

2019 Discharge to the Commission

**WRITTEN QUESTIONS TO COMMISSIONER
FERREIRA**Hearing on 1st December 2020*Questions concerning general issues in the field of cohesion*

1. The absorption capacity is one of the major problem areas for this policy field. The low rate also hinders the capacity for development and economic recovery. Which new measures have been put in place to increase the absorption rate?

Commission's answer:

Since the end of 2018, the project selection rate for 2014-2020, as one of the pre-conditions and indications of effective future absorption, remains ahead of the same reference period in 2007-2013.

By end 2019, EU average project selection rate was at more than 92% (up from 776.6% in 2018) for the European Regional Development Fund (ERDF) and Cohesion Fund (CF). By end June 2020, nearly all (99,2%) the EUR 350 billion in total cost were allocated to nearly 515 000 projects.

We also note that Member States' payment applications under ERDF and CF accelerated during the summer 2020, even if still lagging behind, there was no further detrimental impact owing to the COVID-19 crisis. Interim payment claims received as of 31 October 2020 cover on average 43.2% of the total allocation. The situation varies between Member States.

The Commission's Directorate general for regional and urban policy (REGIO) regularly monitors the absorption rates in each Member State and provides technical support to Member States to improve their administrative capacity, absorption and performance.

At REGIO level, the close monitoring arrangements put in place for programmes at risk of decommitment allowed identifying and acting upon the most serious bottlenecks hindering implementation. A comprehensive and active monitoring strategy was put in place. This includes the geographical units' direct advice and assistance to the national and regional authorities and close monitoring of the implementation on the ground including active participation in programmes monitoring committees, identification and removing of bottlenecks and assessment of each programme's situation in annual review meetings, and through the thorough examination of annual implementation reports. REGIO has also put in place cross-comparisons of the performance of programmes based on scorecards, and the corresponding follow-up.

Based on this tight monitoring and supervision, REGIO is providing technical assistance and advisory services to Member States to improve their capacity to implement the Funds, e.g. Peer2Peer exchange of good practices and expertise under REGIO TAIEX; fi-compass; JASPERS – helping to prepare quality projects that can improve absorption for 2014-2020; technical assistance support with experts from OECD or the World Bank to improve the administrative capacity and ensure good preparation of projects (the Honourable Member is referred to concrete examples presented in the reply to question 2 below). In addition DG REFORM provides substantial support to the Member States in need to ensure the necessary structural reforms to unlock their capacity to spend EU programmes.

Furthermore the response to the COVID-19 outbreak also requires an adaptation of the current programmes investment strategy and implementation conditions that are expected to boost funds absorption by re-directing allocations to the sectors of the economy that require the most-needed investments to counter the effects of the crisis. Immediately after the COVID-19 outbreak, the Commission proposed several measures to help Member States cope with the crisis, including the legislative changes under the Coronavirus Response Investment Initiative (CRII) and of the Coronavirus Response Investment Initiative Plus (CRII+), which the co-legislators adopted in record time and without further amendments to the Commission proposals. The CRII provides for additional flexibility and liquidity to deploy cohesion policy support rapidly and with reduced the administrative burden. A significant reprogramming effort took place and still continues in many national and regional cohesion policy programmes in this regard. The Commission adopts the relevant programme amendments within very short time in order to address the urgent needs of each Member State due to the coronavirus crisis. Next to reprogramming of funds, other simplifications are available and are being used by the Member States such as the extension of deadlines, accelerated payments, retroactive reimbursement of COVID-related expenditure, etc.

These crisis measures should also substantially contribute to accelerate investments and funds absorption. In March, the Commission set up the CRII Task Force to assist Member States in implementation of the anti-crisis measures. Since then over 400 questions were answered in a speedy manner and the responses were published on a dedicated website accessible to all managing authorities. More details and updates on tracking the cohesion policy response to COVID-19 including the impact of the CRII/CRII+ measures can be found on CORONAVIRUS dashboard on Open Data Platform – link (<https://cohesiondata.ec.europa.eu/stories/s/CORONAVIRUS-DASHBOARD-COHESION-POLICY-RESPONSE/4e2z-pw8r/>).

Measures proposed for the “The Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU)”, for which negotiations were recently concluded, should also speed up implementation of these additional resources (the EU co-financing may reach 100%, the scope of support is wide enough to cover

the needs, and a number of restrictions that normally apply to cohesion policy will not apply to REACT-EU).

To wrap up, the overall impact of factors linked to the COVID-19 crisis will be fully discernible in 2021, but further increase in spending is expected, deriving from the current EU average high project selection rate for ERDF and CF ensuring that expenditure will follow in the upcoming months, from the implementation of the CRII/CRII+ measures, as well as expected simplifications introduced through the REACT-EU proposal.

2. The absorption rate under ESIF is low compared to the previous programming period. The Commission has tools to assist the Member States in improving the absorption of funds, and the results achieved. Does the Commission measure the success of utilising these tools, and to what extent they have contributed to increasing absorption when they have been used? Could the Commission give some concrete examples?

Commission's answer:

In general, it is difficult to quantify the impact of individual measures/tools on absorption separately, as the absorption is the result of many factors. For example, while an option of increased 100% EU co-financing rate has direct effect on the acceleration of interim payments/absorption, there are also other factors behind the level of spending, whose impact cannot be quantified separately although we can see the overall positive progress made. All these joint efforts of great variety depending on the specific situation of each concerned Member State together with the necessary cooperation of these Member States help to speed up implementation on the ground.

Some concrete examples for Romania and Spain:

1. EIB/Jaspers is currently providing support to the Romanian Ministry of Education and Research through preparation of several research infrastructure projects to be implemented in the next programming period. In addition, it is providing support to project preparation vis-à-vis the design and construction of three Regional Emergency Hospitals in Iasi, Cluj and Craiova.
2. The World Bank is currently implementing “Supporting Innovation in Catching-up Regions in Romania” (prolonged until June 2021). As part of the Lagging Regions Initiative, Romanian regions are receiving tailored World Bank expertise in order to valorise research projects, build capacity for technology transfer and promote innovation in local SMEs.
3. During 2019 and 2020, the European Commission and the World Bank launched an initiative to support Romanian authorities improve the effectiveness of investments in urban areas, through a more targeted use of EU cohesion policy funding.

4. Drinking and wastewater sector employed assistance from EBRD, EIB and the World Bank. The assistance targeted strategic planning, strengthening stakeholders' capacity, sectoral reforms and project preparation.

As a rule, Commission representatives are observers in the monitoring committees of the ERDF programmes (of which meeting takes place at least once per year), and advise the programmes authorities in any issue that affects the performance of the programmes.

In Spain, the Commission services have also regular technical meetings with the national and regional authorities to analyse the state of play of the programmes and identify solutions to the problems that may slow down the execution.

Moreover, from the specific actions, the Commission put in place or supported to boost the absorption and absorption capacity of the Spanish authorities, we can mention:

- Community of practitioners – Commission initiative that supports exchanged and networking between practitioners in different areas of EU funds implementation. Spanish authorities have been particularly active in the areas of state aid and public procurement, which are important vectors for the execution of the ERDF programmes.
- At the same time, the Commission encouraged the use of the simplified cost options in the Spanish ERDF programmes. This led to the simplification of the procedures for the beneficiaries.
- At the Commission request, JASPERS support for the preparation of the major projects for 2014-2020 (e.g. urban train in Seville, Andalusia) and a project pipeline for 2021-2027. This increases the conditions for an efficient use of the ERDF in Spain in particular in transport and urban mobility.
- The Commission has put in place evaluations and implementation support by experts in different areas (RDI, fighting climate change, energy efficiency, urban development); these actions focused identifying the bottlenecks in programming period 2014-2020 and proposing measures to improve use of the funds in the 2021-2027 period.
- Commission and OECD have assisted Extremadura in order to improve the administrative capacity building in the area of EU funds programming and implementation. This will be mainly effective in the period 2021-2027.
- Several Spanish regions have been involved in the networks supported by the Commission to facilitate cooperation and exchange of best practices for regions with similar socio-economic challenges: Cantabria participate in the platform for industrial transition, Asturias has been active in the platform for coal transition regions, while Andalusia has been participating to various partnerships for agri-food innovation and sustainable buildings. This is an opportunity for the regions to complement the efforts in the implementation of national/ regional

operational programmes and their respective smart specialisation strategies.

- In addition, as already mentioned, the Commission (DG REFORM) provides substantial support to ensure the necessary structural reforms to unlock the capacity of the Member States to spend EU programmes. Spain was particularly active in applying for support from DG REFORM and there are more than 30 on-going projects related, for example, to improving the business environment and the cooperation between universities and research institutions, strengthening governance and public administration etc.

The Commission also refers the Honourable Member to its reply to question 9 below on the Catching-up Regions initiative the Commission launched in 2017– a bottom-up initiative created to overcome key development bottlenecks as well as maximise performance and outcomes of Cohesion Policy in low-income regions.

3. How does the Commission explain that the Court of Auditor's error rate for cohesion remains still high at 4.4 %? How is it that some of the errors have not been detected earlier by the Commission?

Commission's answer:

For nine out of the 20 assurance packages for which the ECA has found a residual error rate to be above 2%, the Commission had already adjusted the residual error rate for eight packages based on its own assessment, as confirmed by the ECA report (paragraph 5.38). Therefore, both the ECA and the Commission estimated overall a material error rate for 2019. The Commission error rate estimated this year for ERDF /CF between 2.7% and 3.8% on average (see REGIO's 2019 AAR page 26-28), is therefore fully within the ECA interval of 2.1% to 6.7% for cohesion policy. In line with the regulation, the Commission has a multiannual approach to controls, which further strengthen its corrective capacity during the programming period, which is expected to bring down the error of error below the materiality error of 2% by the time of programme closure.

The Commission and the ECA use different methodologies in line with their specific institutional roles and obligations. The error rate of the ECA is calculated based on a sample of projects from operational programmes that ECA audits in parallel to the Commission's own assessment. While the Court is testing the risks for the overall EU budget area (Cohesion policy), the Director general as authorising officer by delegation for the Commission needs to provide assurance or express a reservation for each programme. Therefore, once they receive assurance packages and annual control reports from the programmes authorities, each year by 15 February, the Commission services carry out a two-step review for all programmes that entail: a systematic, thorough desk review of each programme, and risk-based Commission audits for those programmes where doubts or particular risks are identified. As the ECA annual report mentions in its paragraph 5.51, as part of its broader audit strategy and audit plan for 2019, the

Commission carried out 26 compliance audits (14 by REGIO covering 15% of expenditure for ERDF and CF programmes and 12 by EMPL) in 11 Member States in relation to the 2017/2018 accounts.

Based on this two-step audit approach, the Commission concluded that certain residual error rates reported by the audit authorities were underestimated or that certain errors had not been correctly detected or processes in the calculation of the error rates and therefore re-calculated and increased those rates. Taking also possible additional risks identified through the Commission review, it led for REGIO to recalculate error rates above the 2% materiality threshold for 46 programmes in 13 Member States out of the total number of 258 programmes with expenditure declared in the accounts (including in 9 cases resulting from on the spot audits), pending in some cases further contradictory procedures with the concerned authorities (see 2019 AAR page 27).

