



# **IDEAS AND OPTIONS FOR POST-2020 COHESION POLICY**

**IQ-Net Briefing, June 2016**

With the 2013 reform of Cohesion policy only just being put into practice with implementation of the 2014-20 programmes, discussion is already turning to the future of Cohesion policy after 2020. Over the past year, a series of conferences and debates have begun to consider the shape and priorities of the next Multiannual Financial Framework, focusing particularly on the importance of performance and added value in EU spending. With respect to Cohesion policy, the reform debate was launched by Commissioner Crețu in August 2015 with ten questions on the future of the policy, many of which are being actively considered by the EU institutions, national and regional authorities, networks and think tanks.

The 2013 reform was arguably the most significant set of changes to the policy since the landmark reform of the Structural Funds in 1988. While the impact of some of these changes is already evident, the implications of many of the new regulatory provisions will only become clear in the course of the 2014-20 period. It is, therefore, important to take stock of what we know so far, where the changes appear to be successful and where the evidence is still uncertain.

At the same time, the calendar of the reform process means that proposals for post-2020 changes will be put forward in the course of 2017-18. There is currently a relatively short 'window' for proposing new ideas and options that can influence debates at EU and national levels.

IQ-Net is a network of programme authorities from 16 Member States who are committed to sharing knowledge and experience to improve the quality of management of European Structural and Investment Fund programmes.<sup>i</sup> Founded in 1996, IQ-Net is one of the longest-running networks promoting peer-to-peer knowledge exchange in the EU.

On 9-11 May 2016, the 40<sup>th</sup> IQ-Net Conference was held in Prague, Czech Republic to contribute to the debate on Cohesion policy after 2020, focusing on ideas and options for the future management and implementation of the policy.<sup>ii</sup> This paper summarises the main issues to emerge from the Conference and the priorities for change.<sup>iii</sup>

