared by the beneficiaries can be used, since the Managing Authorities must report these figures in the Annual Implementation Reports, while payments are not available at this level of detail.

Figure 10 shows the expenditure rates by TO, which are available at the end of 2022. The TO3 (Competitiveness of SMEs) has the highest expenditure rates, equal to 95% of the total resources programmed. There are then several TOs with expenditure rates between 80% and 85%, such as the TO10 (Education, mainly financed by ESF and YEI), the TO7 (Transport), the TO8 (Employment, mainly ESF), the TO9 (Social Inclusion, mainly ESF), the TO2 (ICT), the TO1 (Research, technological development and innovation) as well as a Multi TO category. A last group of TOs shows expenditure rates equal to or below 70%. These are the TO5 (Climate change adaptation), the TO4 (Low-carbon economy), the TO11 (Administrative Capacity) and the TO6 (Environment). It is worth noting that infrastructure projects are mainly financed in the context of three TOs out of four in this group (namely TO4, TO5, TO6), which is also true for the TO2 and the TO7 that have a better performance. Therefore, large infrastructural projects cannot be considered the main factor explaining the low rate of expenditures in TO4, TO5 and TO6.

**Figure 16: Rate of expenditure across TOs in 2014-2020**



Source: [Cohesion Open Data Platform](#), database on [Expenditures](#)

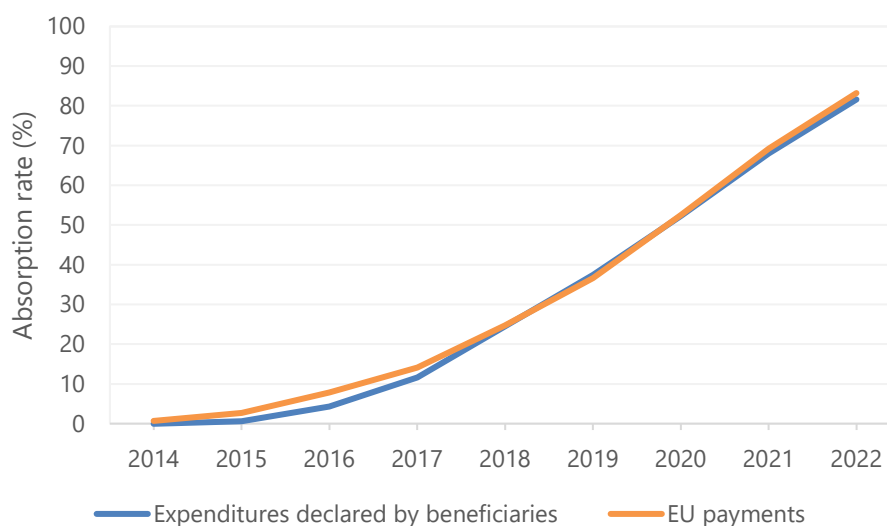
Note: National co-financing is included in the expenditures. Next to the TO name, the funds that finance those TOs are indicated.

**Box 2: Alternative measures of absorption: payments vs declared expenditure**

In this study, absorption rates are measured on the basis of payments made by the European Commission, in line with the study specifications and the literature (e.g. the ECA definition of absorption). However, it is possible to measure Cohesion Policy funds' absorption also based on the expenditures declared by the beneficiaries, which are reported by the Managing Authorities in the annual implementation report and, quarterly, to the European Commission. The Cohesion Open Data Platform also makes this data available and the absorption rates measured using both indicators (EC payments vs declared expenditures) are compared in the following figure. Data on expenditures was extracted, as were payments, as of the end of August 2023.

The graph shows that there are no significant differences between the two absorption indicators, apart from the first years of the programming period. This is due to pre-financing, which makes the payments higher than the expenditures declared and it is in line, for example, with the evidence provided in the "2020 Summary report of the programme annual implementation reports covering implementation in 2014-2019" (COM(2021) 213 final). It is worth noting, however, that the situation varies considerably across countries. For example, some Member States have a 2022 absorption rate measured through payments lower than expenditures declared (the highest differences, approx. 10pp, are recorded in Malta, France, the Netherlands and Croatia). In other countries, the absorption rate calculated on the basis of payments is higher (for example, in Ireland, Poland, Austria and Spain).