This demonstrates that the Commission detected additional errors to the ones identified by the audit authorities and estimated an overall error rate in the range detected by the ECA as well. It will now use its regulatory tools and will request as the next step the necessary additional corrections for the concerned 46 ERDF/CF programmes where it detected an error rate (or a risk of residual errors) above materiality.

Finally, the Commission indicated in the annual activity report that for a majority of cases these adjustments to the error rates reflect the non-detection of punctual irregularities; only in a limited number of cases and audit authorities (8 out of 80) it reflects more serious deficiencies in the underlying audit work. The latter are tackled by the Commission through requested remedial actions and capacity building actions to improve the audits.

4. What kind of follow-up has been given to the various recommendations made by the Court since 2016 (including the ones in their Special Reports)? Why so many of the recommendations have not been implemented yet?

Commission's answer:

The Commission ensures that audit recommendations addressed to it by the Court of Auditors (ECA) are systematically followed up and implemented. Each Directorate-General or service is responsible for the timely implementation and follow-up of the audit recommendations which concern them.

In the area of Cohesion policy the Commission considers that the situation demonstrates a serious and timely follow-up of ECA recommendations. Since 2016, the ECA issued 116 recommendations, for which REGIO is in the lead; 108 of these recommendations were accepted by the Commission, which it considers a good acceptance rate. The Commission provided in each ECA report the reasons for not being able to accept the recommendations in 8 cases.

According to the Commission's corporate monitoring system, 74 of these

recommendations are fully implemented, which corresponds to 69% of accepted recommendations. Another four recommendations are partially implemented and the Commission plans to complete them by end-2021 at the latest.

Implementation of another 30 recommendations is currently on-going, in accordance with the deadlines specified by the Court in its recommendations and lasting until ultimately end-2024. A majority of these 30 recommendations are very recent and stem from the Court's reports issued in the last two years, therefore it is normal that implementation is on-going.

A detailed assessment by the ECA itself of implementation of the recommendations issued in 2016 special reports may be found in Chapter 7 of the ECA annual 2019 report on the performance of the EU budget, and in Annex 7.1 to this report.

5. The Court has analysed the data for the implementation of financial instruments under shared management for 2018 because of the delay in the reporting on these instruments. The payments to final recipients in 2018 were worryingly low. Does the Commission envisage publishing the report for the financial instruments' implementation in 2019 soon? Does the Commission already have information on improvement of the level of payments to final recipients in 2019?

Commission's answer:

Latest published data from the Member States reporting at the end of 2018 show that EUR 21.6 billion out of planned 24.7 billion of programme contributions were committed to financial instruments (of which EUR 16 billion ERDF/CF). This confirms that most of the financial instruments have been set-up.

By end 2018, there were significant variations in the use of financial instruments among Member States and the United Kingdom. Sweden, the Netherlands, Hungary, Spain, Latvia, Lithuania and the United Kingdom allocate a relatively large share of ESI Funds to financial instruments. Conversely, Denmark, Ireland and Luxemburg have no plans to deploy financial instruments.

Loans accounted for 44%, equity for 21% and guarantees for 18% of all financial instruments selected, while the remainder combine several forms of instruments.

Drawing on the lessons from the previous programming periods, and to avoid that money is "parked" into financial instruments, the current regulation foresees payments of the programme contribution to financial instruments in at minimum four tranches. As from the second tranche payments are linked to conditions of effective use of the previous tranche for payment into final recipients. The rules for payments for financial instruments, even if they were less generous for the current programming period compared to 2007-2013, are even more strengthened for the future with a constant advance at 30% during the entire programming period. It remains a core objective that financial instruments under cohesion

policy provide efficient and effective support and that such funding reaches beneficiaries implementing projects on the ground.

The Commission will publish the report, as required by Regulation 1303/2013, once it will have received programmes implementation reports. As the deadline for submission of the data from Member States, on the basis of which the Commission prepares its summaries, has been postponed to 30 September 2020 in line with the CRII amendment to Regulation 1303/2013, the Commission will be able this year to exceptionally publish the next report after its assessment of reported data by the end of March 2021, meaning with some small delay compared to other year.

Annual reporting by Member States provides information on progress in the implementation of financial instruments as well. Such reporting on financial instruments is impacted by the current COVID-19 measures, as administrations to focus on the most-needed recovery measures, and a delay in the annual implementation reports is expected as a result. Nevertheless, the Commission can also estimate progress in financial instruments implementation on the basis of payment claims received from the Member States. As of mid-September 2020, the amounts disbursed by financial instruments to final recipients reached EUR 6.8 billion, i.e. almost doubled compared to the end of 2018 when it was below EUR 3.6 billion. This figure is also likely underestimating effective progress, as it is based on the last payment claims and some authorities do not report in payment claims amounts which were paid out but not yet subject to full controls.

6. Could the Commission provide information on how many project proposals which have received the ‘Seal of excellence’ under Horizon 2020, but have not been funded under that programme, have been implemented under the ERDF?

Commission's answer:

As concerns concrete data on up take of projects awarded Seals of Excellence by ERDF programmes, the Commission does not have structured, detailed information by programmes implemented in shared management in the Member States. There is no formal requirement for Member States to report such information on the implementation of seal of excellence schemes in their programme implementation reports. We therefore have only partial information based on voluntary reporting from managing authorities and such schemes remains at the discretion of each county to best meet the programmes needs.

Data is collected either via those managing authorities who are part of the Seals of Excellence Community of Practice managed by DG RTD or from direct feed-back REGIO's geographical units receive from managing authorities. For example, 50 Seals were supported from the ERDF in Czechia and 32 in Slovenia.

The Commission will work with the Member States under the new MFF, to

improve programmes monitoring systems and to better capture this kind of information.

7. How could local and regional authorities, given that they are the closest administrations to the people, help to improve the communication and accessibility of the programmes under cohesion policy?

Commission's answer:

A large part of the EU budget (some 80%) is managed under shared management, whose cornerstone, the so-called ‘partnership principle’, requires from national and regional managing authorities close association of all actors, including civil society, throughout the lifecycle of programme implementation, from their very design (public consultations, full transparency even on the draft programmes’ documentation) down to implementation of concrete projects selected by monitoring committees and communication of results. This mandatory requirement is even reinforced when it comes to the conception of Territorial Just Transition Plans under the next programming period, as the buy-in of the population will be key to the green transformation regions/municipalities will commit to help build a carbon-neutral continent by 2050.

On the occasion of the 18th Week of Regions and Cities in October 2020, Commissioner Ferreira also encouraged local and regional authorities to follow upon the 12 recommendations of the “[Manifesto for Young People by Young People to Shape the European Cooperation Policy](#)” that seeks more involvement of the youth in the design, management and communication of cohesion policy programmes.

As regions and cities across Europe are designing the next generation of cohesion policy programmes 2021-2027, the new expert group of communication coordinators (INFORM EU) will also encompass a larger number of EU funds (cohesion, maritime and fisheries and home affairs funds), thus making it easier for local and regional authorities to communicate the EU in their region in a simpler manner, using the EU emblem and no longer fund acronyms. A number of toolkits will be offered to them in that respect, including an on-line generator to download and customize the EU emblem and related visibility tools.

Moreover, a high-level conference on Engaging Citizens for Good Governance in Cohesion Policy has been organised in February 2020. This conference allowed exploring innovative ways of how citizens and civil society can participate actively and contribute to good governance in the EU. Concretely two pilot actions are ongoing, one targeting 5 Managing Authorities/Intermediate Bodies (with support from the OECD) and another targeting 19 civil society organisations. Practices collected within the pilot actions will be widely disseminated to inspire programme authorities to make programmes more participatory and accessible for the citizens.

8. When it comes to the Commission's estimated error rates on expenditure, is the data provided based on national or regional level calculations? Are there assessment mechanisms and recommendations to improve these rates?

Commission's answer:

The Commission's annual estimates of the error rates for each of the 293 ERDF / CF programmes are indeed, in line with the single audit principle, based on the audit work carried out and reported each year by some 116 programmes audit authorities for cohesion policy. Such reported error rates, audit results and opinions are thoroughly and critically reviewed by the Commission services, assessed and adjusted in the annual activity report for each programme as necessary, and then cumulated in an average error rate for all 300 programmes at policy level. The Commission refers to its reply under question 3 above.

More specifically, according to the regulation for the 2014-2020 programming period relating to ESI Funds, the programmes audit authorities (80 in total for ERDF/ CF) must perform audits on management and control systems as well as on a statistically representative samples of operations for expenditure entered in the annual programme accounts submitted by 15 February by the certifying authorities (covering the period from 1st July to 30 June). In 2019, as reported in REGIO's annual activity report (pages 26-27), audit results and conclusions from 583 system audit reports were received and reviewed by the Commission; and audit authorities reported 2.270 irregularities and error rates based on the audits of samples covering 5.500 operations or parts of operations and some 32% of expenditure included in the accounts.

On this basis programmes audit authorities calculate a residual total error rate for each operational programme / group of operational programmes under their responsibility, taking into account the errors identified in the audited samples extrapolated to the total audit population and financial corrections implemented by management and certifying authorities as a result of their audits. These error rates are reported in the annual control reports, together with an audit opinion, that audit authorities have to draw up by 15 February to accompany the programme accounts. 221 residual total error rates have been reported in the 2019 annual control reports submitted by the ERDF/CF audit authorities, out of the 258 concerned ERDF / CF programmes.

As mentioned above and in its reply under Question 3, the Commission then carries out its systematic desk review of all annual control reports and its own, risk-based on-the-spot audits. When it still identifies further irregularities in the accepted accounts, not previously detected by the programme authorities at management and audit levels, it adjusts or re-calculates the programme residual total error rate accordingly and launches as the case may be financial correction procedures. In such cases, if these adjustments are due to deficiencies in the audit work carried out by the audit authority, the Commission also recommends corrective measures to the audit authority and follows up on the implementation

of such measures. In the 2019 AAR, REGIO referred to the case of 8 ERDF/CF audit authorities where deficiencies were identified in the underlying audit work and for which remedial actions were recommended.

The Honourable Member will find the details of the individual error rates reported by the programme authorities and adjusted / validated by the Commission for the two accounting years 2017-2018 (for which accounts were accepted in 2019 and the Commission audit work was completed in most cases) and 2018-2019 (for which audit work is currently on-going and will be reported in the 2020 AAR) in Annex 10B of the REGIO 2019 Annual Activity Report.

Under the Single Audit approach, the supervision of the Commission over the work of audit authorities also encompasses audit capacity building and preventive actions at the level of all programme authorities, which contribute to better detecting and correcting errors and therefore contribute to the assurance process. To further increase the administrative capacities and the quality of the audit work, and ensure the reliability of the audit results and error rates reported, the Commission provides audit authorities with the necessary support under various forms:

- guidance notes, i.e. how to assess management and control system weaknesses; which statistical methods and parameters to be used for audits on operations; how to audit accounts
- sharing of audit methodologies and audit check-lists to ensure consistent approaches;
- clarification of applicable law (for instance in relation to public procurement) when needed.
- targeted multilateral or bilateral trainings where necessary; for example in 2019, the Commission entrusted the European Institute of Public Administration, to carry out seminars on management and control principles, public procurement and on simplified cost options took place in Brussels, Maastricht and Barcelona
- Peer2Peer exchanges programme (study visits, expert missions and workshops) to foster the exchange of good practices between the ESIF audit community.
- regular multilateral technical group meetings in Brussels with representatives from all audit authorities. Two technical group meetings took place in May and December 2019. They provided the opportunity of exchanges on various Commission and audit authorities' methodologies as well as sharing information on audit aspects in view of the preparation to the period 2021-2027.
- Annual bilateral audit coordination meetings with each audit authority where all national, Commission and ECA audit results are reviewed and discussed with a view to monitor the progress on the implementation of the programme audit strategy; follow up on all audit recommendations; improvements required on the audit approach where needed; discussions of the main types of findings detected by the national and EU auditors and other methodological aspects of common interest.

