TIME TO LEARN?
DRAWING LESSONS FOR COHESION POLICY POST-2020

Viktoriya Dozhdeva and Fabian Gal

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PREFACE

The IQ-Net Network promotes exchange of experience on the management and implementation of Structural Funds programmes among managing authorities and intermediate bodies. The network is managed by the European Policies Research Centre Delft under the direction of Professor John Bachtler and Heidi Vironen. The research for this report was undertaken by EPRC in preparation for the 46th IQ-Net Conference held in Helsinki-Uusimaa, Finland on 12-14 June 2019. The report was written by Viktoriga Dozhdeva and Fabian Gal.

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The partners in the IQ-Net network are as follows:

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**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 (Etelä- ja Länsi-Suomi)

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- General Commission for Territorial Equality (CGET)

Germany
- Nordrhein-Westfalen (North Rhine-Westphalia), Ministry for Economic Affairs, Innovation, Digitalization and Energy

Greece
- Management Organisation Unit of Development Programmes S.A.

Netherlands
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- Managing Authority Noord
- Managing Authority OP Oost
- Managing Authority OP Zuid

Poland
- Marshal Office of the Pomorskie Region
- Marshal Office of the Warmińsko-Mazurskie Region

Portugal
- Agency for Development and Cohesion (ADC)

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

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)
- Scottish Government
- Welsh European Funding Office

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Disclaimer

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.
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<td>Annual Implementation Report</td>
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<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>Common Provisions Regulation</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>General Block Exemption Regulation</td>
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<td>IB</td>
<td>Intermediate Body</td>
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<td>IP</td>
<td>Investment Priority</td>
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<td>IROP</td>
<td>Integrated Regional Operational Programme (Czech Republic)</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>ITI</td>
<td>Integrated Territorial Instrument</td>
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<td>Managing Authority</td>
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<td>Multi-annual Financial Framework</td>
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<td>Operational Programme</td>
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<td>TA</td>
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<td>Youth Employment Initiative</td>
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<td>Country</td>
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EXECUTIVE SUMMARY

Programme commitment and spending, as well as EU payment rates, have increased at a higher pace than in the comparable preceding periods, reflecting the emphasis given to accelerating financial implementation. However, significant variations in terms of financial progress remain between regions, OPs and Priorities.

Changing socio-economic conditions, elections, regional reforms and the ongoing uncertainty over Brexit continue to impact ESIF implementation. OP revisions are ongoing and further amendments are expected, particularly based on the outcome of the Performance Reviews.

Project uptake is considered satisfactory by most programmes, but wide regional and thematic variations remain. Better demand continues within more ‘traditional’ areas, where beneficiaries have more experience and capacity, while TO4 remains a problematic theme.

Preparations for the Progress Reports on PA implementation have mostly started, ranging from the definition of work plans, timetables and contributions to actual drafting. The inclusion of information on performance frameworks is considered particularly challenging, while coordination with AIRs for 2018 and the previous experience of Progress Report drafting are expected to improve the process in 2019.

State aid provisions continue to pose challenges for ESIF implementation. Changes related to simplification, ensuring legal certainty and harmonising the State aid and Cohesion policy rules are viewed by the IQ-Net programme managers as particularly desirable for the future.

The ongoing revisions of the evaluation plans relate to data availability, relevance and efficiency considerations, as well as the need to anticipate preparations for post-2020. Evaluation activity, underway in most programmes, is expected to inform further changes in 2014-20, but the main impact is likely to be on the next period.

The most urgent priorities relate to speeding up financial implementation (including the fulfilment of financial targets in the performance frameworks and n+3) and implementing the completed and upcoming changes to the OPs.

While most 2018 performance framework milestones were achieved, the progress has varied widely across OPs and Priority Axes. Previous OP modifications have facilitated the achievement of some milestones. Preparations for the performance review have started, ranging from compiling data from the IT systems to consulting stakeholders and preparing political guidance in terms of the reallocation of the performance reserve.