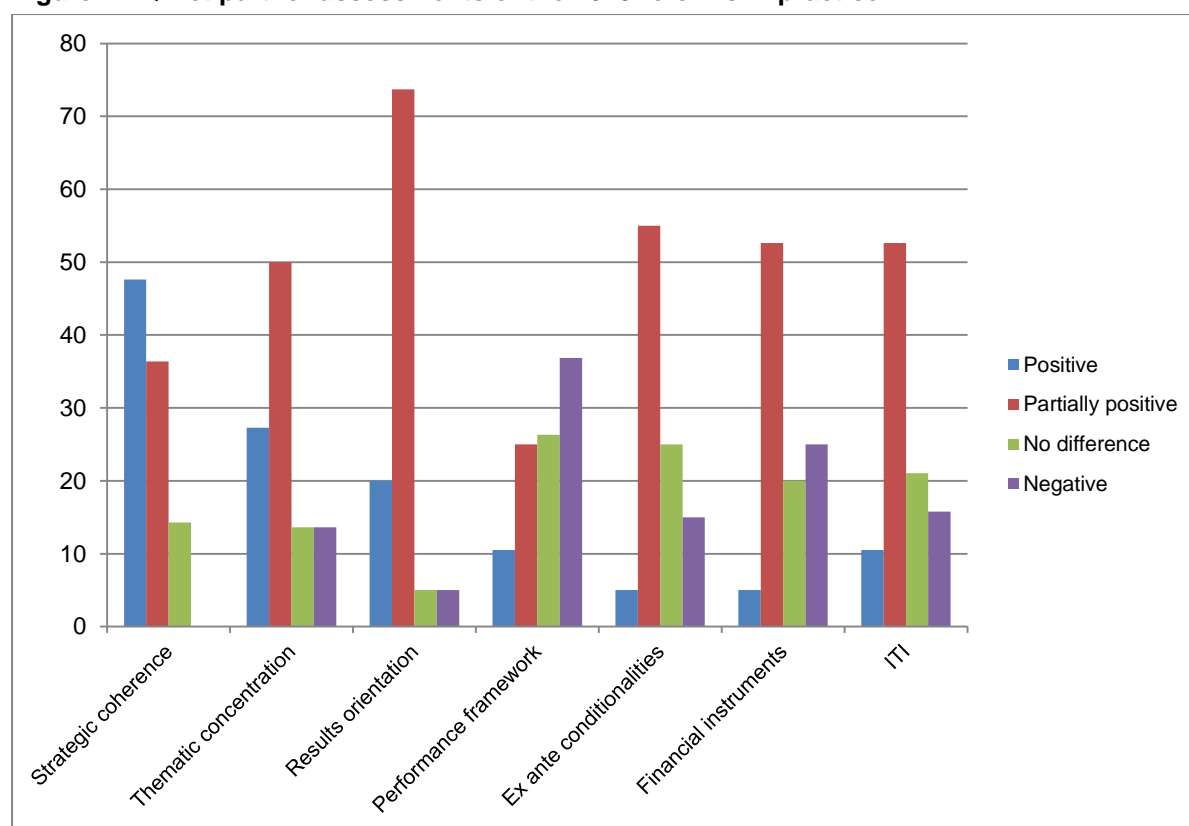
## Taking stock of the 2013 reforms

The starting point for considering the future direction of Cohesion policy is to take stock of the most recent reform. The 2013 regulatory changes introduced important innovations to the management and implementation of Cohesion policy programmes, but views vary considerably both across IQ-Net partner authorities and across the aspects of the reforms.

Appraisals of individual regulatory provisions (see Figure 1) are mixed. The new provisions are frequently seen as being ‘good’ in principle, but problematic in practice, or their positive effects are counter-balanced by negative aspects, whether due to a contradictory nature of the regulations or to the domestic contexts in which they are implemented.

The new strategic framework is viewed as the main positive aspect of the reform by IQ-Net partners. At the other end of the spectrum, the new performance framework, ex-ante conditionalities and financial instruments are the innovations that attracted most criticism from an implementation perspective. Beneath the figures for rankings, interview research shows that the results-orientation is characterised by some ambivalence, as is the case with thematic concentration, the new territorial instruments and other elements. There is broad recognition of important positive aspects, in principle, but questions or reservations about their operational implementation in practice.

**Figure 1: IQ-Net partner assessments of the 2013 reforms in practice**



## Options for post-2020

Turning to the ideas and options for Cohesion policy after 2020, the following sections review the results of the research debate relating to the strategic directions of the policy, its governance and management, performance, use of financial instruments, role of administrative capacity, and flexibility to adapt to changing needs.

### *(i) Strategic directions: the role of Cohesion policy*

There are three inter-related issues concerning the strategic direction of post-2020 Cohesion policy – concerns about goal dispersion, the thematic focus of the policy, and the scope for place-based policymaking.

In the context of the wider MFF debate about the added value and performance of EU spending, IQ-Net authorities are strongly in favour of reaffirming the role of Cohesion policy as **a policy focused on long-term regional development**. While there is a valid justification for Cohesion policy to be linked to overarching EU objectives (currently Europe 2020), without a strong articulation of the central purpose of the policy – and especially its distinctive territorial focus – there is a perceived danger of goal congestion and diffusion of purpose.

These concerns are also reflected in calls for **greater flexibility under thematic concentration** after 2020. In richer countries and More Developed Regions, thematic concentration may fit well with the direction of domestic regional economic development policies. Indeed, some partners would welcome the flexibility to take a still more targeted approach than is allowed under the ring-fencing arrangements (e.g. focusing ESIF exclusively on innovation or high-level skills), and using domestic resources to address the remaining EU priorities). Among other authorities (especially in Transition and Less Developed Regions), post-2020 policy needs to be more flexible to facilitate a stronger focus on national/regional development priorities and needs that have a sound intervention logic even where these do not accord with EU-wide priorities.

Some IQ-Net partners would like the **overall concept of place-based policymaking to be more central to future thinking** about Cohesion policy post-2020, specifically to strengthen the urban dimension or to address specific territorial challenges. In part, this requires a strategic policy commitment at EU level to the place-based concept, but it also needs an early review of how an integrated, place-based approach can be promoted – with much less bureaucratic complexity – in ways that can be adapted to different national institutional contexts.