**Figure 17: EU payments vs expenditure declared by beneficiaries**



Note: REACT-EU is not included. National co-financing is included in the expenditures, while EU payments refer only to EU resources.

Source: [Cohesion Open Data Platform](#), database on [EU Payments](#) and database on [Expenditures](#)

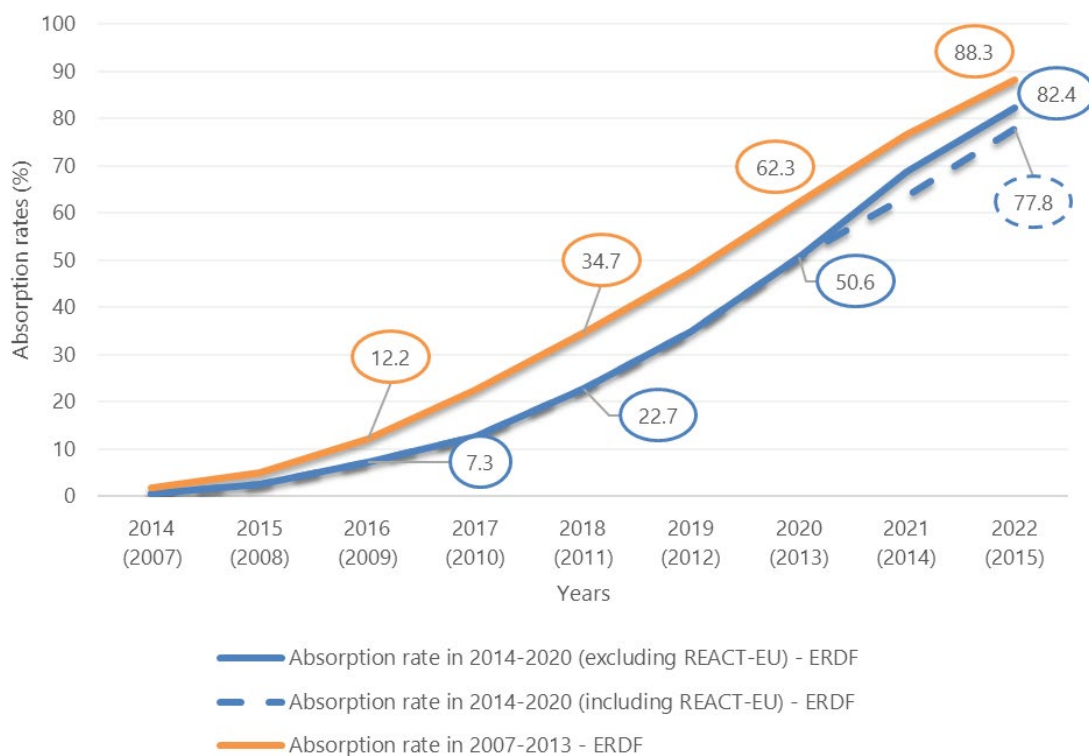
### Additional data and figures on comparison between the 2014-2020 and the 2007-2013 programming period

The following figures provide a separate comparison across programming periods for the three funds: ERDF, ESF and CF.

