SPEEDING UP SPENDING: TAKING STEPS TOWARDS FASTER PROJECT IMPLEMENTATION

Fabian Gal

Report for the 47th IQ-Net Conference, Delft, 11-13 December 2019
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Finland
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Greece
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- Managing Authority OP Oost
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- Marshal Office of the Warmińsko-Mazurskie Region

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Spain
- Provincial Council of Bizkaia/ País Vasco (Basque Country)

Slovakia
- Deputy Prime Minister’s Office for Investments and Informatization of the Slovak Republic

Slovenia
- Government Office for Development and European Cohesion Policy

Sweden
- Swedish Agency for Economic and Regional Growth (Tillväxtverket)
**United Kingdom**

- Ministry of Housing, Communities and Local Government (England)
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- Welsh European Funding Office

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<tr>
<td>AIR</td>
<td>Annual Implementation Report</td>
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<tr>
<td>CF</td>
<td>Cohesion Fund</td>
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<td>CLLD</td>
<td>Community-led Local Development</td>
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<td>CP</td>
<td>Cohesion Policy</td>
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<td>CPR</td>
<td>Common Provisions Regulation</td>
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<td>DG</td>
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<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
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<td>EC</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>European Structural and Investment Funds</td>
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<td>ETC</td>
<td>European Territorial Cooperation</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>IB</td>
<td>Intermediate Body</td>
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<td>ITI</td>
<td>Integrated Territorial Instrument</td>
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<td>IROP</td>
<td>Integrated Regional Operational Programme (Czech Republic)</td>
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<td>MA</td>
<td>Managing Authority</td>
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<td>MC</td>
<td>Monitoring Committee</td>
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<td>MFF</td>
<td>Multi-annual Financial Framework</td>
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<td>MS</td>
<td>Member State</td>
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<td>OP</td>
<td>Operational Programme</td>
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<td>Partnership Agreement</td>
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<td>Regional Operational Programme</td>
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<td>SCO</td>
<td>Simplified Cost Options</td>
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<td>SME</td>
<td>Small and medium sized enterprises</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TO</td>
<td>Thematic Objective</td>
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<td>YEI</td>
<td>Youth Employment Initiative</td>
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## COUNTRY/PROGRAMME ABBREVIATIONS

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EXECUTIVE SUMMARY

Overall, IQ-Net programmes report good implementation progress over the past year. Some of the priorities identified in previous IQ-Net review papers, such as the performance review and progress report, have been dealt with or are no longer top priority. Other activities such as project selection and implementation are also evolving, mostly according to plan. Most projects have already been selected (committed) by Managing Authorities, and the focus is shifting from project generation to project implementation.

With commitment largely proceeding well, the focus is now more on accelerating financial absorption. Financial implementation has picked up in 2018 and should continue to do so in 2019.

Many innovative and effective solutions to increase spending by projects are reported by IQ-Net programme managers. These can be grouped under three headings.

• Communication and dialogue

A common strategy employed by many IQ-Net programme authorities entails reinforcing communication activities and engaging in more active dialogue with intermediate bodies and beneficiaries. These include providing coherent and precise instructions, dedicated websites for knowledge sharing or increasing direct contact with project partners.

• Balancing flexibility and stability

IQ-Net programme managers have underlined the importance of flexibility in adapting the institutional setting or delivery model and programme priorities to changing economic and political contexts and unexpected implementation issues. However, these measures should be applied sparingly as the benefits of stability were also highlighted in a view to foster institutional learning and capacity building.

• Coordination

A common feature of all measures aimed at increasing the spending rate is their need for coordinated implementation. Initiatives are being undertaken to improve coordination between different actors and stakeholders as well as between different sources of funding. Examples include action plans, networks or other technical meetings.

Drawing conclusions about factors impacting financial implementation is challenging, as implementation contexts as well as thematic focus and available resources vary widely between programmes. Nevertheless, the following factors have been noted by IQ-Net programme managers:

• economic and political context
• regulatory context
• institutional context
• Implementation capacity, and
• thematic focus.

Programme authorities will shortly enter into the final year of the commitment period, with only three years thereafter to ensure all commitments are spent. As in previous programme periods, the first preparatory measures for closure are being undertaken and inevitably attention (and workloads) are shifting to programming for the 2021-27 period.
1 INTRODUCTION

Overall, IQ-Net programme managers report good implementation progress. As programme implementation advances, some priorities identified in previous IQ-Net review papers have been dealt with or are no longer top priority. This includes for example the performance review and the Progress Report. Other activities such as project selection and implementation are also evolving, mostly according to plan. However, financial implementation, i.e. the submission of payment requests to the Commission, is still relatively low. Moving towards the final years of the 2014-20 programme period, and in the context of EU-level negotiations on the next Multi-annual Financial Framework (MFF), speeding up spending is a priority for the next couple of months. In this respect, this IQ-Net Review Paper provides a comparative analysis of the current implementation position of IQ-Net programmes, as well as best practices and recommendations on improving the spending rate.

The report reviews the overall progress in implementing IQ-Net programmes over the last six months, provides insights into the practical management solutions to speeding up spending being taken by programme authorities, and provides an analysis of factors influencing financial implementation. The report is structured as follows.

• **Section 2** outlines the progress achieved in past priorities and introduces financial implementation as the emerging main priority.

• **Section 3** reviews the implementation progress of the 2014-20 programmes by looking at EU-level financial data, as well as qualitative information provided by IQ-Net programme managers.

• **Section 4** focuses on how to speed up spending. It will present practical management solutions applied in IQ-Net programmes and look at tools such as Simplified Cost Options (SCO) and Financial Instruments in more detail. It will then provide an analysis of factors influencing the spending rate.

• **Section 5** concludes by outlining how implementation priorities might evolve further in upcoming months.

2 SHIFTING PRIORITIES IN PROGRAMME IMPLEMENTATION

Together with preparations for the 2021-27 programme period, dealt with in IQ-Net Thematic Paper 45(2), financial implementation of programmes increasingly emerges as the biggest priority for IQ-Net programme authorities. The absorption of funding was already a priority for IQ-Net programme managers six months ago (see IQ-Net Review Paper 44(1)), but its prioritisation has further increased given that implementation systems are now fully operational and other administrative requirements such as the Performance and Progress Reviews have
largely been dealt with. Moreover, pressures from EU decision-makers are growing in the context of negotiations on the next Multi-annual Financial Framework (MFF).

2.1 Performance Review

The Performance Review process has entered its last phase. It has been a major preoccupation of IQ-Net programmes for several years, as indicators had to be selected, measurement methods established, and progress towards targets and milestones monitored and reported. In July-August 2019 the Performance Review was carried out and led to the allocation of €21.9 billion to better performing programme priorities and the reallocation of €5 billion (EU wide figures). These reallocations also concern some IQ-Net programmes, whose managers are currently preparing for programme modification, which appears to be proceeding with few difficulties.