### *(ii) Governance and management of Cohesion policy*

The future governance and management of Cohesion policy is clearly a central issue for IQ-Net MAs and Intermediate Bodies. Three overarching themes to emerge from the interview research are the need to rethink how the shared management model is operationalised, the need for more differentiation, and the need for real simplification.

Many IQ-Net partners support the principle of the shared management model and recognise that alternative delivery models could undermine the multi-level governance approach, considered one of the main areas of added value of the policy. However, there is a perceived need to resolve the distortions and unintended effects of the model, differentiating responsibilities between different actors

more clearly and allowing more autonomy to domestic authorities and managing authorities (MAs). More fundamentally, there is the question of whether a broader differentiation of management arrangements is feasible and desirable in ways that are viewed as equitable and ensure accountability

A key issue hampering the efficient functioning of the model is the low degree of inter-institutional trust, which leads actors to focus more on compliance rather than strategic thinking and project quality. Changing this climate of distrust could be pursued by further strengthening the single audit principle, i.e. relying on and trusting national systems and shifting from an audit-based management system to a performance management system.

Several IQ-Net partners argued that more radical change is needed, with a differentiated approach and more proportionality of the policy. This view is strongly held by partners with smaller ESI Funds allocations and programmes in particular. Such differentiation could be based on criteria such as: domestic administrative structures; national Cohesion policy receipts as a share of public investments; GDP/size of public capital expenditure; programme size; type of regions; or past levels of assurance or performance.

The need for differentiation was not only expressed by programme authorities with smaller allocations of funding. At the other end of the spectrum, it was noted that major recipients of Cohesion policy which also have less experienced administrative capacity (e.g. Croatia) need more flexibility in adapting to regulatory requirements as well as more support in management and capacity building.

Other governance and management changes debated by IQ-Net partners focused on simplification for MAs and Intermediate Bodies (as opposed to beneficiaries). Much of this has been covered in a previous IQ-Net paper,<sup>iv</sup> but key principles for post-2020 reforms noted are:

- shifting the emphasis of the regulatory framework and role of the Commission away from control to support;
- providing more flexibility and less prescriptive detail in the regulations, increasing the implementation room for manoeuvre of programme authorities; and
- improving legal certainty with regard to audit and avoiding retroactive decisions on eligibility issues.

### ***(iii) Improving performance***

Many IQ-Net partners consider that the major changes introduced in the 2013 reforms should be allowed time to be fully operationalised, with further change informed by the evidence from practice. However, areas where initial experience indicate a need for modifications to the performance framework and results orientation are as follows.

- Focusing on outputs rather than results where ESIF is minor and the programmes cannot be expected to contribute to a measurable 'change'.
- Supporting the practical application of the intervention logic, for example specifying the different logics used for different interventions/measures (following the approach in the recent ex post evaluations), and disseminating good practice on internalising/communicating the logic within programme implementation structures.

- Reviewing the system of core indicators, specifically the relevance and costs/benefits of a prescribed system of core indicators (the gains of having EU-level indicators versus the difficulty of application in different national/regional contexts), and the scope for more consistency in approach across different funds ERDF and ESF in particular)
- Acknowledging the value of different types of results (including negative results) and recognising the potential tensions between managing programmes to achieved results and innovation/risk.
- Rewarding performance as opposed to sanctions for failure, particularly by allowing more flexibility to adapt targets during implementation
- Earmarking resources for the Commission itself to implement innovative measures, which have demonstration value (in line with practice for innovative urban actions).

**(iv) *Financial Instruments***

Most IQ-Net authorities recognise the value of financial instruments but are against their compulsory application. This is predominantly based on the following arguments:

- grants continue to be needed, also in the more developed countries and regions (e.g. to support riskier projects), and there is insufficient evidence (as yet) that FIs are more effective;
- in some countries/regions, there is a risk of duplication and overlap with domestic policies;
- compared to the 2007-13 period, FIs increase the complexity of programme implementation and present problems of administrative cost and legal uncertainty;
- effective implementation of FIs depends on a suitable domestic 'ecosystem';
- current market conditions, where loans are available at very low interest rates from private sector actors, mean that demand from firms for public FI support is low, especially when FIs are not focused on companies in the so-called 'financial gap'; and
- the risk of displacing private sector lending and venture capital.