Finally the Commission (DG REGIO) organises each year the Homologues Group Meetings with high level representatives of all audit authorities from the ESI Funds. ECA Members and staff are invited and participate to this meeting each year. In September 2019, the Homologues Group meeting held in Zagreb was mainly dedicated to the assessment of the work of audit authorities between the Commission and ECA and ways how to improve the common audit framework; approach to improve audit documentation to facilitate internal audit quality review and Commission and ECA audits; impact of the exclusion of expenditure from the accounts under Art. 137(2) CPR (ongoing assessment) on the error rates calculations; the review of performance data as part of audits of operations; and the involvement in auditors to steer efforts towards simplified cost options.

All this support, guidance and exchanges within the audit community, between the Commission and audit authorities, often with the participation of ECA representatives, contribute to continuously clarify issues, prevent difficulties and the assurance that the Commission can draw from the audit results and error rates reported by the audit authorities. This being said, implementation of the policy remains complex and in line with generally applicable standards and audit literature, the risk of not detecting some errors can only be reduced but not annulled despite all continuous efforts and is part of any assurance model.

9. Are there significant regional differences when it comes to irregularities? Are there significant differences between categories of regions when it comes to their institutional capacity to execute budget funds?

Commission's answer:

As far as irregularities are concerned, there are differences within programmes of each Member State. The situation can vary from year to year and also depends on the capacity of each administration (national or regional) concerned or the special circumstances in one year (e.g. staff turnover or specific issue found in a sample). This is quite visible from the Annex 10B of REGIO 2019 AAR which reports for each programme the error rates, as reported by the audit authorities and as confirmed by the Commission, for three consecutive years (see page 38 of the Annexes).

There are some systemic issues which can have an impact on reported error rates in a given year. For instance, in 2019, the Commission audits identified a high frequency of public procurement irregularities compared to previous year due to a systemic issue related to limitation of sub-contracting in Spain, Italy or Lithuania (wrong transposition of the public procurement Directives into the national law), the incorrect use of standards or brands without the mention 'or equivalent' not sufficiently identified or treated in the error rates in Spain, Poland and Romania and another systemic irregularity for limitation of architect fees in Germany (HOAI). It also identified in 2018 (as confirmed also by ECA last year) non-

compliance of national law with the requirement of State aid incentive effect in Portugal with remaining impact in 2019. These issues, which audit authorities auditing against the national law could not necessarily quantify, have had a more particular impact on error rates re-calculated by the Commission in the 2019 AAR.

As far as absorption is concerned, it is equally true that a sound administrative capacity in the Member States is a key precondition for successful implementation.

This is why the Commission launched and completed in 2017 the first phase of the Catching-up Regions initiative – a bottom-up initiative created to overcome key development bottlenecks as well as maximise performance and outcomes of Cohesion Policy in low-income regions. It involved four pilot regions (two in Poland and two in Romania) and led to some significant structural changes there:

- in two participating Polish regions, a number of reforms geared towards areas such as commercial research, business creation and SMEs advisory services were implemented.
- in Romania the North West and the North East regions elaborated their regional innovation strategies, enhanced cooperation between local actors, created governance steering bodies and prepared a pipeline of projects in sectors linked to innovation, integrated projects in sectors like biomedicine, ITC, sustainable use of resources, agro-food and cosmetics.

The second phase of the Catching-up Regions initiative, covering new regions and new themes such as energy efficiency, decarbonisation and business inspections was launched afterwards. In particular, in Poland, it is adjusted with other Commission's projects, complementing two initiatives led by DG ENER: "Coal Regions in Transition" and "Smart Finance for Smart Buildings".

The third phase of the initiative focused on boosting economic growth in small and medium-size towns in danger of deprivation to enhance their attractiveness for investors, businesses and citizens.

In Romania, in view of the successful results of the initiative in the two pilot regions, the initiative has been extended to all other Romanian regions, with the aim of strengthening the delivery of ESI Funds in the field of smart specialisation.

The Catching-up Regions project was also rolled-out in Slovakia: in the Presov region with a particular focus on matching vocational training with smart business needs, improving energy efficiency and setting up a geographical information system, and furthermore in the Trencin region with the objective to cover structural development challenges resulting from successive reduction of mining activities in the region.

REGIO continues to support the consolidation of the results of this initiative. This successful model of cooperation of EU, national and regional actors is being

transferred to other European regions facing similar challenges, in particular in Croatia.

10. Is it true that the regional investments are seen over years and even decades on a very positive pathway for less irregularities? Is the Commission planning any communication to EU citizens to highlight this trend?

Commission's answer:

The Commission indeed confirms that it can see an improvement in the current situation as regards regional investments under ERDF/CF: compared to the ECA first estimated error rates in the past from the 2007-2013 period in the double digits (above 12%-11%), the error rate was reduced overtime in that programming period between 5% and 7%. Lately it was 5% in 2018 and 4.4% last year. Overall the Commission estimates that both its own and ECA estimates have shown a positive, reducing trend over time between programming periods. It can be explained by the strengthened assurance model for 2014-2020 – in which the certified annual accounts are intended to lead to residual error rates below materiality after financial corrections are applied by the programme authorities following their audits. Therefore the system of annual accounts in 2014-2020 allows for the corrective capacity of programmes to already clean up irregularities from the expenditure certified annually. And if it is not the case in all programmes, the Commission can still impose further corrections over time to reach a “risk at closure” for each programme below 2%. The multi-annual corrective capacity is indeed an important feature of the policy and should be underlined, as demonstrated by the 2007-2013 period: despite the high error rates reported for the at period as reminded above, the closure process for 2007-2013 has functioned as a final safety net to filter out remaining material errors, allowing the Commission in the 2019 AAR to report a residual risk after closure of 0.37% for the 2007-2013 period (as published in the REGIO 2019 AAR, page 33).

This trend is made public to citizens, in particular through the high-level reports from the Commission (AARs and AMPR).

The last Eurobarometer survey (October 2019) on citizens’ awareness and perceptions of cohesion policy shows in general an increased overall awareness (+ 5 percentage points) and perceived positive impact (+ 4 percentage points) of cohesion policy compared to 2017.

Questions related to the 2019 AAR of DG REGIO

11. The annual activity report states the importance of DG REGIO in identifying barriers to the single market. Can you further explain this? And what are the barriers identified by DG REGIO?

Commission's answer:

Notwithstanding the Single Market, border obstacles may still continue to hamper individuals and organisations from fully exploiting their natural catchment area: the territory 360° around them. E.g. individuals have difficulties in accessing the labour market across the border; public services are rarely provided in a seamless manner across borders; businesses need to cope with double administrative processes in order to access their natural vicinity market; physical access may remain complicated (roads or railways, no connection for public transport etc.).

In 2017, the European Commission adopted a Communication “[Boosting Growth and Cohesion in EU Border Regions](#)” (COM(2017)534 and a Staff working document [SWD\(2017\)307](#)), in which it advocated for the need to address cross-border obstacles in the EU. In the preparatory phase the [Cross-Border Review](#) initiative documented 239 cases of such obstacles. Different subsequent actions have continued to identify different obstacles. This [infograph](#) summarises the communication.

Different types of obstacles hamper interactions across borders, thus preventing border regions from reaching their full potential. This unmet potential – the border effect – is significant: the Communication indicates a potential gain of 2% GDP affecting border regions, i.e., 30% of EU population. Obstacles affect border citizens in many aspects of their daily lives.

Border obstacles of a legal and administrative nature occur when the legal framework, or the administrative practices, on one side of the border are not compatible with those applicable on the other side. Therefore projects or activities across the border are hampered or impossible to implement. This is the case for example with technical standards. If those are different on each side of the border, a project across the border needs to cope with both at the same time. Not only is this costly and requires often unnecessary red tape, but different standards can be incompatible. These problems are felt in border regions but, frequently, legal competence lays in national authorities. The obstacles occur in diverse domains. The Communication highlighted 10 domains (see infographic above), but obstacles are not limited to these domains.

The Commission also provides in annex to the attention of the Honourable Member additional details on support provided to Member States, beyond funding, to overcome these obstacles.

Moreover, the EU outermost regions - located in the Atlantic and Indian oceans, the Caribbean sea, and in Latin America - face specific difficulties in integrating the EU internal market. As EU regions, they apply EU legislation contrary to their competitors from their neighbouring third countries. Due to their geography and history, the outermost regions face permanent constraints

recognised in Article 349 TFEU (remoteness, insularity, small size, vulnerability to climate change, dependency on a few products). This is why this article provides for specific or derogatory EU measures to accommodate such specificities in order to help the outermost regions benefit from the internal market.

Since 2004, the Commission adopted several communications setting up its strategy to support the outermost regions. The latest [Commission Communication](#) was adopted in 2017 and **underlines the intention to mainstream outermost regions' concerns across all EU policies**. An [implementation report](#) adopted in March 2020 analyses the initiatives launched since then by the Commission to strengthen their socio-economic development including their integration in the EU market.

More recently, the Commission proposed to renew the specific taxation schemes to protect the outermost regions local production and the Council has just adopted the relevant decisions in November 2020.

12. DG REGIO reports that 4 programmes were affected by decommitment rule in 2019. What is the forecast for the level of decommitments at the end of the programming period, and what measures does the Commission undertake to assist the Member States in order to avoid decommitments?

Commission's answer:

De-commitments are currently very limited. For the 2019 exercise, only four ERDF programmes did not reach their target (three less than in 2018). The overall ERDF amount to de-commit is EUR 21.2 million (about 126 million less than in 2018), of which one major de-commitment (EUR 19.7 million) concerns only the UK programme "ERDF Scotland" (facing a third consecutive de-commitment due to an on-going suspension decision and difficulty to set a proper management and control system). ETC "Mayotte-Comores-Madagascar" faces a second consecutive de-commitment due to the inherent difficulties of the programme authorities.

For the 2020 de-commitment exercise, REGIO estimates a 2020 de-commitment risk high for five programmes (SK, 3 ETC, UK) medium for another 13 programmes (BG, 6 ES, IT, 5 ETC). Overall the estimated amounts at risk are about EUR 128 million and will be verified at year end.

During the 2007-2013 programming period, automatic de-commitments (n+2 or n+3) amounted to only 0.38% of the total allocation. In the on-going 2014-2020 period, the Commission estimates automatic de-commitments to be even lower than in the previous period.

There are certain key factors which explain the rather low level of automatic de-

commitments in the 2014-2020 period:

- the n+3 rule applied to all Member States;
- the CPR provides for a relatively ample level of payment of pre-financing and pre-financing counts towards avoidance of de-commitment;
- and finally, whereas in the 2014-2020 period de-commitment is calculated at programme level, in the previous period the calculation was carried out in relation to objectives.