Most priority axes of IQ-Net programmes achieved their milestones and the performance reserve was allocated. However, in cases of non-achievement, some IQ-Net programme managers have pointed out that milestones would have been achieved if more time had been available. For example in Slovenia, where the Performance Reserve in the western part of the country was lost in the area of CLLD, as there was not sufficient spending. However, confident that the funding is still needed, Slovenia is considering possibilities for covering any gaps with domestic funds. In Wales, both ESF programmes were modified relating to new priority axes introduced in 2018, which did not meet targets. Additional projects have however since come forward, as the slow spend was simply a timing issue. Regardless of the causes, generally programme modifications are seen as a rather automatic, technical exercise and, taking advantage of the programme modifications, some IQ-Net programme managers envisage a combination with other necessary modifications not linked to the Performance Review such as:

- shifting funding priorities (CZ, Pom, W-M, SK (Research and Innovation), SI);
- minor or technical changes and/or adaptation of indicators (GR, Biz, NL (West), NRW, PT, SE, FI);
- responding to programme evolution and project demand (SK (Research and Innovation), Vla); and
- introducing ‘payment against delivery’ pilot (see Box 1) and new schemes introduced in Burgenland. (AT)

Moreover, IQ-Net programme managers expect that the scope for major programme change is reducing as commitments rise and reach levels of around 100 percent.
2.2 Progress Report

The preparation of the Progress Report is an administrative exercise, which has been dealt with and is therefore no longer a focus of attention for IQ-Net programme managers. It was a main focus in the last IQ-Net Review Paper, as a Progress Reports on the implementation of the Partnership Agreement, as at 31 December 2018, were to be submitted by the Member States to the Commission by 31 August 2019. The progress reports have thus been submitted and most IQ-Net programme managers report that these have been approved by the Commission without comment, although comments have still to be received for some programmes (e.g. in AT, CZ, DK, FI, GR, NL, SE, SI). In some cases, the Commission had some technical comments, which were in the process of being addressed by responsible authorities (e.g. in HR, PT).

2.3 Evaluations

Programme evaluation activity is advancing without major difficulties and largely according to plan. Some evaluations are already finished while others are still ongoing. Some minor modifications to evaluation plans are envisaged such as in Portugal where a (regular) revision of the Global Evaluation Plan will be made to introduce some adjustments to the calendar, which is a normal process without major changes. In Pomorskie, a more substantial revision has taken place in order to reflect the reality of programme implementation. In Slovenia, the evaluation plan has been revised due to delays with evaluations triggered by challenges to procure contractors, as the Slovenian market is very small.
2.4 EU-level concerns about low spending and payment rates

Despite generally high levels of programme commitments, a sense of urgency is being conveyed in EU debates due to seemingly low financial implementation rates. The Director General for Regional Policy, Mark Lemaitre, highlighted in a speech at the European Parliament’s REGI committee that increasing the spending rate was now the absolute priority. He based this message on EU figures on low spending and payment rates of Cohesion Policy programmes, given that the programme period is reaching its final years of implementation. Moreover, low financial implementation of programmes is seen as weakening the negotiation position for maintaining Multi-annual Financial Framework (MFF) allocations to Cohesion Policy at 2014-20 levels. This report will address this debate and provide a comprehensive review of implementation progress in IQ-Net programmes, as well as best practice examples and recommendations on how to speed up spending.
3 IMPLEMENTATION PROGRESS OF THE 2014-20 PROGRAMMES

Overall progress on programme implementation is good but needs to be accelerated according to the spending and payment rates. Information on the financial implementation of the ESIF programmes is available on the Commission’s Open Cohesion Data Portal, and in relation to financial implementation the following three types of information are available.

- The commitment rate gives an indication of amounts allocated to projects selected by programme managers. In September 2019, the commitment rate stood at 84 percent (up from 75 percent in December 2018).

- The spending rate includes the total project expenditure eligible for reimbursement as reported by beneficiaries to the Managing Authorities, who report this data to the European Commission three times a year. In September 2019, the currently most up to date data at EU level available on the Open Cohesion Portal, the spending rate stood at 32 percent (up from 24 percent in December 2018).

- The payment rate includes all EU payments to the programmes based on payment requests submitted by the Managing Authorities, as well as automatic initial and annual prefinancing payments to the programmes. This data is updated daily on the Open Cohesion Portal and on 12 November 2019, the EU average payment rate stood at 33 percent (up from 25 percent in December 2018).

Section 3 analyses the available data in comparison with qualitative information provided by IQ-Net programme managers.

3.1 Need to increase spending and payment rates

The spending and the payment rates are two indicators which provide an indication of the progress of the financial implementation of programmes. At 32 percent (EU average spending rate in September 2019) and 33 percent (EU average EU payments in November 2019), the two rates seem very similar but effectively measure different things. The spending rate is a measure of project implementation. It includes aggregate data available to the managing authorities based on payment claims submitted by project beneficiaries. The EU payment rate provides real-time data on EU payments to the programmes based on payment requests submitted by the managing authorities (interim payments) and automatic payments provided by the regulations (initial and annual pre-financing).

As programme implementation advances, the payment rate and spending rate are increasingly linked. The initially higher payment rate can be explained by the automatic EU payments not linked to project implementation. However, as the relative importance of interim payments (i.e. payments linked to the submission of payment requests based on certified expenditure) decreases, the difference between the two rates also decreases. At the end of 2018, the payment and spending rate were almost at the same level (around 25 percent) while
the difference in 2019 is due to the frequency of data reporting and updates on the Open Cohesion data portal. Any differences in the two rates since 2018 are therefore likely to be due to a time lapse in sending payment requests to the Commission, as well as the time necessary for handling and executing payment requests at EU level.

Figure 1: Comparison spending rate and EU payments rate (%), November 2019

Source: Open data portal for the European Structural and Investment Funds, ESIF 2014-20 Finance Implementation Details, data downloaded 10 December 2019.9

The evolution of financial implementation has picked up in 2018 and is likely to continue to do so in 2019. The EU average spending rate increased by eight percentage points in 2017, from four percent in 2016 to 12 percent in 2017, and increased by 13 percentage points in 2018. By September 2019, the latest available data on the Open Cohesion portal, the spending rate had already increased by seven percentage points, bearing in mind that the first half of the year is usually marked by low activity concerning the submission of payment requests by beneficiaries. In fact, many IQ-Net programme managers have reported that for accounting reasons and in order to avoid problems with the n+3 rule, payment requests are usually submitted and treated towards the end of the year.
IQ-Net programmes’ spending rates compare well with the EU average. The Netherlands (49 percent) and Finland (47 percent) show the highest spending rates throughout the EU. Other IQ-Net programmes with a spending rate higher than the EU average include Portugal (42 percent), Sweden (41 percent), France, Vlaanderen (39 percent), Wales (36 percent), England and the Czech Republic (33 percent). However, caution should be used in comparing the data, as programmes vary widely in terms of programme size, thematic and strategic focus as well as type of intervention.