One question raised in recent EU debates about the future Cohesion policy is whether there should be a Cohesion policy model where funding in richer countries or regions ESI Funds support is channelled exclusively through FIs. Unsurprisingly given the above summarised arguments, this option is unanimously opposed. More traditional, grant-based instruments continue to be relevant in richer countries and regions too, and the use or not of FIs should be based on what is really needed in a particular domestic context.

**(v) *Enhancing quality of government and administrative capacity***

There is consensus among IQ-Net partners on the importance of institutional and administrative capacity as a key factor for the sound management of ESIF programmes. However, the viability of strengthening this with enhanced conditionalities is not viewed favourably or seen as necessary. Concerns relate to: the number of ex ante conditionalities (ECAs) already in place - viewed as too numerous in both small recipient and major recipient countries and programmes; the associated risk of turning EACs into a purely bureaucratic exercise; and the view that EACs are not an effective way to enhance capacities, especially as they are often outside the competence of MAs.

A more constructive approach, for some authorities, would be to reflect on how the EU can *help* regional and local actors improve the quality of the design and implementation of projects through a

better and/or enhanced use of Technical Assistance resources and options such as peer-to-peer mechanisms (TAIEX-REGIO). This does, though, presuppose a greater administrative capacity, country knowledge and institutional memory within the Commission services than currently exists.

**(vi) Flexibility to respond to changing needs**

A final question in the debate on post-2020 Cohesion policy is whether more flexibility is needed to allow the EU (and individual countries/regions) to respond to changing needs and challenges more quickly than at present, potentially requiring budgetary allocations or programme priorities to be changed during the programme period or via a shorter programme period. There is acknowledgement that while a degree of flexibility would be useful, programme authorities need a long-term perspective and strategic stability. What is needed arguably is a simpler process of making adjustments to the OPs and more room for manoeuvre for programme authorities.

- The introduction of **shorter programme period** is not viewed with enthusiasm by IQ-Net authorities. A major concern is that, even with a seven-year budget, actual implementation only starts 2-3 years after the start of the programme period. This is seen as a systemic problem across the EU requiring reconsideration and potentially earlier preparation and planning time.
- **Mid-term reviews** linked to mid-term evaluations have been carried out in previous periods (and indeed in the current period within the performance reserve framework), and they were not found to add value, because of the premature nature of the exercise. Mid-term reviews could be an option for programme managers, e.g. where there are reasons to believe that reprogramming may be needed, but they should not be an obligation and tied to a pre-defined timescale.
- **Reserves at national and regional levels** are considered challenging on a number of levels. They could: politicise funding allocations; lead to changes being introduced for operational rather than strategic reasons; present absorption challenges; and be bureaucratic to administer. Again they could be made available as an option, as long as the function is clear and they are not obligatory.
- Some IQ-Net authorities were more open the idea of an **EU-level reserve** to allow the ESIF to respond to unforeseen or new crises, to be potentially allocated to those areas or programmes affected by such crises. Others were concerned at strengthening the role of the Commission in dictating how funding should be spent beyond the agreed strategies and because it could encourage the above-mentioned goal-displacement and destabilise investment planning and predictability.

IQ-Net partners made some other suggestions of ways to increase the flexibility of programming in order to respond to new crises or changing needs. This includes: using TA resources in a more flexible way; leaving room for a freer approach to thematic concentration; introducing thresholds of funding below which programme authorities can re-shuffle financial allocations across priorities without need for Commission approval; joining-up the negotiation of PAs and OPs so as to come to a quicker launch of programmes; accompanied by a further renegotiation at some point in the period (if and as needed).

## Conclusions

Looking to post-2020, the main message is that, while the regulatory reforms for 2014-20 have addressed important implementation deficiencies to improve Cohesion policy, the potential benefits at programme level are still emerging – and have often been obscured or constrained by the complexity of administrative procedures and workload associated with implementation. Further efforts are clearly needed to achieve real simplification for MAs and IBs, enhance the functioning of subsidiarity and improve further the intended results-orientation.