The Commission considers it would be premature to forecast a level of de-commitment for the 2014-2020 programming period as Member States still have five years to complete the implementation. Furthermore, the initiatives that the Commission undertook in the context of Cohesion policy to counter the Covid crisis might also impact the level of de-commitments.

The Honourable Member is also referred to the Commission's reply to questions 1 and 2 regarding measures undertaken by the Commission to assist the Member States in order to avoid de-commitments. The Commission services provide substantial support to Member States including technical assistance and advisory services to improve their absorption and results achieved.

The lessons learnt from the Task Force for Better Implementation set up to improve the implementation of ESI Funds towards the end of the previous period have also been mainstreamed for programmes in difficulty in the current period. At REGIO level, the close monitoring arrangements put in place for programmes at risk allowed identifying and acting upon the most serious bottlenecks hindering implementation. A comprehensive and active monitoring strategy was put in place: desks' direct advice and assistance to the national and regional authorities, close monitoring of the implementation on the ground, timely contribution to identifying and removing bottlenecks, participation in monitoring committees, annual review meetings, thorough examination of annual implementation reports, cross-comparisons of programmes' performance based on scorecards, and corresponding follow-up.

13. DG REGIO reports that the rate of completed action plans in 2019 concerning ex-ante conditionalities remains at 99%. How many uncompleted action plans are there currently in the last year of the programming period? How many programmes are affected? Is there any chance that the ex-ante conditionalities will be completed? Do these affected programmes receive payments from the Commission? Are any of these programmes affected by decommitments?

Commission's answer:

There are two uncompleted action plans related to ex ante conditionalities 2014-2020, both relating to thematic ex-ante conditionality 6.2 Waste sector to promote economically and environmentally sustainable investments in the waste sector

particularly through the development of waste management plans consistent with Directive 2008/98/EC, and with the waste hierarchy. These action plans concern Italy and Cyprus.

In the case of the Italian ROP Sicilia ERDF (2014IT16RFOP016), the decision to suspend expenditure related to the waste sector interim payments was adopted on 12 February 2019. The Commission is awaiting the receipt of the Regional Waste Management Plan from the Italian authorities. Following the letter of 22 August 2019, the Italian authorities requested an extension of the deadline to submit the new Regional Waste Management Plan by end of February 2020. At this stage, due to the COVID-19 outbreak the transmission of the Plan was further delayed. The Commission expects to be able to approve it in the first quarter of 2021 earliest, depending on the timing of its receipt from the Italian authorities.

In the case of the Cypriot OP Competitiveness and sustainable development (2014CY16M1OP001), the fulfilment of the fourth criterion of ex ante conditionality 6.2 for solid waste (measures for recycling and re-use) is still pending. The national law for the recycling and re-use of paper non-packaging was adopted in December 2017, while the adoption of the measures for entrusting specific responsibilities to local authorities in the management of municipal waste, which was initially expected to be adopted in the 1st semester 2018, is pending. The “Regulation on recyclable and organic streams” ” is pending approval by the Cypriot Parliament (House of Representatives) since the beginning of 2019 and is expected to be approved in early 2021 latest. No payment suspension was envisaged by the Commission in this particular case because it is considered that it would be counter-productive: all projects linked to the investment priority for solid waste aim to promote recycling and waste prevention (so contributing to the ex ante conditionality) and the only infrastructure project (the integrated waste management plant of Limassol) is a phased project which is already completed and under operation (no further expenditure expected).

The two programmes are not affected by decommitment.

14. DG REGIO carried out fact finding missions in Spain, Slovakia and Poland. Why were these countries chosen, and what were the results of these missions?

Commission's answer:

In line with the Single Audit Strategy for 2014-2020 DG REGIO carries out fact finding missions that can complement desk reviews of the assurance package. A fact finding mission may be carried out before and/or just after the receipt of the assurance package with the annual control report (ACR), with a view to prevent or clarify issues or risks identified in the audit results reported by the audit authority.

Pre-ACR fact finding missions such as carried out in Slovakia contribute to the

preparation for the submission of the assurance package and are thus an important preventive tool for reducing the risk of reporting unreliable results in the assurance package.

Post-ACR fact finding missions such as carried out in Poland and Spain allow clarification of the assessment of results reported by the audit authorities and the compliance of their audit opinion with the regulatory framework, guidance and audit standards. The objective of these missions is therefore to perform a targeted assurance review of the work done by the audit authorities for the assurance to be provided in the ACR and audit opinion and in particular to:

- verify the correctness of the AA's calculation of the TER and the RTER;
- detect possible weaknesses in the conclusions drawn by the AA.

In addition, these missions included a review with elements of re-performance of the audits of operations at the level of audit authorities, aims also at addressing detection risk at the level of the AA and contributes to the confirmation of the reported error rates.

The missions to Spain, Poland and Slovakia were carried out to clarify questions on the annual control reports and to address the detection risk at an early stage of programmes. For the selected programmes the re-performance of the audits of operations focused on high risk areas of possible issues not identified by the audit authorities (e.g. verification of SME status of enterprises and checks of public procurement procedures in particular tender specifications, conflict of interests, ineligible VAT etc.).

In Slovakia the pre-ACR mission covered 8 operational programmes (OPs) and the re-performance of audits of operations for 3 OPs, i.e. the Technical Assistance, the Quality of Environment and the Human Resources OPs.

In Poland the post-ACR mission covered 24 OPs and the re-performance of audits of operations for 2 regional OPs i.e. Kujawsko-Pomorskie and Zachodniopomorskie.

In Spain the post-ACR mission covered 23 OPs and re-performance of audits of operations for 2 regional OPs i.e. OP Aragon and OP Castilla y Leon.

The main results from these fact finding missions were:

- (i) For Slovakia the review of the ongoing action plans. In view of the audit opinion on the management and control system to be reported in the annual control report, clarifications were requested on the level of correction applied by the audit authority for one operation; the audit authority was requested to re-verify the eligibility of one project due to the unclear description of the purpose and subject of the project, its outputs, and an unclear definition of the activities of the project; moreover for one operation the audit authority was invited to verify if the competent authority approved the prolongation of the deadline and if the project was implemented in compliance with the grant agreement and the relevant OP

rules.

(ii) For Poland and Spain the main findings were related to non or insufficient detection of irregularities in the area of public procurement, e.g. restrictive selection criteria.

These audit findings have contributed to improve the audit results reported in the ACRs by the respective audit authorities and eased the Commission desk review / assessment of the annual control reports issued by the concerned audit authorities.

15. With which third countries have DG REGIO developed partnerships with?

Commission's answer:

Since 2006, DG REGIO has formalised regional policy dialogues through written agreements (memoranda of understanding or letters of intent) with ministries in 14 countries.

These include the EU strategic partners (China, Japan, India, Brazil, Russia, Mexico), and Latin American countries (Argentina, Chile, Colombia, Peru) and SICA (the Central America Integration System), as well as the Eastern Partnership Countries (Ukraine, Moldova, Georgia).

In the case of India, the agreement covers the EU-India Smart and Sustainable Urbanisation Partnership that REGIO leads on the Commission side.

For further details the Honourable Member is invited to consult DG REGIO's site: https://ec.europa.eu/regional_policy/en/policy/cooperation/international/

Reservation on the ERDF / Cohesion Fund management and control systems in 59 programmes for period 2014-2020

16. The reason for the reservation on Czechia (title: Enterprise and Innovation for Competitiveness) is the “ongoing conflict of interest case for part of the programme operations”. Could the Commission explain why this is a partial non-financial reservation and elaborate on it?

Commission's answer:

In the 2019 AAR of DG REGIO the reservation expressed on the Czech operational programme Enterprise and Innovation for Competitiveness is linked to the on-going audit on the conflict of interest. In line with the materiality criteria applied by the directorates general (see annex 4 of the AAR) the reservation is partial because the issues concern deficiencies in the selection and management verifications for operations under one single group company and the conflict of interest in relation to such operations, and not the whole programme implementation. The reservation is non-financial because no expenditure in relation to the operations affected by the audit findings has been declared to the Commission. Thus the EU budget continues to be protected. These explanations

on the reasons for the reservation are provided in Annex 10 N of the REGIO Annual activity report 2019.

17. For most of the reservations, the explanation is that the residual error rate is above 2% - Could the Commission please explain in greater detail why this is the case and what the weaknesses are in the management and control systems that need to be improved?

Commission's answer:

The Honourable Member refers to the list of programmes under reservation in 2019 for REGIO, with the reasons for each reservation, as disclosed in Annex 10N of the AAR (page 112). Reservations entered in the Annual Activities Report on programmes may be due to:

- management verifications by managing authorities which do not function correctly as first level of defence and therefore fail to detect irregularities, leading to a total error rate (before financial corrections) above 10%, as reported by audit authorities or recalculated by the Commission auditors;
- managing, respectively certifying, authorities which do not perform the additional corrections related to the irregularities identified by the audit authority during its audit work, leading to a residual error rate above 2% (i.e. weak corrective capacity of the management and control system);
- audit authorities which fail to detect irregularities that the Commission auditors identify in the course of their own assessment of the programmes and reported error rates, leading to a residual error rate (after corrections requested following the outcome of audit authorities' work are applied) above 2%; additional irregularities identified by ECA in its sample;
- accounts which cannot be accepted due to negative opinion of the audit authority; or
- significant weaknesses in different parts of the management and control system with interruption/suspension procedures which are ongoing.

This year in particular the impact of horizontal issues in public procurement related in some of the cases to wrong transposition of the public procurement Directives by the national legislation in the concerned Member States (see also reply to question 9 above), deficiencies in the management and control system leading to a total error rate above 10%, mainly due to weaknesses in the management verifications (Hungary, Spain), or significant delays in the audit work due to understaffing of the audit authority and bodies leading to qualifications in the audit opinions (France). In all cases where the Commission concludes in the AAR that the error rate remains above 2% (46 programmes in 2019), it applies additional financial corrections following a contradictory procedure with the concerned programme authorities, with a view to ensuring a

'risk at closure' for all such programmes below 2% once all corrections have been applied.

18. Most of the reservations are issued for Italy (15 reservations, amounting to EUR 50.26 million) and France (9 reservations, amounting to EUR 47.95 million). Could the Commission explain this pattern?

Commission's answer:

In the case of Italy, the Commission services have recalculated the error rates based on its best estimates due to a systemic deficiency in public procurements resulting from the wrong transposition of the public procurement Directives by the national legislation in the concerned Member States. The Italian public procurement law wrongly transposed the public procurement Directives by limiting systematically to 30% the use of subcontractors by the contractors. The Court of Justice recalled in September 2019 that such a horizontal limitation of subcontracting, not referring to particular situations, set in the national law is not compliant with EU directives. The Commission has estimated the impact of this error on the total error rates and the residual total error rates of all Italian programmes to its best professional judgement, using flat rates at this stage since detailed information on the expenditure profile entered in the accounts was not known at the time of the AAR. For 11 programmes the Commission therefore estimated that there was a high risk that the residual total error rates were above 2%, which gave rise to a reservation. The Commission has requested the Italian authorities to provide more precise calculations of the effective impact of this wrong transposition of the directive on each programme. The Commission services remain in constant dialogue with the authorities to obtain accurate figures. For the other 4 programmes the reservations were issued because of residual total error rates above 2% reported by the audit authorities, and deficiencies in the management and control system insufficiently corrected by the managing and certifying authorities of the programme when establishing and certifying the accounts to the Commission. On this basis the Commission has assessed the arguments provided by the programme authorities and will carry out additional financial correction procedures for the programmes with a confirmed residual error rate above 2% %, respecting the appropriate contradictory procedures.