Increasing the spending and payment rates are the main priority for IQ-Net programme managers. Claims that implementation is progressing slowly are frequently based on a comparison of EU payments in the 2014-20 programming period with implementation progress at a similar point in time in 2007-13 (Figure 3), which shows that EU payments in 2014-20 were consistently below payment rates in 2007-13. However, such a comparison neglects the late start of programmes and additional administrative requirements in 2014-20. In fact, the 2014-20 programming period started almost one year late due to late adoption of the legislative framework and the operational programmes. Moreover, additional requirements such as ex-ante conditionalities had to be fulfilled at the start of the programming period and
unexpected delays due to the designation of authorities occurred. In this respect, IQ-Net programme managers have reported that increasing programme spending was indeed a priority, although overall programme implementation was viewed as positive.

Figure 3: Payment rate comparison (%), 2007-13 and 2014-20


3.2 Good overall progress according to project uptake and commitment rate

Almost all IQ-Net programme managers are satisfied with overall implementation progress. This assessment is based on the broad picture going beyond financial data and includes other elements of programme implementation such as project generation and approval, the performance of the control and monitoring systems, results achieved, errors avoided, etc. However, some implementation issues were reported in Scotland, where the pre-suspension of both programmes continues due to systems-based problems, but steps are being taken to resolve the situation. In July 2019, the managing authority in Slovenia received a pre-suspension letter from the European Commission due to some technical issues with their IT system. In Slovakia (OP Research and Innovation), a programme suspension was lifted at the end of 2018, allowing for a significant acceleration of implementation.

Most projects have already been selected (committed) by managing authorities. The amounts of selected projects are submitted to the Commission three times a year and the latest available data has a cut-off date of 30 September 2019. The aggregated selected project
amounts divided by the total allocated amounts provides the commitment rate in Figure 4. In September 2019 the EU average commitment rate stood at 84 percent, meaning that only a small amount of allocations were still available for new projects. Moreover, IQ-Net programme authorities have reported that under some priority axes the value of committed project has already exceeded overall allocations (e.g. in Wales and NRW). Such over-commitment aims to ensure that programmes absorb allocations fully by the end of the programming period even if unexpected implementation challenges arise. As such, the commitment rate is an indicator of overall good progress. Further, it is worth noting that the commitment rate may understate progress as it does not reflect the project pipeline, which would significantly increase the commitment rate once taken into account (e.g. England, Scotland).

Figure 4: Evolution of the commitment rate (%), 2016-19

Given the high commitment rates and as the programme period advances, the focus is shifting from project generation to project implementation. Several programme managers (e.g. in NL East), reported that project uptake was slow at the start of the programme period but has since picked up significantly thanks to past efforts such as project calls, direct awards, global grants, communication and information campaigns as well as administrative capacity building. These efforts seem to have paid off and the project pipeline is now satisfactory.
which means that as a result efforts to stimulate project generation are slowly being reduced (although maintained in some countries, e.g. SE). This means that administrative capacity is freeing up to support project implementation (e.g. in Pomorskie). In Wales and Vlaanderen, the delivery model has moved away from supporting many smaller projects to fewer, larger and more strategic projects with most projects now in ‘delivery mode’, i.e. underway.

Dependent on project implementation is meeting the N+3 targets, which is a major priority for most IQ-Net programme managers. The n+3 rule is very important to programmes because it can lead to losing financial allocations if not complied with. As a result, programme managers have put measures in place to monitor the progress towards achieving the n+3 thresholds and to intervene at an early stage if there is a risk of non-compliance. This is the case for example in Austria where the managing authority has set annual targets for intermediate bodies and in the Czech Republic, where a system of risks management has been used by the National Coordination Authority to achieve a sufficient spending rate. In NRW, the Managing Authority has put rules in place that require all projects to be implemented within three years of approval. This specific rule aims among others to ensure that n+3 based decommitments do not become an issue.

Given the importance accorded to the n+3 rule and overall good implementation progress, complying with n+3 is not an issue in most IQ-Net programmes. In several cases, thresholds have already been reached in advance, for example in ENG, PT, SK (OP Integrated infrastructure), Wales. In others like NRW, POM, SK (OP Quality of Environment), W-M, no difficulties are expected as most payment requests are submitted in November and December and the managing authority is treating payment requests with absolute priority to reach the required levels. Some risk of not meeting the thresholds triggering additional efforts were reported in HR, Sco, and SK (OP Research and Innovation, OP Integrated Regional OP). To date, overall decommitments due to the n+3 rule are rare. According to EU data, available at the Open Cohesion platform, only six countries were concerned by decommitments due to the n+3 rule (France, Italy, Slovakia, Spain, Sweden, and UK) and the decommitted amounts were very small.\(^\text{16}\) Decommittments have also occurred in West Netherlands but this does not yet appear on the Open Cohesion platform.

The overall good implementation progress has, however, not yet resulted in the desired increase of the spending rate described in section 3.1. In some cases this is partly due to a practice of risk minimisation when submitting payment requests. For example in the Netherlands it was observed that strict rules on payment suspensions and financial corrections provided an incentive to submit payment requests late and only after meticulous checks. Nevertheless, despite overall good implementation progress, IQ-Net programme managers reported that increasing the spending rate was a priority for the upcoming months. The following Section 3 provides an overview of different solutions and strategies to increase project spending and analyses the factors influencing the spending rate.
4 SPEEDING UP SPENDING

IQ-Net programmes have reported many innovative and effective solutions to increase the spending of projects. These can be grouped into three headings (Figure 5) and a number of specific tools exist under each principle, which are presented in Section 4.1. Drawing conclusions about factors impacting financial implementation is challenging as implementation contexts as well as thematic focus and available resources vary widely between programmes. Nevertheless, Section 4.2 provides an overview of factors noted by IQ-Net programme managers. These include:

- economic and political context;
- regulatory context;
- institutional context;
- implementation capacity; and
- thematic focus.

Figure 5: General headings to speeding up spending
4.1 Management solutions to speeding up spending

4.1.1 General headings and tools

Communication/dialogue

A common strategy employed by many IQ-Net programme managers entails reinforcing communication activities and engaging in constructive dialogue with intermediate bodies and beneficiaries (HR, POM, SCO, SK).

In Pomorskie, communication and dialogue with beneficiaries is the basis to effectively solve arising implementation challenges. The spending rate was a problem in the earlier phases of programme implementation and the Managing Authority remedied the situation by communicating to the beneficiaries how important a factor it was. As a consequence, the situation has reversed and the Managing Authority faces the challenge of having to deal with a very large number of payment claims, which is pushing administrative capacity to its limits. Relying on dialogue and communication again, the Managing Authority is now communicating with the beneficiaries to change the current practice of submitting numerous, small-amount payment claims, to instead submitting larger, aggregate payment claims, which would ease the administrative burden on the Managing Authority. Moreover, meetings, telephone and e-mail consultations are organised with those beneficiaries who regularly file payment requests that require support.