Improved strategic coherence is the aspect of the 2013 reform most valued among IQ-Net authorities at the programming stage, but there are several practical problems that may hinder a more strategic approach to implementation. There are also concerns at the policy becoming (increasingly) used for achieving other EU objectives (Europe 2020, economic governance) and that there is insufficient flexibility to adapt the policy to national or development needs, challenges and policy priorities. A place-based approach to policymaking needs to be reinforced in the post-2020 period.

Cohesion policy is governed by shared management between the European Commission and the Member States. Despite the practical constraints of the shared management model, there is widespread recognition among IQ-Net partners that moving away from this model as the underlying principle of Cohesion policy implementation would not be desirable. There is however a need to resolve the distortions and unintended effects of the model, differentiating responsibilities between different actors more clearly and providing more autonomy and flexibility for managing authorities.

Further, there is a need to consider whether – for some Member States or programmes – differentiated variants of the shared management model would be appropriate, ones that recognise the disproportionate administrative burden of management time and costs for relatively small amounts of funding.

Simplification and performance are two key issues for the 2014-20 period and beyond. With respect to simplification, the general perception of IQ-Net partner authorities is that real simplification and proportionality are still far from being achieved and that the administrative burden has increased over successive programme periods for programme authorities.

Regarding performance, the results-orientation has improved the starting position of programmes but it is proving difficult to embed the new ‘programming logic’ mentality among implementing bodies and within project applicants, and there are concerns about the rigidity of the approach taken by the Commission. Ex-ante conditionalities (EACs) have been used to improve the policy’s effectiveness, but not all are considered to be useful, some are unlikely to be met, and others are outside the control of MAs.

Finally, there is the question of how to provide more flexibility for the policy to react to new challenges. Shorter programme periods are not favoured; reserves held at national or regional levels, or mid-term reviews have potential, but only if they were available as an option and not obligatory. An EU reserve to allow the ESIF to respond to sudden or new crises is viewed more favourably, although a widespread concern is to avoid top-down prescription and diversion of programme funding away from long-term objectives.

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on behalf of the IQ-Net Network of Programme Authorities  
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<sup>i</sup> IQ-Net involves national and regional managing authorities and intermediate bodies from:

- Austria - Austrian Spatial Planning Conference (ÖROK)
- Belgium - Enterprise Agency Flanders
- Croatia - Ministry of Regional Development & EU Funds
- Czech Republic - Ministry of Regional Development
- Denmark - Danish Business Authority
- Finland - South and West Finland
- France - Commissariat General for Territorial Equality (CGET)
- Germany - Nordrhein-Westfalen Ministry for Business, Energy, Industry, SMEs & the Craft Sector
- Greece - Management Organisation Unit of Development Programmes and the Ministry of Economy, Development and Tourism
- Poland - Marshal Office of the Pomorskie Region
- Portugal - Agency for Development and Cohesion
- Slovakia - Central Coordination Body, Government Office
- Slovenia - Government Office for Development and European Cohesion Policy
- Sweden - Swedish Growth Agency
- Spain - Provincial Council of Bizkaia
- United Kingdom - Department for Communities and Local Government; Scottish Government; and Welsh European Funding Office.

The IQ-Net network is managed by the European Policies Research Centre, University of Strathclyde, Glasgow. For further information, see: <http://www.eprc.strath.ac.uk/ignet/default.php>

<sup>ii</sup> The conference discussions were based on a research paper: *Ideas and Options for Cohesion Policy Post-2020* by John Bachtler, Carlos Mendez and Laura Polverari, IQ-Net Thematic Paper 38(2), European Policies Research Centre, University of Strathclyde, Glasgow.

<sup>iii</sup> The paper draws on research and debate among the coordinating bodies, managing authorities and intermediate bodies which are members of IQ-Net, but the issues raised do not represent official positions of the national or regional authorities involved.

<sup>iv</sup> *Is simplification simply a fiction?* by Sara Davies, IQ-Net Thematic Paper 37(2), European Policies Research Centre, University of Strathclyde, Glasgow.