Negotiations on the post-2020 legislative proposals are still ongoing. A timely adoption of the legislative framework is seen as crucial to ensure a timely start of the programme period and reduce absorption pressures. In parallel, 2021-27 OP preparations are progressing, influenced by the European Commission’s ‘Investment Guidance on Cohesion Policy Funding 2021-2027’, domestic investment strategies and evaluation findings.
1 INTRODUCTION

While the operational focus of programme managers currently remains on ensuring full and timely absorption of funding and accelerating programme implementation, particularly in the context of the upcoming performance review, preparations for the 2021-27 programme period are at a crucial moment for lessons learned to date to be taken into account. Negotiations on the post-2020 legislative proposals are ongoing, while domestic preparations with regard to future implementation architecture and programmes have also progressed.

This report reviews progress in the implementation of IQ-Net programmes over the last six months, together with the main lessons learned from ESIF implementation in 2014-20, including with a view to informing post-2020 Cohesion policy preparations. The report is structured as follows:

- **Section 2** reviews the latest financial data on commitments and payments;
- **Section 3** examines key programming issues, including contextual changes with an impact on ESIF implementation, planned and ongoing programme revisions, project generation dynamics, and the preparation of the Progress Reports;
- **Section 4** discusses the application of State aid rules to ESIF programme activities;
- **Section 5** reviews IQ-Net programmes’ progress with evaluations;
- **Section 6** examines progress against performance framework milestones and preparations for the performance review; and
- **Section 7** provides an overview of the ongoing negotiations on the legislative proposals for the post-2020 Cohesion policy and the practical preparations of IQ-Net authorities for the programme period 2021-27.

2 FINANCIAL PROGRESS OF THE 2014-20 PROGRAMMES

Over the last six months, the rate of programme commitment across the EU has increased, with the EU average at the end of December 2018 reaching 75 percent, while actual spending\(^1\), although still lagging, increased to an EU average of 24 percent. The average EU payment rate\(^2\) stands at 29 percent. These financial rates have increased at a higher pace than in the comparable preceding six-month periods, reflecting the priority allocated to the acceleration of financial implementation across a large number of programmes.
2.1 EU-level data

2.1.1 Rates of commitment (selection) and spending

Information on the financial implementation of the ESIF programmes is available on the Commission’s Open Data Portal. This Portal includes the collation of the latest aggregate information on the total amount (EU plus national financing) allocated to projects (operations) selected by programme managers, and the total expenditure eligible for reimbursement as reported by beneficiary projects to the programmes. The limitations of the data should be kept in mind, particularly as ERDF, ESF, CF and YEI financial data on selected operations, and on the expenditure declared by them, are provided to the Commission by MAs three times a year. The latest data cover the period up to 31 December 2018. More up-to-date information is available at programme level, although currently the Open Data Portal data provides the best available EU-level picture of implementation progress.

In terms of total amounts (EU and national financing) allocated to projects selected by the programme managers (as a proxy for ‘commitments’), the EU28 average at 31 December 2018 was 75 percent, increased from 62 percent at the end of June 2018 (see Figure 1). The average rate for IQ-Net programmes stood at 74 percent. Using the EU-level data, among IQ-Net programmes, ‘commitment’ rates higher than the average can be seen in Greece (76 percent), Pomorskie (92 percent), Portugal (85 percent), Slovenia (81 percent), Sweden (78 percent), Vlaanderen (91 percent), Wales (103 percent) and West Netherlands (93 percent).