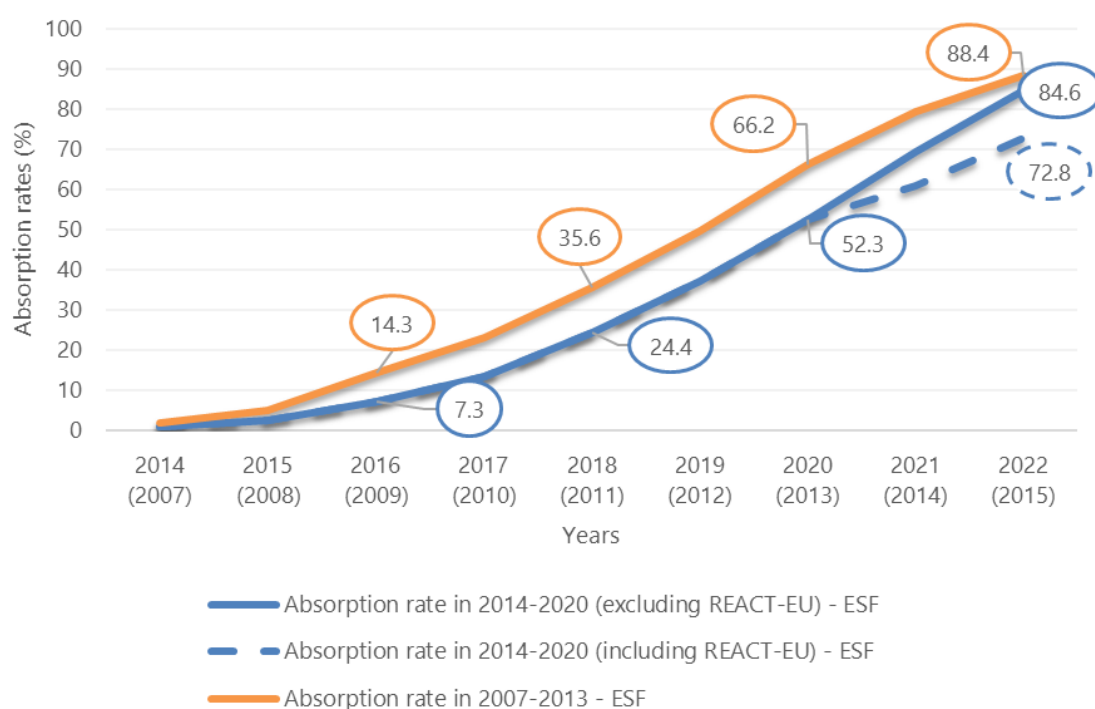
By the end of 2020, there was a significant disparity in absorption rates between the 2007-2013 and 2014-2020 periods, particularly for ERDF and ESF, with a decrease of -12pp and -14pp, respectively, compared to the 2007-2013 rates. In contrast, the absorption rate of CF in 2014-2020 closely resembled that of 2007-2013.

Examining the situation at the end of 2022, it is evident that a convergence process with the previous absorption rates is noticeable for ERDF and ESF if additional funds allocated under REACT-EU are not considered. However, if these additional funds are considered, the gap with the previous programming period (2007-2013) remains similar to what is observed at the end of 2020.

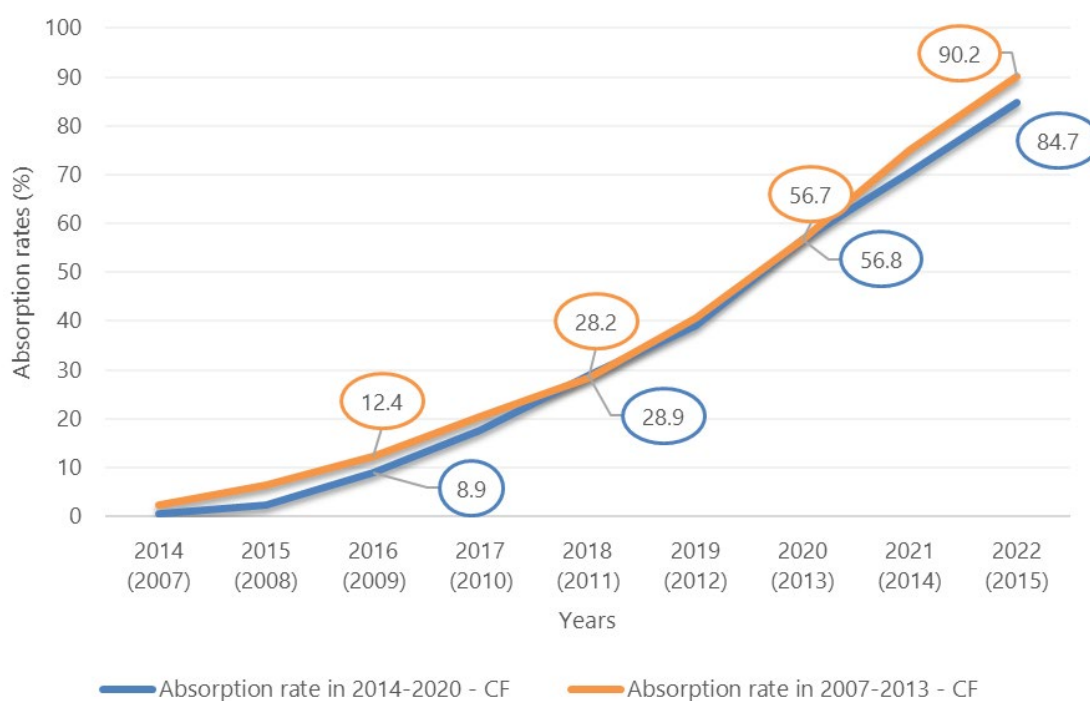
**Figure 18: Absorption rate of ERDF in 2007-2013 and 2014-2020**