In the case of France, DG REGIO expressed reservations in the AAR in relation to 9 programmes. The audit authority reported in its annual control report that the regional control bodies did not have enough time to finalise their audits of operations within the deadline in the case of 5 programmes. Therefore, the French audit authority reported the maximum risk for the non-audited operations (100%) in the error rate, in line with the Commission guidance. As a consequence for these programmes the residual total error rates were above 2%, the audit authority

qualified its opinion and the Commission issued reservations. Since the publication of the annual activity report the audits were finalised and the necessary corrections to have a maximum residual total error rate of 2% were implemented for these five programmes (although with some delay in one case due to the COVID-19 outbreak). For the other 4 programmes the reservations were issued because of residual total error rates above 10% reported by the audit authorities (risk above the regulatory retention threshold for interim payments) and deficiencies in the management and control system which need to be fixed to avoid recurrent irregularities in the subsequent accounting years (and despite all corrections having been carried out in the year to bring the error rate below 2%).

Other questions on reservations and financial corrections

19. The most common type of irregularity is ineligible expenses (817 cases, amounting to EUR 66.4 million), followed by public procurement (569 cases, amounting to EUR 103 million). What are the reasons for this and what can be done to reduce irregularities, particularly in these areas? How can the Commission explain the high amount of cases in public procurement in 2019?

Commission's answer:

The audit work carried out by the Commission, audit authorities and the ECA points out to the same main categories of irregularities. The Honourable Member refers to the irregularities reported by Member States in their 2019 annual control reports, as reported in Annex 10D and page 27 of REGIO 2019 AAR. Audit authorities report irregularities following a common typology of errors agreed and shared between the Commission and the Member States. This is part of the “*Charter on good practices promoted by the Audit Community under Cohesion policy, EMFF and FEAD*” promoted by DG REGIO and agreed within the ESIF audit community. This was used for the first time with the annual control reports received in February 2018 and helped standardise further reporting, allow for a common analysis of the root causes of errors, integrate most frequent sources of errors in programme authorities’ risk-assessments and allow managing authorities adapt their management verifications approaches accordingly. In 2019, audit authorities reported 2.270 irregularities identified in their audit of 5.500 operations or parts of operations to underpin their audit opinions (with system audits). This shows the robust audit work carried out by audit authorities.

The Commission stresses that audit results from both audit authorities and the Commission concern the same main categories. The results are also in line with the errors identified by the ECA in the course of its audits for the Statement of Assurance.

In 2019, the first source of errors detected and reported by audit authorities was ineligible expenditure (35%). This is linked to complex rules and human error, sometimes unclear grant letters provisions or ineffective management

verifications which did not identify these errors. Typical errors concern ineligible participants or companies (SME status), ineligible taxes like VAT, lack of supporting documents to justify the expenditure. Issues detected in the area of public procurement (25%) may be explained by the complexity of the public contracting rules and/or lack of sufficient expertise at the level of public contracting and programme authorities. In addition, in 2019, specific systemic issues linked to public procurement or State aid in some countries were identified by the Commission due to wrongly transposed national legislation. Such errors could not be raised by audit authorities, bound by their national legislation.

Audit authorities recommended remedial measures to the managing authorities to better prevent and detect irregularities. This entails measures to perform better (not more) management verifications (improvement of methodological tools, recruitment of additional staff including experts), training activities on newly developed tools and on the correct interpretation of most frequent errors. This can include, for managing authorities and their intermediate bodies, to improve the quality of selection procedures or management verifications to filter out irregularities. Most audit authorities also reported to the Commission, which encourages them, that they also carry out specific sessions with managing authorities and their intermediate bodies to explain the irregularities detected in their audits and to assess jointly the root causes of these errors.

At the Commission level, beyond encouraging audit authorities to work closely with managing authorities when errors are identified, several initiatives aimed at increasing the effectiveness of programme managing authorities, in all areas, have continued to be implemented or launched in 2020. They mainly include:

- The Commission's Public Procurement Action Plan: it was elaborated in close cooperation between ESIF DGs, DG GROW and the EIB in 2014. The current version (4th edition) of the Action Plan adopted in 2020 also incorporates COVID-19 related actions. It includes a revised state of play of the actions as well as a series of new initiatives to help administrations and beneficiaries of EU funds improve their public procurement practices, to ensure a level playing field and use procurement as a strategic tool to pursue key policy objectives. Since the first version, a total of 42 actions were initiated in the framework of this Action Plan.
- A strategic training programme for Member States' experts from national and regional authorities responsible for the management of ESI funds. Throughout 2019, 288 participants benefitted from the eight training sessions focusing on State aid, public procurement, and anti-fraud and anti-corruption. A total of 1187 Member State officials have participated to REGIO trainings since 2014. Capacity building measures include:
 - A Competency Framework which offers a mapping of key competences required by ERDF and Cohesion Fund authorities. A self-assessment tool allows identifying competence gaps and strengths. Findings can provide input to

development of learning and development plans.

- Exchange of expertise and experience under TAIEX-REGIO Peer2Peer between authorities managing and implementing ERDF and Cohesion Fund programmes in the form of study visits, expert missions and workshops.
- The pilot action REGIO Communities of Practitioners: it offers Member State authorities an opportunity to work together virtually or in person to develop joint tools or solutions on shared issues. State aid and public procurement are among key topics being addressed.
- Promotion of effective and proportionate anti-fraud/corruption measures to increase the awareness of risks and greater acceptance that preventive measures are possible (including the promotion of the detection and risk-scoring tool 'Arachne'). An e-learning platform and tool box on anti-fraud and corruption is under development and is expected to be ready in 2021 in several EU languages.
- Pilot Integrity Pacts in cooperation with Transparency International to help governments, businesses and civil society fighting corruption in public contracting. 18 pilot Integrity Pacts are being implemented since 2016 in 11 Member States. The pilot project of initially four years has been extended until the end of 2021.
- A pilot action in cooperation with OECD on frontloading administrative capacity building: 5 managing authorities in BG, HR, EL, PL, ES have received hands-on support by the OECD to analyse and address their administrative capacity building needs in a specific roadmap. Experiences are disseminated widely to help Member States prepare for the 2021-2027 programming period, in particular in the form of a practical toolkit on how to develop roadmaps for administrative capacity building (available in 14 languages). The OECD has published a synthesis report on phase 1 of the pilot.

For 2021-2027 programmes the Commission proposed that managing authorities put in place a genuine simplification of rules by applying systematically simplified cost options in their grants with beneficiaries to avoid errors and a more targeted approach, focusing management verifications based on a due risk-assessments, analysing and carrying out in-depth verifications of risk areas in declared expenditure based on all available verification and audit results.

20. Did DG REGIO issue any net financial corrections in 2019?

Commission's answer:

The co-legislator has set out strict conditions which should be met in order for the Commission to impose net financial corrections. The Commission can only impose net financial corrections when the conditions set by Article 145(7) of the

Common Provisions Regulation are fulfilled.

On the basis of its own checks and on the audits carried out by the European Court of Auditors, the Commission is analysing case by case the application of such legal provisions each time deficiencies or serious irregularities are identified. There was no initiation of procedures to reduce the programme allocations through net corrections in 2019, as reported in DG REGIO 2019 AAR (page 31). However, DG REGIO will report further in the next AAR on procedures launched in 2020.

All the information on financial corrections, either applied by the Member States' authorities or required by the Commission, is disclosed annually in the Annual Activity Report (cf pages 31-33 of DG REGIO 2019 AAR and Annex 10c).

21. Did the Commission experience any specific patterns or reoccurrences compared with the reservations in the previous years?

Commission's answer:

In the 2018 Annual Activity Report (AAR) four reservations were issued for French programmes because the audit authority had not finalised its controls. As explained more in detail in the reply to question 18 above, this was again the case for five French programmes in the 2019 AAR due to insufficient audit capacities at regional level, in some regions, in France. The Commission has followed up the issue with the French authorities and the Prime Minister took decisions to reinforce the capacity of the audit authority at central level (12 additional posts) to reinforce supervision over regional control bodies carrying out audits of operations. The respective regions have also started to reinforce the regional audit teams, to deliver their obligations in time.

As far as Hungary is concerned, in the 2018 AAR in two programmes a reservation was issued because of a total error rate for the grouped programmes above 10%. This was again the case in the 2019 AAR for the same programmes, despite the fact that payments were interrupted during the year, actions taken and payments resumed. The new high error rate demonstrates the capacity of the Hungarian audit authority to provide reliable audit results, and the need for the programmes authorities to seriously improve their procedures to prevent errors. Till then payments under these two programmes are again interrupted.

A reservation was also entered again in the 2019 AAR for the same or similar reasons for the Lithuanian programme, based on on-going audit issues raised in a 2017 DG REGIO audit report and still not settled at the time of the 2019 AAR due to legal disagreements with the Member State's authorities.

Finally for one Polish programme (Smart Growth) the reservation was due in both years due to deficiencies in one specific measure for which the programme authorities did not declare expenditure pending the lifting of the Commission warning (the reservation is partial and non-financial).

22. Were there any particularly high corrections this year compared to the reservations of the past years? Are there any surprising or particular observations that the Commission could highlight?

Commission's answer:

Corrections implemented this year and related to past accounting years are the following:

- a flat rate correction due to system deficiencies in Ireland (in relation to lack of adequate verifications of State aid issues and weak management verifications), amounting at 31 million EUR
- an extrapolated correction related to a systemic State aid irregularity in Portugal (due to a wrong transposition of EU rules), amounting to 65 million EUR.

This year we see that State aid issues have a significant impact in these two Member States.

Furthermore, we observe cases where the management verifications show significant weaknesses (i.e. total error rate identified by the audit authority is above 10%), however the programmes have themselves corrected the irregularities by reducing the residual error to 2%.

The Honourable Member is also referred to the explanations provided in the Commission's reply to question 17 above.

23. Could the Commission provide more details on the weaknesses in the management and control systems? How is the Commission assisting the Member States in improving the quality and reliability of their controls?

Commission's answer:

For 67 programmes, DG REGIO considers that the management and control system works only partially and substantial improvements due to serious deficiencies are needed (2019 Annual Activity Report, p.30). In all cases, system improvements are requested from the concerned Member States and programmes, with a view to prevent recurrent high risks of irregularities for expenditure to be declared in the on-going accounting year.

These deficiencies relate mainly to weaknesses in the management verifications for the legality and regularity of the expenditure incurred by the operations. In some of the cases, there are also deficiencies in the selection of the operations and/or in the way the audit authority performs its audits of operations.