Figure 1: Overview of ERDF/ESF/CF implementation – % of planned, 31 December 2018

In terms of the total expenditure eligible for reimbursement as reported by beneficiaries to the programmes (a proxy for ‘spend’/ ‘programme payments’ by the programme to beneficiaries), the **EU average at 31 December 2018 stood at 24 percent**, up from 15 percent at the end of June 2018. The IQ-Net average was slightly higher at 26 percent. Using the EU-level data, several IQ-Net programmes were above the EU average rate, including Denmark (25 percent), Finland (38 percent), France (30 percent), Pomorskie (25 percent), Portugal (33 percent), Sweden (34 percent), Vlaanderen (27 percent), Wales (31 percent) and West Netherlands (30 percent). In many cases, programme-level data available to MAs records higher figures as it is more up to date (e.g. commitment and payment rates respectively of 70 and 27.5 percent in CZ, 82 and 34 percent in SI and 90 and 40 percent in SE). Caution should be used in comparing the data, however, as the IQ-Net programmes vary widely in terms of programme size, Fund source and type of intervention.

### 2.1.2 EU payment rates

Figure 2: EU net payment rate (%), May 2019

![EU payment rates chart](chart)

Source: Open data portal for the European Structural and Investment Funds, EU payments daily update, data downloaded 9 May 2019.

**Figure 2** shows cumulative EU payments to 9 May 2019 made by the Commission to the Member States and INTERREG programmes from ERDF, CF, ESF and YEI for the 2014-20 period. The EU payment rate is the total net payments divided by the planned EU amount. Since November 2018, the EU28 and the IQ-Net programmes average payment rates have increased from 20 and 22 percent to **28.9 and 29.2 percent** respectively. Using the EU-level data, IQ-Net programmes with a payment rate higher than the EU average include Finland (38 percent), Greece (36 percent), Pomorskie (30 percent), Portugal (36 percent), Sweden (38 percent), Vlaanderen (32 percent) and Wales (32 percent).
2.2 Programme-level data

Based on information from IQ-Net programme managers, progress in terms of financial implementation is good, as commitments are increasingly translating into payments, although significant variations remain between regions, OPs, Funds and Priority Axes. Some issues relating to financial progress have also been encountered in the past six months. In Denmark, there are concerns about the impact of the reform and institutional changes on ESIF management, while Scotland faces significantly slower progress than anticipated and compliance issues with Lead Partners.

Further increases in commitment levels prompt carrying out timely planning, including on overbooking. In Wales, depending on the exchange rate set when the UK Treasury Guarantee comes into force, the programmes are overcommitted on a number of priorities and the MA will have to stop approving projects earlier than expected, although this is not seen as an issue. Portugal has set a global financial target of reaching 100 percent commitment level in 2019, and is undertaking planning for future implementation failures and defining the optimal level of overbooking.

The n+3 rule did not lead to any difficulties in most IQ-Net programmes, and spending has significantly accelerated in the past six months. In Austria and the Czech Republic, the n+3 requirements were fulfilled but only at the last moment and with a significant effort. In Scotland, however, expenditure was significantly lower than anticipated and n+3 was not met. In some cases, the n+3 thresholds for 2019 were already largely fulfilled in spring 2019 (eg. Czech IROP, Portugal), which is a sign that spending has significantly increased in 2019. Such an acceleration trend was also reported by NRW, Vlaanderen and Croatia.

3 KEY IMPLEMENTATION ISSUES

3.1 Changes to the implementation environment

In the past six months, changing socio-economic conditions have affected ESIF implementation in some IQ-Net programmes. In Scotland, low levels of unemployment have changed the context for ESF, leading to a reduced number of potential participants but with participants requiring more intensive support. The lack of match funding due to constrained public sector budgets has also reduced the level of funding being requested by Lead Partners. In both Pomorskie and Warmińsko-Mazurskie, the overheated construction market continues to drive an increase in project implementation costs, making it difficult to contract firms to carry out project work. The introduction of new European Commission initiatives has driven some programme changes (CZ), for example through pressures to reflect the coal and carbon-intensive regions in transition initiative in the ESIF allocations. Elections have also had an impact on ESIF implementation. In Vlaanderen, for example, the municipal and provincial elections in October 2018 resulted in staffing changes of the ITIs, while the regional, national and European elections, held in May, could further affect ITI governance.
Regional reforms were discontinued in Finland but have further progressed in Denmark.