In Croatia, the managing authority gave coherent and precise instructions to intermediate bodies regarding irregularities management (related to the irregularities in the public procurement procedures). This helped financial implementation by providing a coherent approach to beneficiaries and by facilitating knowledge transfer as all intermediate bodies have the same knowledge of how to deal with established irregularities. Moreover, this has helped intermediate bodies to raise awareness of implementation challenges in advance and thus avoid irregularities. In addition to the above measures, a dedicated website for knowledge sharing has been set up in Croatia. It includes all the instructions issued in the form of a Summary of Instructions, as well as a table with examples of common irregularities, which is constantly updated.

In Scotland, the Managing Authority is increasing the direct work with lead partners to resolve specific blockages. This includes more frequent meetings with partners and an increased focus on performance management, including specific measures such as remedial action, action plans and the threat of formal penalties. These changes were included in revised national rules and communicated to partners at an event in October 2019.
ii  Balancing flexibility and stability

In addition to communication, IQ-Net programme managers have underlined the importance of flexibility in programme management to adapt to changing contexts and unexpected implementation issues. However, the benefits of stability were also highlighted. The balance between the two depends on the individual implementation progress and context, however, in order to achieve the right balance monitoring is a crucial element.

In terms of flexibility, a number of IQ-Net programme managers have successfully adapted the implementation context.

In Denmark, the spending rate is no longer a concern and its achievement has been facilitated by institutional change as part of a reform of the business promotion system. In January 2019, six Regional Growth Fora were replaced by one body, Denmark’s Business Promotion Board. This led to an increased focus on spending in the regions before the change took place, as well as after the change as the new Board wanted to demonstrate action towards growth and business promotion from the onset.

In Bizkaia-Pais Vasco, new interventions, aligned with the programme investment priorities (e.g. e-administration actions in the public sector, Energy Efficiency interventions in Public Buildings) are being introduced to address absorption issues for specific projects/interventions. There is high project demand in these areas, which will significantly accelerate spending under the priority in the future.

Smaller parts of the budget have been re-allocated between priorities in Vlaanderen.

In Wales a different delivery model has been applied in 2014-20, with fewer, larger, strategic projects.

Box 1: How Austria is implementing a pilot project on results-based payments

The reform of the EU Financial Regulation ("Omnibus Regulation") of August 2018 made it possible for the first time to introduce results-based payments, which are no longer linked to actual costs incurred but to predefined results achieved. In order to test this approach in practice and to check its broader applicability for 2021-27, a pilot project was created in Austria for 2014-20.

The implementation of the pilot project takes in the form of an "operation" according to Art. 2 Reg. 1303/2013. It is embedded in the Austrian ERDF OP in Priority Axis 3 (TO4) under Measure 11 ‘Business Investment in Renewable Energy and Energy Efficiency’. Based on the Annex to Commission Delegated Act Regulation 2019/694, the saved tonnes of CO2 per
year are used as an intermediate and final financing condition for the “operation”. In order to receive payment of EU funds, the beneficiary must demonstrate the fulfilment of the “intermediary” and “final” funding conditions specified in a contract, which are later subject to administrative verifications by the Managing Authority.

Conclusions and outlook: This is not only a new approach in Austria, but a pilot for the whole EU. EU payments are carried out if agreed targets are met and not when invoices are submitted. It has the advantage that the Member State is responsible for the detailed, actual implementation on the ground. The intermediate body can make use of its established domestic Austrian procedures in dealing with the beneficiaries. Another important advantage is that the audit authority only checks the basic method and there are no additional checks at the level of the final beneficiary. The approach received a green light in October 2019 and the first payments have been made.

Other IQ-Net programme managers have introduced specific rules to help increase the financial implementation speed. This may include specific rules for beneficiaries.

Specific rules for beneficiaries have been agreed in NRW. They require all projects to be implemented by 2022 in order to leave flexibility in 2023, as well as to send payment requests twice a year.

In Slovakia, procedural deadlines especially regarding contract preparation, approval of public procurements and approval of payment requests, have been shortened. In Scotland, a differentiated approach is being applied, where projects with increased risk weightings are subject to higher levels of scrutiny and in some cases additional conditions are being imposed.

In Greece implementation capacity is examined during the evaluation and approval of projects.

However, specific rules may also apply to internal procedures as in Pomorskie, where a novel method of dealing with the volume of payment claims is being tested. It entails offering bonuses for after-hours work as well as mobilising staff not usually involved in processing payments requests. In East Netherlands, measures to spread reporting requirements evenly over the year were taken in order to reduce peaks in the reporting of project spending.

Despite the above advantages of adapting the implementation context, the advantages of stability have also been put forward. In Portugal for example, the advantages of institutional and procedural continuity in the management system for learning and implementation routine have been noted. Moreover, existing networks and external expertise can be mobilised as in
Slovakia, where the programme Integrated Infrastructure benefitted from close cooperation with experts from the JASPERS programme who were actively participating in the preparation of major projects.

Moreover, stability is beneficial to institutional learning (NL, SE, SI, W-M). As noted in the Netherlands, larger projects with many partners have a delaying effect as capacity has to be built-in over time. In Warmińsko-Mazurskie the implementation of specific instruments, such as Integrated Territorial Investments (ITI) or financial instruments are highly dependent on time to build capacity. ITIs have been progressing well as capacity and experience has developed. The use of financial instruments is influenced by the need for further development of financial institutions in the region.

iii Improving coordination of actors and funding

A common feature of all measures aimed at increasing the spending rate is their need for coordinated implementation. IQ-Net programme managers have reported a number of initiatives to coordinate between different actors and stakeholders as well as between different sources of funding.

Concerning coordination between actors and stakeholders, initiatives usually include Action Plans (SI, SK, W-M), permanent or ad-hoc networks (HR) and various technical meetings (Eng, GR, Vla). Frequently, a mix of these initiatives is being implemented.

In Slovenia, the main step taken is an action plan approved in December 2018, followed by regular monthly meetings of the State Secretaries of all Ministries to identify key obstacles.

To achieve better absorption of EU funds and to prevent irregularities the Managing authority in Croatia has established an operational network of public procurement experts and coordinators and an operational network of state aid experts and coordinators, as well as a network for the management of irregularities. These networks include relevant staff from ESIF bodies and experts from various ministries, as well as auditors. The main aim is to discuss and exchange good practice, practical problems, complex cases, bottlenecks, trainings, etc.

In Greece, England and Vlaanderen, technical meetings and (practitioners’) working groups are held in view of coordinating implementation and strengthening mutual learning.

Good practice examples of how to coordinate different sources of funding were reported by almost all IQ-Net programme managers. Effective coordination between different sources of financing can boost demand and increase financial implementation of Cohesion Policy programmes. Conversely, a lack of coordination can lead to competition between funding
programmes and instruments and thus undermine implementation. The ultimate aim is thus to replace competition with complementarity and several strategies exist in this respect.