Source: [Cohesion Open Data Platform](#), database on EU Payments for [2014-2020](#) and for [2007-2013](#).

**Figure 19: Absorption rate of ESF in 2007-2013 and 2014-2020**

Source: [Cohesion Open Data Platform](#), database on EU Payments for [2014-2020](#) and for [2007-2013](#).  
 Note: YEI is not included in 2014-2020

**Figure 20: Absorption rate of the Cohesion Fund in 2007-2013 and 2014-2020**

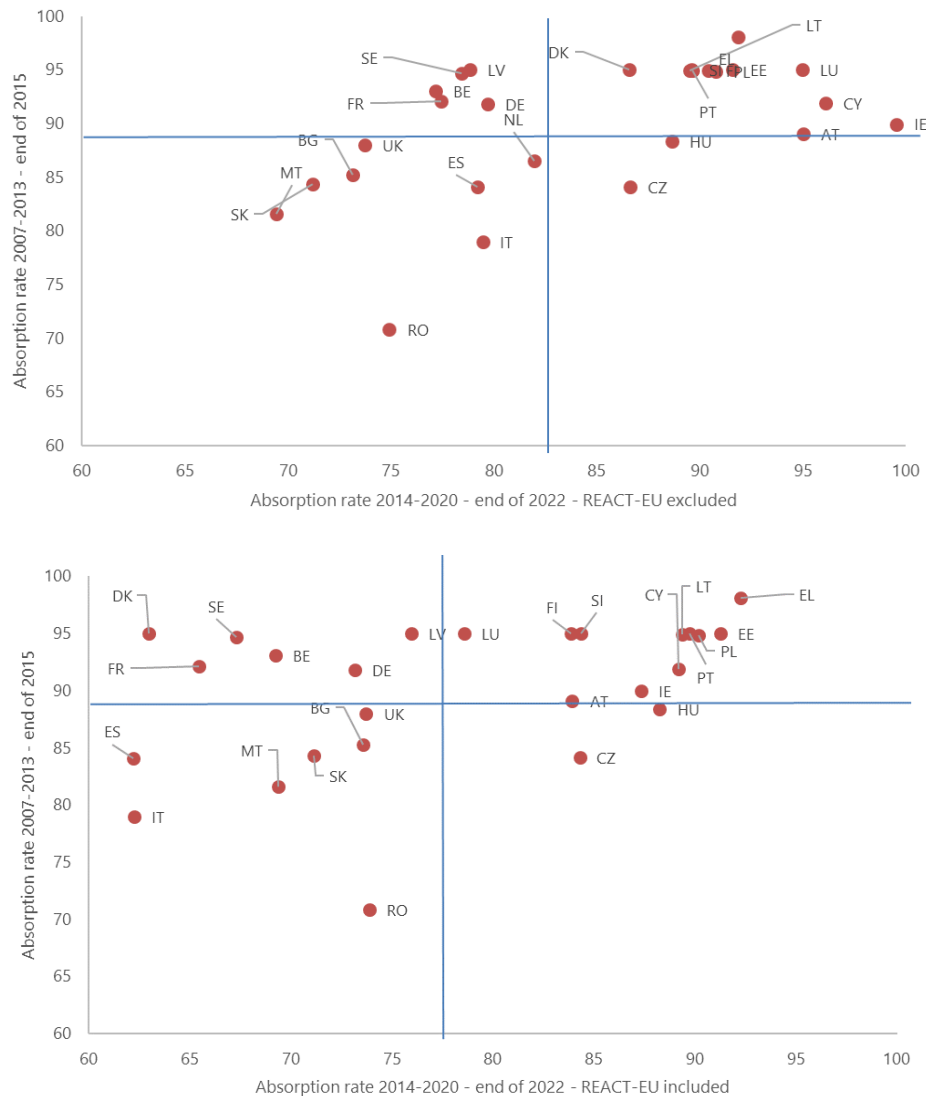
Source: [Cohesion Open Data Platform](#), database on EU Payments for [2014-2020](#) and for [2007-2013](#).