- In Finland, the reform of the regional government, health and social services, ongoing since 2007, was discontinued on 8 March 2019 following the resignation of the Government. Efforts are currently focussed on ending the preparatory work and dismantling the reform. As a result, the planned new regions will not be formed and the existing structure will be maintained (unless the new Government decides to continue the reform).

- In Denmark, the reform of the business support system has progressed, with the adoption of the new business promotion Act in December 2018 and the creation of Denmark’s Business Promotion Board, replacing the Regional Growth Fora. The Board has decided a temporary strategy for 2019 and started preparations for a new strategy from 2020 onwards. External consultants have been commissioned to design and facilitate seven regional strategy workshops across the country. Organisational changes with respect to division of responsibilities within the reformed system are still ongoing.\(^\text{12}\)

The ongoing uncertainty over Brexit has prompted further thinking and preparations for various scenarios within the UK Devolved Administrations.

- In England, the UK Treasury Guarantee, which will provide funding to replace the Structural Funds in the event of a ‘no deal’ exit from the EU, has helped ensure that projects are still coming forward. In the event of a ‘no deal’ exit, the ERDF programme may be renamed the ‘Nations and Regions Growth Fund’, and some compliance requirements may be dropped, while others will be maintained. In the event of a deal, it will be ‘business as usual’ until the end of the period.

- The Wales MA has been preparing for the possibility of a ‘no deal’ exit since the end of 2018 and has published related guidance for beneficiaries.\(^\text{13}\) Work is ongoing on planning for any replacement funding for Structural Funds, and there is an all-Wales Steering Group helping to develop what comes next.

### 3.2 Programme evolution

Previous IQ-Net research\(^\text{14}\) highlighted the following issues with regards to programme revisions over the 2014-20 period.

By 2016, implementation had progressed to the point where some IQ-Net OPs and Priority Axes had undergone revisions. Most of the formal changes took place at later stages of programme implementation in 2017-2018, with OP revision becoming a ‘continual’ process.

OP modifications have ranged from relatively minor, technical adjustments to more fundamental/systematic changes. They have related to: the Performance Framework requirements; the transfer of funding within or between Priority Axes and OPs, or to new priorities and target groups; and revisions addressing changes in economic or market conditions, the MFF mid-term review or domestic (e.g. legal, political) changes.
Examples of **programme changes introduced in the last six to nine months** include revisions related to the following.

- **Reallocations of funds**, including between OPs (CZ, PT); between TOs, Priority Axes or investment priorities (IPs) (NL-W, PT, PV, SE, Vla, WiM); or targeted transfers to specific priorities (e.g. an increase of TA funding proposed in Finland, or reallocation to low-carbon public transport support in the Czech Republic).

- **Performance Framework-related** revisions, resulting in the modification of indicators, milestones and targets (AT, DK, Eng, PT, SI). This includes the amendment of indicators due to changes in initial assumptions (SI) and bringing performance targets in line with delivery experience (Eng). There have also been minor changes to indicators in terms of baselines and targets, such as changing the values from percentages to numbers (SE).

**Further PF-related changes are envisaged** including in Croatia (where modification of the financial plan has been scheduled under OPCC) and Finland (with OP changes set to be discussed in June, including the target levels of indicators which were set too low at the start of the programme period). Furthermore, **OP modifications are expected based on the outcome of the Performance review** and related to the reallocation of the Performance reserve (e.g. in AT, CZ, NRW, Pom, Sco, SI).

Other OP revisions relate to reallocations from unused operations (Pom), the introduction of new target groups (Pom), changes to the implementation of Fls (under consideration in NRW), and changes in the approach to simplified cost options (planned in Pom). Modifications are also expected as a result of the mid-term review in Pomorskie, Warmińsko-Mazurskie and Vlaanderen. Comprehensive PA revisions have taken place in Denmark and Portugal (see **Box 1**). Some Programme managers (e.g. Eng), however, are cautious about introducing OP changes given wider contextual uncertainties (e.g. related to Brexit).