The co-financing principle of Cohesion Policy projects facilitates the integration of different funding sources. As noted in NRW, the co-financing principle means that virtually all projects include several sources of funding. In most cases co-financing originates from the NRW Land-budget, which is mobilised to complement ERDF resources. This means that in those cases coordination efforts are limited as the OPs determines implementation rules and no additional rules apply.

Moreover, complementarity occurs if funding sources boosts the investment capacity of other programmes (CZ, DK, FR, GR, NRW, W-M).

A national programme under the Technological Agency of the Czech Republic that supports project proposals obtained the Seal of Excellence from Horizon 2020. This works quite well, because the Agency enables multiple-year funding (contrary to the majority of other national sources).

A reform of Denmark’s Business Promotion Board provided the possibility to allocate national business promotion funds as co-financing for ERDF and ESF projects. This has led to higher co-financing rates for some of the projects and thus increased their overall impact.

In Greece, and Portugal European Investment Bank loans are used in order to support the national co-financing of the programmes.

However, integrating the different implementation rules of different funding sources can be challenging. However, solutions exist, such as breaking down a given project into different elements which are each funded by another source of financing. Such complementarities were reported notably but not exclusively with the Horizon 2020 programme.

In Wales, Horizon 2020 and ERDF funds are being used in a complementary way, for example, the Sêr Cymru II programme uses either Horizon 2020 (Marie Skłodowska-Curie Actions (MSCA) COFUND) or ERDF funding, match funded by several sources of domestic funding, to attract researchers to Wales at the early or mid-stages of their careers.

Under Thematic Objective 1, Slovenia is creating synergies with Horizon 2020. Projects that receive Horizon 2020 funding and are appraised as successful can apply to the Managing authority for additional Cohesion Policy funding. For instance, a project in the field of the wood industry matches Horizon 2020 and ERDF funding. The ERDF is funding (hard) infrastructure and Horizon 2020 is funding the use of the infrastructure.
In NRW facilitating factors are special rules that allow preferential treatment of projects combining different sources of funding, in particular under Sustainable Urban Development.

In Sweden and Finland, there are examples where funding has been coordinated often through parallel or pair projects that have addressed challenges from different perspectives. For example, West Sweden has implemented parallel projects co-financed by ERDF and ESF targeting manufacturing companies. One project was concerned with the innovation processes, while the other project was focused on recruitment and equal opportunities, but both addressed the needs of the businesses. In Finland, one example relates to the development of digital learning environments, which has combined both ERDF and ESF funding. ERDF funding has helped to acquire digital infrastructure such as robots, simulators, equipment, software and virtual environments that are needed for teaching, and ESF has been used to increase knowhow amongst the teachers or staff within a business.

In view of avoiding competition between funding sources and to encourage complementarities, reinforcing awareness between different funding programmes is crucial. As noted in Vlaanderen, close links between the different regional government departments are crucial for this practice. In the Netherlands, the importance of the physical location of responsible staff has been recognised and efforts have been made to bring together staff working with different funding sources. For example, in South Netherlands the ERDF, EAFRD and domestic SME innovation authorities are located in the same office. In North Netherlands, the Managing authority is situated in an existing public innovation agency that oversees the full array of subsidy opportunities from provincial, rural (EAFRD and domestic), ERDF and national innovation funds and the Dutch Chamber of Commerce is located in the same building.

4.1.2 Simplified Cost Options - huge simplification after initial administrative effort

Simplified cost options (SCO) are widely used in IQ-Net programmes as they potentially offer huge simplification and thus potentially help to increase financial implementation. However, SCOs require some additional administrative effort in the set-up phase. They are promoted by the Commission as one of the most important simplification measures to reduce administrative costs and burden. These advantages are widely recognised by IQ-Net programme managers. For example in Finland, SCOs have been found to reduce the workload for beneficiaries, accelerate the processing of payment applications and reducing the need for further clarifications. In NRW beneficiaries are generally satisfied with the simplification SCOs bring (they had demanded SCOs previously and would have been willing to accept lower rates in
exchange for a reduction of administrative burden, according to an evaluation report in the previous programme period).

Given these advantages, IQ-Net programme managers have reported a broad use of SCOs including many of their possible usages, such as unit costs, lump sums, and flat rates.

- In Sweden, 18 percent of all expenses have been reimbursed as unit costs and/or flat rates (the EU average is four percent).
- The England ERDF Managing authority is using the 15 percent flat rate for calculating indirect costs, plus the 25 percent rate allowable under the Horizon 2020 programme for highly innovative projects. For personnel working part-time on ERDF projects, the MA uses the hourly rate methodology, based on 1720 hours a year, as allowed under the CPR.
- Hourly rate for staff costs, have been used in most calls in Croatia (Operational Programme Competitiveness and Cohesion).

However, in order to increase the usage of SCOs, awareness of the advantages need to be strengthened. As noted for example in the Czech Republic, wider usage of SCOs is undermined by low awareness of their advantages among stakeholders and implementers as well as a certain resistance to 'untried' approaches. However, with time, information efforts are paying off and the situation is improving. In the Netherlands, the simplification provided by SCOs is welcomed and the benefits are clear, but it takes time (probably until the new programme period) before all stakeholders, including subsidy-advisors and other intermediaries, are aware of the changes. In Austria, the usage of SCOs is gradually being extended and as intermediate bodies are interested in using SCOs also in the area of Research and Development.

Raising awareness includes ensuring coherent approaches between various programme authorities, in particular auditors (CZ, NRW, PT). For example in NRW, efforts are currently ongoing to clarify the definition of general expenditure. Initially the Managing authority applied a definition, which the audit authority argued did not allow the exclusion of the risk of double financing as beneficiaries might include payment requests which should be covered by flat rates (e.g. some elements of reporting). This means that it will not be possible to claim back some payment requests from the EC which, however, will not have any consequences for beneficiaries. In Warmińsko-Mazurskie, Audit Authorities were not accustomed to the use of SCOs and often made demands for additional documentation, and in the Czech Republic the Audit Authority provided a lot of training for its auditors in order to familiarise them with SCOs and their principles and to better integrate these in their audit activities.

Other strategies to improve the implementation of SCOs were noted by the following IQ-Net programme managers.

- Guidance has been issued to stakeholders in England to help remedy initial challenges concerning the calculation of hourly rates.
• In Greece, a **Special Service for Institutional Support** oversees completing of the standard table for SCOs in the SFC and then sends them to the Audit Authority.

• The advantages of **using predefined, off-the shelf SCOs** provided by the Commission were underlined by Pomorskie.

• In NRW it was noted that **relying on official data from statistical offices** proved to be an adequate solution.

• In Portugal, a **constructive partnership approach** in view of SCOs coordination was established at national level between the central coordinating body and Managing authorities, intermediate bodies and audit authorities.