At the end of 2022, as shown in the following figure, the situation does not change substantially in terms of how the countries position themselves compared to the European average. However, it is noticeable

that the group of countries with a deterioration compared to the average situation of 2007-2013 (top-left quadrant) is growing in number. In fact, at the end of 2022, Belgium, Germany, France, Latvia and Sweden are in the top-left quadrant and when REACT-EU is included, Denmark also joins this group.

Czechia and Hungary are the only two countries that improved their situation from 2007-2013 to 2014-2020, relative to the EU average.

**Figure 21: Differences in absorption as of the end of 2015 and end of 2022, excluding REACT-EU (top) and including REACT-EU (bottom)**



Source: [Cohesion Open Data Platform](#), database on EU Payments for [2014-2020](#) and for [2007-2013](#).

Note: YEI is not included in 2014-2020. The vertical and horizontal lines represent the EU average. The diagonal line indicates the cases that have the same absorption rates in the two programming periods. Below the diagonal line, there are countries with higher absorption rates in 2014-2020 than in 2007-2013. Croatia has not been included since it joined the EU in 2013.

## Annex 2: Summary information on the approach to case studies

The case studies conducted in the study on the absorption of the funds of Cohesion Policy are aimed at assessing the achievements of different Member States and/or regions in absorption and identifying possible best practices that could be used in other Member States. The final study will include the final findings of the case studies. They will offer an in-depth analysis of the absorption of the funds, specific characteristics of the analysed Member State and/or regions and best practices or important obstacles. The preliminary findings are summarised in the present study.

The case studies have been selected balancing several criteria, including absorption performance, time of joining the EU, institutional framework (e.g. centralised vs regionalised MS, coverage of all funds of Cohesion Policy and all categories of regions that are “Less developed”, “More developed” and in “Transition”). All case studies are based on a combination of desk research and in-depth interviews with relevant national/regional stakeholders (MAs of OPs). On average, three to four interviews per case study were conducted and each case study covered at least two OPs.

**Table 3: Proposed selection of six case studies**

Case Study	Absorption performance	EU enlargement stage	Centralisation/decentralisation
1. Poland	High	2004 and later (2004)	Regionalised
2. Italy	Moderate	Before 2004 (1958)	Regionalised
3. Spain	Moderate	Before 2004 (1986)	Regionalised
4. Bulgaria	Low	2004 and later (2007)	Centralised
5. Croatia	Transitioning	2004 and later (2013)	Centralised
6. Malta	Low	2004 and later (2004)	Centralised





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This study analyses the absorption rates of the EU Cohesion Policy funds in 2014-2020 over time across funds (ERDF, ESF, CF and REACT-EU) and across Member States and regions. It also provides a comparison with the programming period 2007-2013. A summary of absorption drivers, obstacles and undertaken solutions is presented based on the relevant literature and the initial findings of case studies. Conclusions and preliminary recommendations on improving the absorption of funds are set out.

This report introduces some preliminary results. A completed and more detailed study will be made public in April 2024.

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