The Commission continuously reviews and monitors (both through a desk review of audit reports and its own audits) the activities of programme authorities in order to ensure and verify the effective functioning of the management and control systems. The Commission own audits consist first of reviewing the work of audit

authorities to ensure reliable audit results are reported and can be relied upon, and second thematic/targeted audits to obtain direct re-assurance that no serious deficiencies remain undetected or uncorrected by the Member States when submitting the accounts.

Besides requesting programme authorities to apply appropriate financial corrections for past expenditure where needed, the Commission is always taking action to tackle the deficiencies identified and to improve the quality and reliability of management and control systems for subsequent expenditure and accounting years.

For each system finding, the Commission services issue a recommendation and ensure a close follow-up to verify that the recommendation is effectively and timely implemented to fix the system and mitigate any risk for future expenditure. Requested remedial measures entail improvement of methodological tools of the programme authorities (e.g. verification check lists), recruitment of additional staff including experts, training activities on newly developed tools or on the correct interpretation of most frequent errors. This can include, for managing authorities and their intermediate bodies, to improve the quality of selection procedures to avoid ineligible operations or of management verifications to prevent and filter out irregularities from payment declarations and accounts.

For audit authorities, remedial actions refer mainly to improvements in capacity to detect irregularities through improvements of the audit check lists and methodology, clarification of applicable law (in particular in relation to public procurement errors), recruitment of additional staff and continuous professional training.

Audit authorities are also encouraged to report back to managing and certifying authorities the main sources of irregularities they identified during their audits according to the jointly agreed typology of errors, so that management authorities can reinforce their internal control procedures in line with updated risk mappings, adjust their checklists and further train their staff and beneficiaries (the Honourable Member is also referred to the Commission's reply to question 19 above, with detailed administrative capacity actions carried out or supported by the Commission for managing authorities). In that respect, the Commission continued to proactively promote the use of dedicated IT tools such as Arachne as a support to fraud prevention and detection in management verifications by Member States. Arachne is a voluntary preventive risk-scoring and detection tool developed by the Commission, which is now used by 20 Member States and the UK for one or more programmes.

Capacity building events and joint workshops are also organised with managing or audit authorities, as both preventive and corrective actions. The Commission has also been working closely with all audit authorities throughout the year, both bilaterally and multilaterally, in order to address the issues raised in Commission and ECA audits: annual bilateral audit coordination meetings with each Member

State's audit authority(ies), the annual Homologues Group Meeting and the Multilateral Technical meetings with representatives from all audit authorities, joint Commission - audit authorities' working groups on different targeted audit topics (see detailed reply to question 8 above).

24. In previous years the Commission has used flat rate financial corrections for a number of operational programmes in cases of mismanagement. For which operational programmes has the Commission applied flat rate financial corrections in 2019? What kind of flat rate has been applied for which programmes?

Commission's answer:

In 2019 no flat rate for system deficiencies was applied. However, this does not mean that systemic system deficiencies are not corrected. Indeed, a flat rate is used in cases where the exact extent of the deficiency cannot be quantified. Audits of operations are carried out on a representative sample of operations and the results are then, through statistical methods, projected to the unaudited projects. In case of deficiencies in the functioning of the management and control system which affect the legality and regularity of the expenditure, this will be reflected in the total error rate and residual total error rate and the necessary financial corrections are applied to bring the residual total error rate below 2%. In 2020, a 25% flat rate for system deficiencies in management verifications in relation to State aid issues was applied in Ireland (see reply to question 22 above).

Questions concerning financial corrections in Hungary

In 2017, DG REGIO carried out a preventive audit on the work of the Hungarian authority responsible for controls on public procurement contracts (DPPC office). This resulted in financial corrections amounting to EUR 1.2 billion (= 10% flat rate) from 2014 until the cut-off point in October 2019 due to systemic weaknesses in the management and control system of this authority.

25. Did the Commission recover the amounts that had already been paid out by the time of the audit (amounts paid before 2017)?

Commission's answer:

The preventive audit of DG REGIO (REGC214HU0068) resulted in financial corrections amounting to EUR 800 million (= 10% flat rate) from 2014 until the cut-off point in November 2018. This is part of a larger financial correction procedure concerning public procurement issues in Hungary (totalling around EUR 1bn, taking into account other audits). Following the audit, the Member State implemented a flat-rate financial correction of 10% on contracts over the EU threshold in all Hungarian operational programmes in the subsequent payment claims.

In line with the relevant provisions of Regulation (EU) 1303/2013, such corrections applied by the Member State at the request of the Commission could be replaced by the Member State by other, eligible expenditure therefore no recovery to the EU budget was necessary.

26. What will the Commission do to ensure that the weaknesses in the management and control system have been remedied sufficiently?

Commission's answer:

The Commission services requested the implementation of financial and non-financial corrective actions from the Member State. The implementation of the corrective measures was validated by the audit authority and verified by the Commission services. The Commission services will continue to carry out further audit work on public procurement in Hungary in order to obtain continuous assurance that the systemic deficiencies and irregularities have been redressed.

27. Has the Commission detected similar weaknesses in the management and control systems in other Hungarian programmes?

Commission's answer:

The audit in question (REGC214HU0068) identified weaknesses in the centralised public procurement related management verifications, which affected all programmes co-financed by ERDF, CF, ESF and EMFF in Hungary. Hence, the requested and undertaken corrective actions were of a horizontal nature, for all Hungarian programmes having operations carried out through public procurement procedures.

28. The audit aims to control whether the system is working, but can the Commission comment on what it deems could be the reasons for these systemic weaknesses?

Commission's answer:

The deficiencies identified were linked to the non-identification of public procurement irregularities by the management and control system. These weaknesses were considered systemic as the Hungarian authority responsible for controls on public procurement contracts (DPPC office) carries out public procurement related management verifications on all public procurement procedures, regardless of the source of financing, and these verifications appeared not to be sufficiently robust to prevent and detect all public procurement irregularities, despite all available material and methodology developed by the Commission in this area.

Questions concerning the repurposing of training centres in the Czech Republic

According to media reports, ERDF-co-financed training centres were repurposed after just three years. Some were used for normal production purposes, others were sold. While life-long learning and vocational education are worthy causes for EU investment, repurposing EU-co-financed buildings after 3 years seems questionable given the longevity of real estate and the significant sums involved.

29. Has the Commission thoroughly analysed this information and are any on-the-spot checks or ad hoc audits planned? If not, why so?

Commission's answer:

The Commission has thoroughly analysed the information provided in media reports against the applicable legal framework. As a result of this analysis the Commission concluded that it had no information to consider the supported operations not in compliance with the legal provisions on the durability period.

In the current programming period, in line with Article 71 of the Common Provisions Regulation (Regulation (EU) No 1303/2013), beneficiaries are required to ensure the durability of investments in infrastructure or a productive investment. They need to repay the ESIF contribution if within five years of the final payment to the beneficiary or within the period of time set out in State aid rules, the financed operation is subject to any of the following:

- (a) a cessation or relocation of a productive activity outside the programme area;
- (b) a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- (c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Member States may reduce the time limit set out in the first subparagraph to three years in cases concerning the maintenance of investments or jobs created by SMEs.

Similar rules applied in the 2007- 2013 programming period applicable to the operations referred to in the media articles.

In the absence of breach of applicable rules the Commission considers that there is no basis for qualifying the circumstances cited by the Czech media as a breach of applicable law. Therefore, the Commission cannot impose financial corrections in this regard. However the managing authority of the programme were requested to further analyse the issue and to confirm that no of the circumstances indicated in the media report point to irregularities that would require financial corrections (in particular for companies that are reported as being bankrupt). DG REGIO

requested the audit authority to monitor as well this review by the managing authority. The Honourable Member is referred to the reply to question 33 below, on the audit authority's audit and possible follow-up by a Commission thematic audit in particular in relation to the current programme (but possibly also tackling these issues relating to grants provided 11 years ago).

The Commission notes that the examples cited in the Czech media refer mostly to the beginning of the implementation of the support scheme in question, in particular to the first call for grant applications published in 2009. The programme managing authority managed the risks linked to this type of investments by defining stricter eligibility conditions, lower co-financing rates (with increased private participation) and reduced maximum grant amounts in the subsequent calls. Such unfortunate initial loose grant conditions therefore did not repeat in subsequent years.

Furthermore, the Commission notes that in the current programming period the Czech programme authorities took into account the lessons learned in the 2007-2013 programming period. The co-financed projects are relatively small and focus mainly on new equipment and furniture for training centres, with only very limited construction works in training rooms (and limited grants implying high private co-financing in such cases). All companies benefiting are SMEs; large enterprises are not any longer eligible beneficiaries.

The Commission notes that in shared management the final decision for conditions of the published calls for grant applications lies with the national programme authorities. In particular, the Managing Authorities already have the possibility to define longer durability period. For example, in the current programming period, the Czech authorities have fixed a 20-years durability period for certain type of investments in social housing.

30. Could the Commission list how many projects were repurposed after 3 to 5 years since 2007? What criteria were applied to grant the repurpose?

Commission's answer:

The Honourable Members are referred to the Commission's reply to question 29.

Under the shared management of 322 programmes for 2007-2013, the Commission did not (and could not) collect data on the number of projects which are re-purposed or change ownership after the durability period laid down in the Common Provisions Regulation has lapsed. No such data is available.

31. How many companies/buildings were sold so that the gains ended in private benefit?

Commission's answer:

The Honourable Members are referred to the Commission's reply to question 30.

The examples provided in the media report refer to different cases, including change of activities by businesses, bankruptcies or re-use of the training centre by the own company for further commercial activity (e.g. dental centre). From the desk review performed on the information contained in the media articles, this was not a priori irregular since the durability period elapsed. However, from a policy perspective the Commission agrees that this was not a wise way of defining the schemes in question designed to improve vocational and life-long training for workers of the concerned SMEs. The Commission notes that the examples cited in the Czech media refer mostly to the beginning of the implementation of the support scheme in question, in particular to the first call for grant applications published in 2009 and that the programme authorities drew the lessons from these first experiences and improved the eligibility conditions, the co-financing rates and the maximum grant amounts in subsequent calls.

32. Did the Commission impose any financial corrections or recall any funds in this regard?

Commission's answer:

The Honourable Members are referred to the Commission's reply to question 29.

33. How does the Commission ensure that the sustainability of investments is guaranteed for a longer period?

Commission's answer:

The concept of durability represents an important safeguard for the effective and efficient use of Union resources under cohesion policy and is addressed through several means.

In the 2007-2013 period, managing authorities were obliged to inform the Commission of cases of non-compliance with the legal durability requirements in the annual implementation reports. This requirement was discontinued in the current programming period, but Member States are still required to monitor the durability at the project level. Such monitoring should be performed in accordance with the conditions to be included in the grant agreement (document granting support to the beneficiary). Where projects fail to comply with legal durability requirements, Member States have to proceed with recoveries.

Furthermore, the Commission (and audit authorities) generally audits compliance with legal durability requirements as an established part of its audit work on the system in place for the managing authority (and in particular if such durability is

verified at the level of operations). For the 2014-2020 programming period, early preventive system audits and compliance audits address the risk of non-compliance with legal durability requirements as part of the standard check-list used by auditors. As indicated in reply to question 29 above, based on the analysis of the follow up provided by the managing authority to the requested information and recent audit by the audit authority on the issue of verification of the durability requirements, the Commission may envisage a thematic audit on this issue for the specific operational programme, to ascertain that all lessons from the past were appropriately drawn by the programme authorities.