Moreover, the adoption of the Omnibus regulation modified the rules for SCOs in a view to offer new usages, flexibility and simplification, which are being applied and tested by IQ-Net programmes for example in DK, HR, and SE.

• In Denmark, the Managing authority made some immediate adjustments in the eligibility rules following the adoption of the Omnibus regulation. In order to simplify project implementation, the Managing Authority has added the opportunity to include part-time employees in addition to full-time employees. However, some clarifications are still needed with respect to situations in which employees change employment status during project implementation to work fewer or more hours.

• In Sweden, since 1 August 2019 further SCO options were introduced, in order to test and try out these new options. They include, feasibility studies – lump sums; projects that are staff intensive – must report their actual staff costs plus 40 percent standard flat rate for all other costs;

Finally, it should be noted that the Commission has set-up a network of ERDF/CF SCO practitioners to support the implementation of SCO as well as to facilitate a change in mindset.\(^{37}\) **Tillväxtverket** in Sweden is part of this Network, which has been found to be very useful especially when decisions were taken on the type of SCOs to be adopted.

### 4.1.3 Financial instruments – great potential under conditions

The implementation of financial instruments is going well with high demand in many IQ-Net programmes (AT, Eng, NL (East), Pom, Sco, Sl, SK (OP Quality of Environment), Wales). They have been used in a broad variety of themes such as enterprise support, urban development, R&D, environment, etc (Table 1). In this respect, they can significantly contribute to increasing the spending rate.
Table 1: Areas of Financial Instrument utilisation

<table>
<thead>
<tr>
<th>Areas of FI utilisation</th>
<th>IQ-Net programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise support (SME support, venture capital, etc)</td>
<td>CZ, Eng, HR, PT, Sco, SE, Wal, W-M,</td>
</tr>
<tr>
<td>Urban development</td>
<td>Eng, PT</td>
</tr>
<tr>
<td>Research, innovation, education (e.g. loans to higher education students)</td>
<td>PT, SK</td>
</tr>
<tr>
<td>Innovation and social entrepreneurship</td>
<td>PT</td>
</tr>
<tr>
<td>Environment, Energy, Waste sector</td>
<td>CZ, Eng, SE, SK,</td>
</tr>
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</table>

Box 2: Elements of successful financial instrument implementation in England

Financial instruments are very widely used in England. The England ERDF programme has contracted ten financial instruments worth £1,259 million; comprising of £503 million ERDF and £756 million match funding.

Elements that are considered to work well include:

- Tranche payments to focus on performance.
- Ex-ante assessments to focus on need.
- Simple regulation.

However, IQ-Net programmes have also raised challenges linked to the implementation of financial instruments. These concern the administrative burden associated with setting them up (e.g. NL, PT), competition with commercial instruments, which might undermine demand (CZ-IROP, NRW, PT, W-M), and the selection of financial intermediaries (CZ, SK, Pom, W-M). Moreover, late guidance was noted as a challenge in Scotland and in Slovenia domestic rules on public debt levels restrict certain municipalities from applying for loans under financial instruments.
Box 3: How challenges in appointing a financial intermediary were resolved in the Czech Republic

A financial instrument under the integrated regional operational programme could not start in the Czech Republic because no applicant participated in the public tendering for a fund manager due to a very low expected profitability in comparison with commercial instruments. The Managing Authority therefore decided to choose a public institution to ensure fund management. A governmental decree is being prepared and the financial instrument is set to start operating in spring 2020.

In view of improving financial instrument implementation, the following best practice examples and recommendations were identified among IQ-Net programmes.

- **Flexibility** is seen as a crucial element. In Portugal for example, in order to leverage available financial resources and investment under the Productive Innovation Incentive Scheme, a hybrid support instrument (blending) was created for enterprises through reprogramming. It is partly financed by an incentive scheme, which retains the traditional non-repayable nature, and partly through the complementary financial instrument of a repayable nature. In addition to leveraging investment, the use of this financial instrument facilitates SMEs access to bank financing and provides more resources available for their investment.

- In Pomorskie, in view of integrating projects with a significant social factor, it was helpful to extend the maximum time-scale from 15 years to 20 years.

- In Greece technical meetings with the Commission have helped to improve the implementation of financial instruments.

Box 4: Use of financial instruments in Croatia

Croatia has been one of the key proponents of financial instruments and spends a large share of its ESIF allocation in the form of financial instruments.

Financial instruments have to date supported over 1,800 SMEs, invested almost EUR 350 million and created over 4,500 jobs. Total payments to financial Instruments are at over EUR 225 million, out of which EUR 210 million is already refunded by EC, proving that, besides the revolving nature of financial instruments, in practice, financial instruments are very beneficial for the national Treasury liquidity. The financial instruments have also started to be proven in energy efficiency as a feasible investment in cost saving and also as a good example of combination of FIs and grants.

Challenges with financial instruments in practice are potential competition and crowding out of the commercial banking sector. However, this can be avoided by careful design of the financial products and good collaboration with all stakeholders, while performing constant and careful supervision of the process.
4.2 Factors influencing the spending rate

A number of factors, internal or external to the Cohesion Policy implementation system, can have a positive or negative effect on financial implementation (spending). These factors range from the economic and political context, the regulatory and institutional context, to implementation capacity and the thematic focus of programmes.

Figure 6 Factors influencing the spending rate

4.2.1 Economic and political context

The political context has a very significant impact on programme implementation as it may alter the strategic orientation and priorities of programmes. Such changes usually occur following elections. However, the political context might also remain unchanged after elections, such as in Portugal or the Netherlands where national and provincial elections respectively have not led to notable changes in government. In Greece, however, a change of government following elections on 7 July 2019 is regarded as a significant political change. Programme authorities are therefore anticipating new guidance on changing national strategies, which are expected to feed into an updated partnership agreement. In the UK, elections are scheduled in December 2019. The outcome will influence the process of Brexit.
and therefore possibly also have some implications for the programmes. However, domestic guarantees are in place for an orderly transition phase as far as the funding of Cohesion Policy-funded projects is concerned.

Another contextual element impacting programme implementation is the emergence of climate protection as a political priority, which however, is largely independent from elections. Several IQ-Net programme managers have reported that climate protection has indeed gained unprecedented priority (Biz, FR, NRW, Vla). For example in Bizaia (Pais Vasco), the government has decided to support new energy efficiency interventions in public buildings, which should help to address slow programme spend. In this respect, the approval of a new Law on Energy Sustainability in February 2019 should significantly boost spending in this area in the remaining years of the programme period. In the Netherlands, an Energy Agreement (‘Energieakkoord’, late 2013) has already shaped the operational programmes at their start, mainly giving the low-carbon theme a boost. A recent Climate Agreement (‘Klimaatakkoord’, June 2019) is expected to have its main impact only in the upcoming programmes post-2020, however, it may significantly boost demand for low-carbon projects already in the 2014-20 programming period.