**Box 1: Wide-ranging programme reviews in Denmark and Portugal**

In **Denmark**, the PA has been reviewed to reflect changes in the partnership following the reform of the business support system. The adjustments were made in December 2018, and are expected to be formally approved by the Commission in spring 2019. The main changes relate to the following.

- Eligibility conditions under Priority Axis 1 ‘Strengthened innovation in SMEs’.
- Growth plans under Axis 2 ‘More growth enterprises’, including measuring growth, the target for being a growth enterprise, or responsibility for conducting quality assurance of growth plans.
- Monitoring mechanisms under Axis 3 ‘Energy and resource efficient SMEs’.
- State aid rules under Axis 3 of the ERDF OP, enabling the use of *de minimis*.
- Changes in the milestones of the performance framework.
- Minor changes in the ESF OP, ensuring clearer interpretation.

Throughout the process the MA has had a good dialogue and support from the evaluator, COWI and the EC, but technical challenges with the Commission’s IT system delayed the process.
In Portugal, the global PA reprogramming was approved in December 2018. Its main lines relate to the following.

- **Reinforcement of the alignment of the Partnership Agreement with the NRP**, with emphasis on the areas of (i) competitiveness and business innovation, (ii) qualification and employment, (iii) investment in local basic services equipment and infrastructures, and (iv) low-carbon urban mobility.

- **Complementary use of various sources of financing**, maximising ESIF support. This includes a new blending instrument for business support, financed partly via a traditional incentive scheme (non-repayable grant) and partly via a complementary FI (a mutually guaranteed bank loan).

- **Concentration and selectivity in the use of ESIF**, focusing on the instruments with greater capacity to achieve results and more direct impact on achieving the NRP and Europe 2020 objectives.

- **Revision of output and result indicators and the performance framework** (incl its financial indicators), including milestones for 2018 and targets for 2023.

Concentration of support and alteration of boundaries takes place between and within OPs, with transfers between TOs/IPs/Priority Axes. Overall, 11 OPs have been amended. The reprogramming has not had an impact on the overall ESIF allocation to Portugal, nor led to changes in total EU allocations per OP/Fund. A total of €7.300 million is expected to be leveraged as a result of the reprogramming.

**Drawing lessons from the processes of programme revisions** over the 2014-20 period, IQ-Net programme authorities have highlighted the following issues.

- **More flexibility is needed.** Most programme revisions resulted from lack of flexibility during programming or changing circumstances thereafter. For example, it is virtually impossible to set accurate performance targets at the start of the programme period, given the changes in the economic and political situation throughout the period. The OP revision process, however, is not flexible enough to reflect the implementation practice (CZ, CZ IROP, Eng, Sl) and there is a need for: (i) more flexible rules for programme amendment to allow quicker adaption to changes (Eng, Sl); and (ii) a more general (where possible), rather than overly specific, programme in 2021-27 (Sl). Furthermore, the current system is ‘over-templated’ (e.g. the AIR template is restricted to a specific set of tables and figures, CZ IROP), which further reduces flexibility.

- **Introducing and negotiating changes is onerous and time-consuming.** In many cases, the process of negotiating changes was very long, requiring numerous interactions with the Commission (e.g. AT, PT). Domestic processes associated with programme modifications can also be onerous. In Vlaanderen, changes require approval by the MC, consultation with ITI steering groups and a detailed rationale for the proposed change.

- **Programme architecture matters.** In Finland, for example, the fact that there is only one OP in 2014-20 (including both ERDF and ESF) has made implementation flexible and changes quite straightforward.
• **Dialogue with the Commission and beneficiaries is important.** Maintaining a constructive dialogue with the EC and keeping it informed about plans at early stages has facilitated the formal approval of changes (DK, CZ IROP). Meetings held with beneficiaries of selected Priority Axes across Denmark have been a useful tool to provide input for OP changes and for the post-2020 period.

• **Changes take time.** It takes a long time from revision to launch of new activities and then to their implementation. In Scotland, for example, new activity proposed as a result of the mid-term review in 2017 will not be announced until September 2019.