Durability (or sustainability of achieved results) is also addressed through evaluations. The ex-post evaluations of ERDF and Cohesion Fund programmes in 2007-2013 included 13 work packages. While no single evaluation was specifically focusing on the issue of "durability" of results per se (as opposed to legal durability which should be assessed within the context of audits), some of these studies referred explicitly to the durability of results / impacts in a dedicated evaluation question. This is the case, for instance, in the ex-post evaluation of support to large enterprises and for tourism and culture investments

34. Is the Commission aware of any similar issues in other Member States?

Commission's answer:

The Commission is not aware of similar issues in other Member States, except for Romania where REGIO audits raised similar issues of insufficient procedures for the verification of the durability of investments during and after the durability period (the Commission is also aware of the interest shown by foreign private investors (eg from the USA) to invest in small Romanian IT or high-tech companies which benefit of EU funds for their development and to rapidly buy the business and delocalise once the durability period has elapsed).

35. What would be the advantages and disadvantages of changing the durability period of infrastructure investment projects in the new CPR?

Commission's answer:

The Commission believes that the durability period as currently defined provides for good use of EU funds while allowing the necessary flexibility requested from beneficiaries, i.e. businesses. It strikes the right balance between making sure that the initial purpose of project is maintained, without making it impossible to adjust to changing economic circumstances. SMEs are particularly susceptible to external factors including a changing market/business environment. The current durability rules allow them to adapt to these changes. Any commitment going beyond the five/three years might considerably limit this adaptability.

From the Commission's exchanges with national authorities implementing grants for companies it transpires that even the currently defined durability period is

sometimes perceived by (potential) EU funds applicants as challenging. Companies, especially SMEs, are cautious to commit themselves for five/three years, knowing that their activities may need to evolve during that period to adapt to market fluctuations, including crises.

Furthermore, there is a practical consideration linked to the possibility to undertake controls and audits to verify if durability rules are respected. One should bear in mind the obligations in terms of the length of the document retention period which must allow for verification and audit in this matter. Therefore, the durability requirements cannot be seen in isolation but need to take into account the wider context, including flexibility considerations, and possibilities of verification and audit as well as administrative burden to keep projects documentation available for verification purposes.

For the 2021-2027 the Commission proposed to maintain the current durability periods. The Commission notes that this proposal has been provisionally agreed in the legislative negotiations.

This does not prevent programme authorities to set longer durability periods for co-funded infrastructure in grant agreements with beneficiaries, when both sides consider it useful and feasible for the purpose of the investment (see the example of social housing in the Czech Republic with an agreed durability period of 20 years quoted in the reply to question 29 above).

Questions related to transport infrastructures

36. The Court of Auditors published a Special Report (10/2020) on transport infrastructures. The report is quite damning: delays, excessive budget increases, lack of coordination, overestimation of profits etc. DG REGIO is also competent via the ERDF or the Cohesion Fund for projects financing transport. In the cases analysed by the Court, were funds under regional policy also involved? If so, to what extent?

Commission's answer:

The Commission did not agree with the conclusion of the Court in the special report that the audited projects were poorly planned, and expressed it in its replies published with the report. The Commission would like to underline that these are highly complex, large-scale infrastructure projects. For each project, thorough studies, including on environmental impacts, have been made, which subsequently led to modifications to the original plans. This entails cost increases but it benefits the projects. The Commission could not confirm the Court's calculation of delays, nor did it share the Court's assessment on the profitability of some of the projects.

The Court's sample in this audit consisted of eight projects, two of which have

been co-financed by regional policy funds:

-) The A1 motorway in Romania (total EU support allocated: EUR 995 million)
-) The E59 railway line in Poland and its connection to the ports of Szczecin and Swinoujscie (total EU support allocated: EUR 1,175 billion).

The Honourable Members are also referred to Table 1 in paragraph 13 of the Special Report which presents the Court's overview of the costs (total, allocated and paid) of all sampled projects, as well as to Annex I, which contains other key information on these projects.

37. In the Special Report, the Court considered, inter alia, that the initial budgets have been largely exceeded and that the economic impact of certain works has been overestimated, in particular the Lyon-Turin line and the Seine Escaut river line. How are the benefits and economic impacts of the funds invested by DG REGIO calculated and evaluated?

Commission's answer:

As regards project costs, the changes in scope and alignment make it very challenging to compare cost estimations made at different stages of the projects.

For all major infrastructure projects, there is a conceptual phase during which the feasibility of the initial idea is assessed. Different options are evaluated, which means that a project's design and scope evolve as a result of public consultations and as a consequence of environmental impact assessment.

The project costs estimate is never highly accurate from the first day of a project. The accuracy of the estimates at a given point in a project's development will always reflect what is known about the project at that stage.

The sequence of estimates can only be expected to become closer to the actual outturn cost as the project proceeds and as the design evolves to take into account the result of studies, technical and environmental impact assessments and consultations. Any calculation of cost increases should take into account the above mentioned factors.

In the case of the Lyon-Turin project, the original cost estimation referred to by the Court was related to the initially envisaged design, a 1-tube tunnel whereas the final cost of the project concerns the revised design, a 2-tube tunnel.

In the case of the Seine-Scheldt network, the ECA only refers to the construction costs of one of its components, the canal Seine-Nord Europe. The Court is using the early figure of EUR 1662 million as initial cost estimate. In the Commission's view, the first relevant cost estimate, that would be representative of the project dimension, could be fixed only in 2006 after the first feasibility studies at around 4000 million. The current cost, 14 years later, is around EUR 5200 million. As a consequence, and taking into account the evolution of prices since 2006, the

conclusion that the costs have been largely exceeded is highly debatable.

As regards the question of economic impacts, the Commission considers that infrastructure projects such as the Canal Seine-Nord Europe or the Lyon-Turin rail tunnel are game changers. The approach of comparing forecast traffic levels with existing inland waterways and rail traffic has its limits as there is currently little or no traffic due to the conditions of the infrastructure (a wide-gauge waterway like the Canal Seine-Nord Europe does not exist yet and the existing rail link for the Lyon-Turin is not competitive for the transport of rail goods). For both projects, the Commission lacks evidence which would show that economic impact has been overestimated.

38. In the Commission Implementing Decision (EU) 2019/1118 of 27 June 2019 on the Seine-Scheldt cross-border project on the core network corridors "North Sea - Mediterranean" and "Atlantic" it is stated that in order to enable the Commission to monitor the progress of the implementation of the project, the Member States concerned should provide the Commission with regular reports on the subject, concerning the sections located on their respective territories, and notify it of any delays encountered. Due to the health crisis, has the Commission already received notifications of delays? Can the Commission already make an estimate of the costs generated by the foreseeable delays?

Commission's answer:

The Commission has not received any official notification of delays. However, the Commission is aware that as regards the canal Seine-Nord Europe, the COVID-19 situation has generated one or two months overall delay. As regards the other French sub-projects and the Belgian sub-projects, according to the project promoters it is still too soon to draw any conclusion on delays and possible generated costs.

Questions concerning performance

39. According to the Court's 2019 annual Report on the Performance of the EU budget, in the case of cohesion policy, there are 4 indicators for general objectives which are linked to energy and climate targets, and none of them are on track to reach the targets. For the specific objective "Supporting the shift towards a low-carbon economy" – 9 out of 10 indicators are not on track for the moment. According to the Court's Special Report 11/2020, those investments are not even always cost-effective. What are the specific actions and steps the Commission has taken to improve the situation and to get closer to the 2020 climate and energy goals?

Commission's answer:

The methodology used by the ECA to assess if an indicator is on track or not to meet its targets, does not take into account important elements such as the

financial implementation and projects pipeline. The amounts mobilised in the field of low carbon economy have greatly increased as compared to the past programming period. In addition the ERDF and Cohesion Fund are mainly supporting infrastructure investments that have a long implementation cycle. Past experience shows that the bulk of tangible achievements traditionally take place only in the second half of the programming period. The monitoring data available justifies this: until end-2018 (situation analysed in the ECA report) 17% of the allocation to low carbon economy was spent by the Member States. The indicator achievement rates at end-2018 (in % of the 2023 target) are consistent with the financial implementation rate. We have seen substantial acceleration both in terms of financial implementation and indicator achievements in 2018 and 2019 which trend is expected to continue until the end of the programming period.

On that basis the Commission expects a further progress although the effects on investments of the 2020 coronavirus crisis are not yet clear and could affect the final achievements by the programmes. The ERDF and the Cohesion Fund spend substantial amounts in the field of low carbon economy: 12% of the overall envelop (some EUR 30 billion) is allocated to this field, which directly contributes to the objectives of the European Green Deal.

40. In the performance report, the Court identifies insufficient performance in the area of environment. How can this be explained in the context of the ex-ante conditionalities related to environment?

Commission's answer:

The ex-ante conditionalities in the 2014-2020 period were pre-requisites (or pre-condition for) of the investments from the ESI Funds, including the ERDF and the Cohesion Fund. They served to encourage the putting in place of appropriate strategic framework for these investments through which Member States would to implement structural changes and policy reforms. The ex-ante conditionalities have contributed to improving the framework within which the EU budget operates but also played a positive role for the overall investment climate.

Implementation of the operational programmes could only formally start after the Member States fulfilled the criteria linked to the thematic and general ex-ante conditionalities. In the field of environment this concerned requirements in the water and waste sectors (see also reply to question 13 above). The Commission would like to stress that ex-ante conditionalities alone do not guarantee performance in a specific area. For several countries, a lack of administrative capacity has been observed for projects in the waste sector which most often require technical assistance support and administrative capacity building.

In the field of environment the ERDF and Cohesion Fund are mainly supporting infrastructure investments that have a long implementation cycle. Past experience

shows that the bulk of tangible achievements traditionally take place only in the second half of the programming period. The monitoring data available confirms this: until end-2018 (which reflects the situation analysed in the ECA report) 15% of the allocation in the field of environment was spent by the Member States. The indicator achievement rates at end-2018 (in +/- 10% of the 2023 target) are consistent with the financial implementation rate (significant expenditure is needed before completions are reported). We have seen substantial acceleration both in terms of financial implementation and indicator achievements in 2018 (the reported 2019 achievement values are still being controlled by DG REGIO before they are communicated to the European Parliament in the Commission's Annual Summary Report on the implementation of the Funds in April 2021 and published on the Open Data Platform).

This trend is expected to continue until the end of the programming period, which runs until the end of 2023. On that basis the Commission expects a further progress although the effects on investments of the 2020 coronavirus crisis are not yet clear and could affect the final achievements by the programmes.

41. What are the KPIs the Commission uses to measure the impact of the regional policy funds in the fight against climate change? And what is the impact of the regional policy on CO2 reductions?

Commission's answer:

Several ERDF/CF common indicators are used to aggregate achievements in relation to key climate actions. Those actions fall mainly under Thematic Objective 4 - low carbon economy, an overview of which is presented here on the ESIF open data platform (the Honourable Members are referred to the section "achievements"): <https://cohesiondata.ec.europa.eu/themes/4>.