The economic context has a potentially very significant impact on the implementation of Cohesion Policy programmes. As noted in Warmińsko-Mazurskie, the economic aspect undoubtedly affects the implementation of programmes. Factors such as the state of economic development of the region, its socio-economic activities and production, as well as the level of investment attractiveness, translate into the scale of spending potential in a given region. Generally speaking, the economic impact can be positive, facilitating and speeding up implementation, or negative, constituting an obstacle and slowing down implementation. However, a third situation in which a positive economic context leads to implementation difficulties of programmes has also been observed.

In the Netherlands, Finland and Sweden the economic context has been favourable. It has contributed to high project demand, in particular in areas such as SME support and innovation. Moreover, a good economic context facilitates the provision of co-financing.

In Greece the impact of the economic and financial crisis is still being felt. It led to an unprecedented brain-drain, which reduced available qualified human capital and domestic capacity to conduct studies. In addition, difficulties with bank lending and private sector contribution to projects resulted in lower absorption capacity than in the previous period. The availability of co-financing is also an issue during weak economic contexts (as noted in GR, SK).

A number of IQ-Net programme managers reported that strong economic performance can at times negatively affect the financial implementation of programmes. In NRW, SI and PL for example, beneficiaries are finding it difficult to contract work due to good overall a good economic situation in the construction sector. This leads to increased prices and shortages of available construction companies to execute projects. In the context of the ESF, some programmes were drafted at a time when unemployment rates
were high. In the meantime, the situation has changed (for example in Sco, St, Pom) which means that demand for professional inclusion schemes and support under the Youth Employment Initiative decreased.

In terms of strategies to deal with contextual changes, flexibility and adaptability are crucial. The example below from the Netherlands provides an illustration of how flexibility and adaptability can be achieved in practice.

**Box 5: dealing with political geographical contexts in the Netherlands**

A broader contextual issue is the geographical spread of ERDF funds in the Netherlands, where the programme area includes several sub-national political governments (provinces).

This means that the Managing authorities, which oversee the ERDF programme but also other subsidy instruments (including national innovation funds, Interreg, provincial and rural funds), have the crucial task of spreading the funds across the provinces while ensuring a balance between high innovation quality and geographical distribution.

In order to manage this situation, some of the managing authorities have introduced **region-specific calls** during the current programming period, which are tailored to the needs and characteristics of the targeted funding area.

### 4.2.2 Regulatory context

Specific provisions of the **ESIF regulatory framework** leading to administrative burden and delays have been well documented. IQ-Net programme authorities estimate that the delay caused by the late adoption and administrative burden amounts to approximately one year.

- **The late adoption of the legislative and regulatory framework** led to a delayed programme start. In fact, final adoption of the rules only occurred a couple of days before the official start of the programme period.

- **The designation of authorities** (i.e. Managing Authority, certifying authority and an audit authority for each operational programme) has taken a long time across all EU Member States, which in turn has led to delays in financial implementation because only advance payments could be made until designation was complete.

- **Setting up the performance framework** proved lengthy because of the preparatory work, including data collection, ex-ante evaluations, selection of indicators, etc.

- **Ex-ante conditionalities** required that multiple actors from different administrative levels and a wide range of stakeholders be mobilised and coordinated, which in some cases led to delays.

**Public procurement** was reported by several IQ-Net programme managers as potentially leading to implementation delays (CZ, GR, NRW, Pom, SK). The causes included concern over
the general complexity and rigidity of the rules, as well as specific challenges reported in cases where contractors withdrew from signing the contract after selection, where there was a lack of appropriate number of offers from contractors, and where there was a lack of experience of entities taking part in tenders.

Box 6: How public procurement requirements were simplified in Slovakia

In Slovakia, simplified procedures were introduced for awarding of contracts financed by ESIF by less than 50 percent. For this change to take effect, the national Public Procurement Act had to be amended in 2018. This change has affected the implementation of the OP Research and Innovation very positively.

4.2.3 Institutional context

The institutional context is a fundamental factor for efficient programme implementation. The basis for the institutional context is provided by the regulations, but it goes beyond regulatory requirements and concerns the distribution of responsibilities and competences as well as the administrative procedures and cooperation practices.

• Coordination between the three main authorities (MA, CA, AA) is seen as a very challenging part of programme implementation, for example in Slovenia. It involves constant coordination between different views and topics and the domestic institutional setting contributes as the Managing Authority, being a Government Office and not a Ministry, has no hierarchically superior position.

• In Warmińsko-Mazurskie, it was noted that a lack of coordination between institutions may lead to competition between different funding programmes and thus decrease demand under Cohesion Policy programmes.

• In the Netherlands, responsibilities around energy transition policies have not yet been entirely clarified, and this is impacting on the generation of projects.

• In Denmark, rules on public procurement were interpreted differently by the managing authority and the audit authority, leading to additional coordination and resolution efforts.

Moreover, efficient relations with intermediate bodies are of crucial importance to implement programmes smoothly. In this respect in Austria set targets for all the intermediate bodies, which were established for each year until 2023, as the intermediate bodies’ implementation capacity (quantitative, not qualitative) was an issue. There was not enough staff available to deal with financial aspects, for example the provision of annual financial reports, which are not a requirement in their usual domestic context. The intermediate bodies have been meeting regularly to exchange experiences. In Bizkaia (País Vasco) establishing intermediate bodies at province level facilitated a territorial/sub-regional focus.

Box 7: Consolidating the institutional context in France
In France major institutional reform concerning the distribution of responsibilities and competences between national and regional institutions has taken place since 2014. In 2014-20 regional councils acted for the first time as managing authority for the ERDF, parts of the ESF, and the EAFRD and in 2015 French regions were merged.

In order to consolidate the new institutional architecture of programme implementation and address implementation challenges encountered during the 2014-20 programming due to institutional reform, the question was raised at the highest political levels and several French national institutions such as the National Assembly (Assemblée Nationale 2019), the Senate (2019), the Court of Auditors (2019) and the Economic and Social committee (2018) have published extensive evaluation reports.

Their recommendations include the following points, which will feed into preparing for the 2021-27 programme period.

- Clear and coherent definition of responsibilities and competences is fundamental.
- It is essential to have sufficient human resources in place to fulfil requirements of OP implementation.
- The importance of having a functional IT system in place at the start of the programming period was highlighted.

### 4.2.4 Implementation capacity

Implementation capacity as a factor determining financial implementation can occur either at managing authority level, intermediate body, or at beneficiary/project level. The most common capacity issue at all levels concerns a lack of staff and difficulties to recruit qualified personnel. These may have a direct impact on the management and implementation of programmes. For example, delays in preparing and implementing programmes and projects, a heightened risk of system errors, weakened institutional memory leading to potential inconsistent practices, but also decreased ability of the system to support and guide the beneficiaries may be a consequence of low implementation capacity.