Other lessons learned include a need to reconsider the ratio between the different priorities to be funded in future OPs (NL-W), or the importance of ESIF implementation at the appropriate administrative level. The MA, for example, should not be responsible for implementing activities for which ex ante conditionalities must be met at a different level of administration, nor (ideally) for implementing at regional level projects for which national institutions are responsible (WiM).

### 3.3 Project generation issues

Previous IQ-Net research\(^{16}\) highlighted the following main trends and issues with regards to project generation.

- Among IQ-Net programmes, first project generation activities (e.g. project calls, direct awards, global grants) started in 2014, with most OPs launching project activities during 2015.
- Initiatives to boost project generation focussed on both demand (beneficiaries’ capacity) and supply side (programme authorities’ capacity related to efficiency, transparency, coordination) measures.
- Project uptake has been generally high or satisfactory, with strong project pipelines and good responses to issued calls noted by most programme authorities over time, although with variation across Priority Axes, instruments and regions.
- Earlier challenges related mostly to adjustment to the new regulatory requirements (result orientation, ring-fencing, late approval and amendment of regulations, delegated and implementing acts, work required to document and approve the MCS), affecting the quality and type of applications.
- New themes and implementation mechanisms have proved the most challenging, requiring upskilling and mobilisation of new target groups. Challenges also related to themes supported from domestic sources and with actors reluctant to get involved due to lack of experience or additional requirements. TO4 and TO5 have been most commonly mentioned in terms of project generation difficulties, while TO1 and TO3 have been most widely described as well-performing.
- Demand-enhancing measures have included awareness-raising activities, extending application deadlines and clearer definition of future calls, producing additional guidance, and carrying out closer monitoring of projects’ preparedness.

The Commission ESIF Annual Summary Report 2018\(^{17}\) noted good investment progress in many of the thematic areas across the EU, with strong progress in project selection and narrowing differences in selection rates across the different TOs.
In the last six to nine months, project uptake has been described as satisfactory (AT, CZ IROP, NL-W, NRW, SI, Vla, Wal) and stable / consistent (Biz, Eng, Sco-ERDF, SE, SI) by most IQ-Net programme authorities. Project uptake has increased (e.g. DK, GR, HR, Pom, Sco-ESF, WiM) in many instances, with increases ranging from limited (e.g. Sco-ESF) to significant (e.g. WiM).

Several partners, however, have experienced (Pom) or are expecting (Fl, NL-W, Vla) a slowdown of project uptake as a large proportion of the budget has already been committed and the number of calls decreases. In South and West Finland, funding is coming to an end so any future calls are small-scale and complementary in nature. In Pomorskie, the slowdown has related to a number of factors: the shifting focus of the MA towards the already implemented projects (for ESF); insufficient funds in high-demand measures and a lack of interest and quality projects in low-demand measures (for ERDF); and improving socio-economic indicators, decreasing the need for certain types of ESF support.

Box 2: Managing project uptake in West Netherlands

In West Netherlands, the supply of applications has been steady (c. four per month). Project proposals are usually submitted to Contact Points, which may also delegate proposals to funding sources other than ERDF. The steady pace and the limited public profile, due to the small size of the programme, characterise the OP’s marketing strategy. Project selection happens ‘up front’ with the help of Contact Points and Quick Scans and is based on quality in order to keep the numbers manageable. The selection is facilitated by a pipeline including a preparatory stage, consultation with a team of experts and a Quick Scan, helping to avoid the generation of too many ERDF proposals. More proposals would be difficult to process and there may be better ways for the potential applicants to fund their project.

Seasonal patterns in project uptake have also been noted. In Austria, for example, there is lower uptake in summer and also in January/February following the approval of many projects at the end of the previous year to meet n+3 and other annual deadlines.