The four key indicators are

-) Renewable energy capacity (Target 7100 megawatts);
-) Improved energy performance in houses (Target 700 000 households);
-) Reduced energy consumption in public buildings (Target 5.3 terawatt/hours);
-) Estimated annual decreases in GHG emissions (Target 20 million tonnes see below).

Under the common indicator on estimated annual reduction in GHG emissions the latest published values (end 2018) on the progress are presented in the following ESIF open data profile: [In profile: Cohesion policy addressing GHG emissions](#). The ERDF/Cohesion Fund target by end 2019 was for almost 20 million tonnes CO₂ equivalent of annual GHG reduction by end 2023. Those reductions are mainly linked to energy efficiency in public building, households and enterprises,

renewable energy production and high efficiency cogeneration. By the end of 2018, the selected projects accounted for 67% of that target value forecast, while only 6% had been implemented.

42. Additional waste recycling capacity indicators are falling short on progress and lag behind the target output (both in case of Cohesion Fund and ERDF). The Court and the Commission have highlighted a number of times that outcomes would not materialise sometimes years after the end of programming period. Based on the ongoing projects, which have not been finished yet, does the Commission think there are enough investments to reach the targets once those projects are finalised? Does the Commission have data on how much additional recycling capacity would materialise based on the already accepted projects?

Commission's answer:

In their Annual Implementation Reports the managing authorities report to the Commission the indicator achievements delivered by the operations (implemented values) and the indicator values expected to be delivered by the operations selected for support (selected values). This data is published on the Open Data Platform (<https://cohesiondata.ec.europa.eu/>).

Under the Cohesion Fund the operations selected until end-2018 are expected to deliver a waste recycling capacity of 2.2 million tonnes/year, which is 76% of the capacity planned in the operational programmes (2.9 million tonnes/year). There is a steady increase in the selected value since 2017.

Under ERDF the operations selected until end-2018 are expected to deliver a waste recycling capacity of 530,000 tonnes/year, which is 29% of the capacity planned in the operational programmes (1.8 million tonnes/year). There remains an important gap against the target, but this gap is closing: in 2018 the value increased by more than 5 times compared to the cumulative 2014-2017 value.

The data on 2019 was reported by managing authorities in September 2020, which is currently subject to quality assessment by the Commission. The data will be communicated to the European Parliament in the Commission's Annual Summary Report on the implementation of the Funds in April 2021, and the same time it will be published on the Open Data Platform.

43. What are the more specific KPIs the Commission uses in the field of regional policy to measure whether disparities between Member States are decreasing or persisting?

Commission's answer:

The evolution of disparities among EU Member States and regions is regularly monitored by the Commission. Such analysis is essential for gauging if they have converged to some common standards and in particular, if the less developed Member States and regions are catching up with the more developed ones.

The Commission recourses to a wide scope of approaches to analyse socio-economic inequalities. The main indicators used by the Commission are dispersion indices such as the coefficient of variation, the standard deviation, the Theil index or the inter-percentile range. This is often complemented by more sophisticated methods such as the estimation of Beta-convergence relationships or transition matrices.

The results are regularly reported in notes, reports (e.g. Cohesion Reports) or in working papers and scientific publications. The Commission's most recent analyses identify a robust convergence process of less developed Member States and regions over the last decade, with notable catching up within the Member States that joined the Union in 2004. On the other hand, a number of middle-income regions in Southern Europe have been severely affected by the crisis and are diverging away from the EU average, leading to an increase of regional disparities in a number of Member States. The impact of the COVID-19 pandemic is expected to further increase the level of regional disparities, but data are not yet available to confirm this hypothesis.

44. Which tools does the Commission use to define the economic relevance of a program?

Commission's answer:

The economic relevance of the programmes is assessed by the Commission prior to their adoption. Operational programmes have to set out, amongst others, the development needs specific to the regions concerned that justifies the financial allocation to the different thematic areas in the programs, the results that the programme expects to reach and the types of actions to be financed (intervention logic). The operational programmes were subject to ex-ante evaluation, the results of which are also submitted to the Commission together with the programmes. These elements justify the economic relevance of the programmes, which are subject to assessment by the Commission, before their adoption.

During the ex-post evaluation the Commission undertakes an assessment of the programmes to appraise the contribution of the programmes interventions to the results achieved, disentangling their effects from the contribution of other (external) factors. As such the ex-post evaluation provides an assessment whether the programme was effective in achieving the objectives set.

45. In the field of regional policy, what are the KPIs used to assess the relevance of programs and funding in the context of health or medical infrastructure?

Commission's answer:

The initial health priorities under the ERDF were closely linked with the EU's health policy framework, including meeting the health ex ante conditionality. Investments may address a number of different areas such as Europe's ageing

population, healthcare infrastructure and sustainable systems, e-health, health coverage and health promotion programmes.

One common indicator under the ERDF was initially defined for the period 2014-2020 to measure the "population covered by improved health services". Programmes also use national indicators. The following interactive 'ESIF open data story' provides an overview of the ERDF and ESF financing and the common output indicators used : <https://cohesiondata.ec.europa.eu/stories/s/In-profile-cohesion-policy-improving-health-servic/qyuv-h9j2>

Following the Coronavirus Response Investment Initiative the scope of EU support was widened to extend eligibility to new health costs directly linked to the pandemic response. The original financial and indicator monitoring systems were not designed to track the specific actions now being financed in the current situation. For this reason, on 12 May 2020, the Commission services proposed new financial and output indicators - "common" COVID-19 indicators to be used by the national and regional programmes. The result of that exercise are reflected in the interactive Coronavirus Dashboard updated regularly under the Open Data Platform : <https://cohesiondata.ec.europa.eu/stories/d/4e2z-pw8r> .

46. Beside errors on eligibility of projects and expenditure, did the projects under cohesion policy really contribute to the overall objectives of the programmes? What are the biggest problems in cohesion policy when it comes to irregularities, and how to tackle those issues? Are the goals of cohesion policy reached effectively with the current instruments and programmes?

Commission's answer:

The 2014-2020 performance framework for ESI funds has been designed so that projects actually contribute to the overall objectives of their programmes, which in their turn contribute to the goals of cohesion policy and EU priorities.

The regulation requires operational programmes to set out a clear intervention logic for the Funds, consisting of several elements: (1) development needs (2) specific objectives and intended results (3) result indicators expressing the desired change (4) type of actions and beneficiaries to be financed and (5) output indicators that are expected to contribute to the results. These elements are subject to assessment by the Commission before adopting the operational programmes. Under shared management it is responsibility of Member States to select operations that contribute to the objectives of the programmes. In case of serious underachievement of the programmes objectives measured by the output indicators, the Commission may apply financial corrections.

The reliability and effectiveness of the performance framework has been assessed by the ECA in its 2019 Annual report on performance, where it examined the availability, significance and reliability of performance data reported by 12 Member States for a sample of 121 ERDF and CF co-financed projects, in the context of its Statement of Assurance audit for the year 2019 (chapter 3). The

ECA found that all the Member States visited had systems for recording and monitoring project performance data. It also concluded that the objectives of all 121 projects were in line with the objectives set in Member States' programmes and that the performance indicators used at project level were in line with objectives set at Member States and EU level.

Disentangling the impacts of the programme's interventions from other external factors is a task for evaluation. Member States have clear evaluation requirements consisting of at least one impact evaluation during the programming period on how support from the ESI Funds has contributed to the objectives for each priority of the programme. A synthesis of the Member States evaluations is produced by the Commission each year highlighting findings (2019 synthesis: https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/asr2019/esif_asr2019_swd_en.pdf).

The Commission will carry out an ex-post evaluation by end-2024 examining the effectiveness and efficiency of the ESI Funds.

The Honourable Member is referred to the Commission's reply to questions 19 and 23 regarding irregularities identified and how to tackle them.

47. What are the biggest problems in cohesion policy when it comes to execution and absorption of funds? Are there any fit for purpose evaluations or performance programmes foreseen for the Regulations in force?

Commission's answer:

The Honourable Member is referred to the Commission's reply to questions 1 and 2 for issues relating to the execution and absorption of funds.

There are evaluation requirements in the 2014-2020 regulation for both the Member States and the Commission. A synthesis of the Member States evaluations is produced by the Commission each year highlighting findings (2019 synthesis:

https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/asr2019/esif_asr2019_swd_en.pdf).

The Honourable is also referred to the Commission's reply to question 46 above.

The Commission will carry out an ex-post evaluation by end-2024 examining the effectiveness and efficiency of the ESI Funds.

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Annex in relation to reply to question 11

Additional details on support provided by the Commission to Member States, beyond funding, to overcome these obstacles and barriers to the single market, in follow up to the 2017 Communication of the European Commission on “[Boosting Growth and Cohesion in EU Border Regions](#)” (COM(2017)534 and Staff working document [SWD\(2017\)307](#)).

Amongst others support provided to Member States to overcome border obstacles has included the following:

- 1) Boosting Border Regions online platform: On-line platform for border stakeholders (using the CNECT’s Futurium software). This is meant to facilitate exchanges amongst stakeholders in border regions. It is gradually becoming a reference for knowledge sharing on cross-border cooperation. Available at: <https://ec.europa.eu/futurium/en/border-regions>
- 2) European Cross-Border Mechanism - ECBM is a proposal for a Regulation that would allow creating the legal framework for mirroring parts of the legal framework of one Member State in the other's legal framework. This within the limited scope of a given project (see Commission's Communication (COM(2018)373) proposing a Regulation of the European Parliament and of the European Council).
For further information on ECBM please consult:
 - The [Commission Proposal](#)
 - The [explanatory video](#) of how the mechanism would work according to the 2018 proposal
- 3) b-solutions: pilot projects for solving border obstacles. This initiative explores existing legal and/or administrative obstacles in border regions. It allows providing direct technical support to border regions addressing specific cases of obstacles in different domains.

For further information on b-solutions please consult:

-) Infographic with the [list of 10 projects](#) implemented under the first call – 2018
 -) Infographic with the [list of 33 projects implemented under the second call](#) - 2019
 -) [Compendium](#) with lessons learnt from the initiative and detailed report for each obstacle
- 4) Knowledge production – Support has also taken the form of different studies, meant to provide the technical tools for stakeholders at regional or national level to develop cooperation projects in different domains. Inter alia:
 -) [Missing cross-border rail links study](#); also check the [annex with detailed information](#) on each rail cross-border crossing.

-) [Cross-border healthcare study](#) (contracted and led by DG SANTE) -
On the same subject: "[European Cross-border Cooperation on Health: Theory and Practice](#)" provides framing knowledge on cross-border healthcare.
 -) [Cross-border public services](#) (by ESPON). Alongside with the study, Espon also developed a "[Practical Guide for Developing Cross-border Public Services](#)"
 -) [Cross-border data collection](#) (contracted and led by REGIO B1)
 -) Study on cross-border public transport services (upcoming in 2021)
- 5) Impact on Cohesion Policy - The different lines of support should have an impact on financial support provided with Cohesion Policy in 2021-2027. Namely via:
-) **Interreg Specific Objective 1** – Better Cooperation Governance – Under this objective, upcoming Cooperation Programmes will have the opportunity to invest in projects oriented towards the solution of cross-border obstacles.
 -) **Embedding cooperation** – regional and national ERDF Operational Programmes investing in border regions should take into consideration how their investments can better impact territorial cooperation.