Several reasons for staffing issues within the Managing Authority and intermediate bodies have been reported. These concern high staff fluctuation and turnover (AT (intermediate bodies), GR, SI, W-M), combined with recruitment challenges such as in Pomorskie where the positive situation of the labour market made it difficult to recruit qualified staff. Moreover, high administrative burden leads to inefficient utilisation of available staff (reported e.g. in SCO, SK, SI). In Croatia programme managers reported that in addition to issues in ensuring sufficient quantity of staff, insufficient experience and practice as well as inadequate knowledge and skills of staff (especially due to the influx of newly employed staff) also had to be addressed.

Administrative capacity at the level of beneficiaries/project varies significantly and frequently depends on type of beneficiary (SK, NRW). It was noted that private sector beneficiaries are
generally quick in presenting payment requests. Public or semi-public authorities such as municipalities and universities, however, tend to present payment requests later, as their internal governance procedures usually entail more sophisticated decision-making and approval procedures. Moreover, the availability of co-financing due to constraints resulting from budgetary cycles and political approval procedures can also delay project implementation by public bodies.

Some IQ-Net programme managers have reported the following specific challenges that beneficiaries face:

- some beneficiaries face difficulties in providing the required evidence to support payment requests (SCO, Vla, W-M),
- time taken to receive permits (CZ, NRW, SI, Vla),
- lack of own resources for co-financing (NRW, SI), and
- complying with regulatory requirements, in particular public procurement and State aid (CZ, NRW, SI, SK, Pom).

Box 8: How staffing issues are addressed in Croatia

Recognising the importance of administrative capacity, Croatia has put measures in place to monitor and report administrative needs on a regular basis (monthly and yearly depending on the analysis). For example, a systematic annual workload analysis takes into account the specific processes and tasks that each institution in the system performs with the purpose of ensuring the appropriate number of employees. This has resulted in the number of employees linked to the programme growing continuously and the system was strengthened by a total of 466 employees in the period from 2016 until 2019. However, a recent workload analysis revealed that even more employees were needed.

4.2.5 Thematic focus

The thematic focus can influence the speed of implementation of programmes. This can be due to the nature of the theme and their projects, or due to overall contextual situations, which impact project implementation differently such as in Pomorskie, where the current situation of the labour market (see section 4.2.1) impacts project implementation of different themes differently as their dependence on the availability of specialised labour varies.

While the difference in the implementation of different thematic objectives was seen as not significant in some programmes (e.g. Biz, SE), many IQ-Net programme managers reported
that some themes were progressing faster than others. If delays occur these are usually due to additional requirements such as strategic planning (smart specialisation and sustainable urban development), political and administrative approval procedures (sustainable urban development, low-carbon projects).

- Projects linked to the low-carbon theme (TO 4) sometimes demand lengthy preparatory activity and thus require additional time for implementation (e.g. AT, NL, SE only initially, Vla). As noted in Vlaanderen, particularly larger investment projects in energy efficiency in housing and cycle infrastructure have caused delays due to the time needed to acquire building permits, comply with planning regulations, and find adequate sub-contractors.19

- Innovation support is a theme which can be progressing much faster than other thematic objectives, e.g. in NRW, or encounter delays such as in Greece and Slovakia (OP Research and Innovation), where preparing and implementing smart specialisation has led to some delays. In Warmińsko-Mazurskie, support for innovation in firms has been challenging at times as there was limited demand, given the more basic needs of many firms in the region.20

- In Slovakia (Integrated Regional OP) projects linked to health amenities require more planning and more precision in every detail. Moreover, a lot of attention needs to be paid to compliance with public procurement rules.

- Finally the theme of sustainable urban development has led to some delays for example in Greece and NRW. In England, the delayed implementation of SUD has had an effect on spend, but the small size of the SUD programme has meant that the overall effect on spend has been limited.21

Box 9: How project uptake under the low-carbon theme was increased in South Netherlands

In the South Netherlands, a crucial element to increase demand for low-carbon projects was to rephrase the communication of support for low-carbon as ‘Energy and Climate innovation’. The demand for low-carbon funding was initially lagging behind. However, after changes in the communication strategy and more targeted information provision the latest call under this theme has resulted in an oversubscription, as awareness of available support has largely increased among innovation and climate-related networks.
5 CONCLUSION – NEW PRIORITIES ON THE HORIZON

The review of programme implementation over the past 6-12 months has revealed that **speeding up spending is a priority** as other implementation tasks have been fulfilled, are close to being fulfilled, or are advancing according to plan.

- **Implementation progress is good overall**, with project commitments well advanced and implementation systems working satisfactorily.
- The **Progress Report** has been dealt with and is therefore **no longer a focus of attention** for IQ-Net programme managers.
- The **Performance Review** has entered its last phase as **programme modifications triggered by the Performance Review are ongoing**.
- **Evaluations** are being executed **largely according to plan**.

However, this overall good progress has not yet turned into financial absorption of Cohesion Policy allocations. Given that the programme period is entering its final years of implementation this needs to be addressed and based on best practice examples and recommendations from IQ-Net programmes, this review paper presented an overview of management solutions to speeding up spending including the following:

- **Reinforcing communication activities and engaging in constructive dialogue** with intermediate bodies and beneficiaries.
- **Flexibility in programme management** to adapt to changing contexts and unexpected implementation issues. However, the benefits of **stability** were also highlighted.
- **Coordinate** between different actors and stakeholders as well as between different sources of funding in order to ensure coherent implementation.

Looking forward, **new priorities** will dominate the agenda for management bodies, as the programme period advances.

- After the performance review has almost been fully implemented (see Section 2.1.) achieving the **final targets outlined in the performance framework** will certainly become a focus of attention in 2020.
• **Closure is not yet a major concern** for most IQ-Net programme managers, but preparatory steps are being taken in anticipation. In fact, many IQ-Net programme managers indicated that they are waiting for the official Commission guidance, which is expected to be published in 2020 (CZ, GR, NRW, SI, Wales, W-M). In the UK, there is some uncertainty what programme closure will entail in a Brexit context, however, in Scotland it was noted that the Managing Authority plans to continue working to the Commission regulations in either deal or no-deal scenario. Likewise in Wales, a closure manager is already in place and a best practice guide has been developed for beneficiaries on preparing for project closure.\(^{22}\) In Vlaanderen, planning schedules for the coming years already include the time required for closure.

In that sense, as IQ-Net programme managers work to speed up spending, new priorities are already on the horizon.
Notes


3 The performance review examined the achievement of the financial and physical milestones (as intermediate targets set for indicators to be achieved by the end of 2018) of the programmes at priority level. If positive, the review results in the payment of the performance reserve, which is six percent of the OP’s funding, ranging from five to seven percent for each Priority Axis. This review is based on the information presented in the AIRs for 2018, submitted by the Member States by the end of June 2019.


6 Art. 52 of Regulation 1303/2013.


13 And to help cope with potential exchange rate changes.


20 Polverari L and Dozhdeva V (2018) From Smart Growth to Smarter Europe: Learning from Smart Specialisation Delivery, IQ-Net Thematic Paper 43(2), European Policies Research Centre Delft.