Some of the project generation challenges highlighted by IQ-Net authorities relate to:

- ensuring that there is sufficient time in the programme to enable the projects to be delivered and the funding spent (Eng);
- accelerating the time from approval to implementation on the ground (SI);
- the turnaround time of project calls, with project generation found to be time-consuming (Vla);
- competition from domestic instruments targeting similar stakeholders and activities (AT, Vla);
- investment cost (e.g. a high increase in construction costs in HR, affecting TOs 6, 8 and 9); and,
- implementation and payment requests delays due to numerous additional requirements and unpredictable external factors (NRW).

There is considerable variation in project uptake across the regions (e.g. AT, Fl) and TOs. The Commission ESIF Annual Summary Report 2018, noting above-average progress in delivery of
investment under TO3, highlighted challenges in relation, for example, to broadband, low carbon and integrated territorial development (despite some improvements in project selection since 2017).

Figure 3: Project generation in the IQ-Net programmes: examples of themes with challenging and positive demand

TO4 remains a problematic theme for IQ-Net programme managers, although challenges have been encountered within other TOs as well (see Figure 3 and Error! Reference source not found.).

Table 1: Examples of themes with challenging demand

<table>
<thead>
<tr>
<th>TO</th>
<th>IQ-Net programme example</th>
</tr>
</thead>
</table>
| TO1 R&I             | **GR**: Unsatisfactory progress due to the self-suspension clause, delays in fulfilling EACs 1.1 and 1.2, difficulties in implementing the new legal framework on the State Aid Information System, novelty of the Entrepreneurial Discovery Process, complexity of the State Aid legal framework.  
**Pom**: TO1 projects are not only risky and difficult to implement by nature, they also require negotiations with national authorities to agree on project scopes and/or to secure own contribution.  
**SE**: Slower demand e.g. due to competition from other alternative financial sources or as TO1 is not appropriate for all beneficiaries.  
**WiM**: Limitations in the regional business environment institutions and entrepreneurs prompt them to focus on opportunities to strengthen basic needs and attach less importance to more advanced innovations. |
| TO2 ICT             | **GR**: Little progress due to EAC 2.1 and self-suspension, difficulties in implementing the new State Aid IS, difficulties in project maturation due to projects complexity.  
**SE**: Particular difficulties in delivering broadband investments in cold seasons, due to the geographical and climatic reasons (e.g. snow, hard soil). |
| TO4 Low carbon      | Main issues have related to the novelty of the theme and lack of experience, complicated project requirements and restrictive financing rules, energy-related EACs and the associated regulatory transposition, ring-fencing requirements, lengthy procurement processes and long times in awarding and delivering projects, among others (see the IQ-Net Thematic Paper 44(2) for more details). |
| TO5 Climate         | **SI**: Lengthy procedures for larger anti-flood projects |
| TO6 Environment     | **GR**: Limited progress due to new framework of public contracts, EACs 6.1 and 6.2 and self-suspections, the maturation period for Spatial Development Interventions. |
In addition to experience with the above TOs, other types of projects are also causing challenges, e.g. in the area of marine energy (Wal), employment (PT), and public administration efficiency (GR). **Progress with regards to territorial instruments varies.** For instance, implementation of ITI and CLLD has accelerated under the Czech IROP, over 50 percent of allocation has been committed to CLLD in England, and national Art.7 thresholds have been achieved in NRW. On the other hand, in Portugal, TO8 and TO9 under territorial instruments are among areas with the lowest commitment and execution levels. In Vlaanderen, some ITI strategies perform less well under the entrepreneurship and low carbon priorities, and there are concerns regarding the quality and size of projects and politicisation of processes.

**Better demand has generally characterised more ‘traditional’ domains,** where beneficiaries have more experience and capacity. In Pomorskie, for example, infrastructure and transport-related projects have been particularly popular. Project demand has been high under TO3 (AT, Biz, Eng, HR, NRW, PT, SE, WiM), not least due to the familiarity with the theme, although issues related to implementing the new State Aid Information System, delays in the assessment of State aid actions, the new legal framework on FiS, and measures to update the ex-ante evaluations have been noted (GR). Examples of other domains with good progress in some Programmes include TO1, TO2, TO6, TO7, TO8 and TO10 (see Figure 3).

**Measures taken to address demand** under specific TOs have included the following.

- **Targeted calls,** focussed on specific themes (Fi, SE).

- **Capacity-building measures for beneficiaries,** e.g. provision of guidance, training, seminars, pilot actions and TA-specific meetings with beneficiaries to gather input on potential needs for programme adjustments (e.g. DK, GR, Sco), or provision of additional funds for successful areas and for project management and compliance (Sco).

- **Information / communication activities** (e.g. CZ IROP, NRW, PT), e.g. a media campaign to inform potential applicants about the possibility for the OP to cover thermal insulation costs (CZ IROP) or clarification sessions on the updated Innovation Incentive Scheme (PT).

- **Changing financing conditions and eligibility requirements,** e.g. allowing coexistence of repayable and non-repayable grants and extending the minimum eligibility requirements in certain typologies under TO4 (PT), revising intervention rates (Sco), or mixing ERDF with domestic funding sources to provide more project opportunities (e.g. in Sweden in the context of digitalisation and R&D themes).
- Other simplification measures, e.g. easing the financial management and control system for project implementation under the ERDF (WiM). In Slovenia, a comprehensive action plan was adopted aimed at: enabling overbooking, faster permits (e.g. environmental) and public procurement procedures for public entities before project approval; and increasing the effectiveness of the system as a whole by simplifying the project selection procedures, enabling additional employment of civil servants, and further improving the IT system.

**Box 3: Examples of support measures to address demand under TO1 and Smart Specialisation**

In **Pomorskie**, efforts to mobilise beneficiaries under TO1 and Smart Specialisation (S3) are focussed on the work of the S3 Councils, which determine the direction of S3 development and adopt measures to strengthen it. Project proposals are emerging from this activity, with two currently being assessed by the MA. The MA is also starting to implement a ‘7th type of project’, representing a financial line in the ROP to support interesting project ideas from beneficiaries under TO1 (e.g. involving research grants to boost interesting project ideas and make participation more attractive). Beneficiaries can obtain comprehensive financial support, combining support for both research and implementation of specific innovative solutions.

In **Warmińsko-Mazurskie**, the MA benefited from the advice of an external expert working for the EC who identified activities that would contribute to accelerating ROP implementation in the S3 areas (TOs 1 and 3). The work included: analysis of the concept of managing S3 in the region and its implementation under the ROP; review of the project selection criteria and results of the calls to date; and evaluation of the ROP’s information and communication activities in the field of entrepreneurship support. This resulted in the ‘Action plan to accelerate the implementation of the ROP WiM 2014-20 in the field of TO1 and TO3’, with half of the identified measures already implemented.

Examples of measures that can be taken in future to address demand under specific TOs include carrying out a better follow-up with projects to maintain the focus (SE), or making wider strategic choices on the OP-funded priorities (e.g. finding the right balance between TOs 4, 9 and 10 in NL-W).
3.4 Progress Reports

Progress Reports (PR) on the implementation of the Partnership Agreement as at 31 December 2018 are to be submitted by the Member States to the EC by 31 August 2019.18 Earlier in the programme period, PRs had to be submitted by 31 August 2017, and previous IQ-Net papers19 covered the process of their preparation and main challenges (summarised below). As in 2017, the 2019 PRs shall set out information on and assess the following issues:20

<table>
<thead>
<tr>
<th>Development needs</th>
<th>Progress towards achieving Europe 2020 (incl PF milestones)</th>
<th>Coordination mechanisms between ESIF &amp; other instruments</th>
<th>Implementation of the integrated territorial approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions to reinforce capacity to administer and use ESIF</td>
<td>Role of partners involved in ESIF multi-level governance</td>
<td>Progress in reducing administrative burden on beneficiaries</td>
<td>Actions taken to apply horizontal principles</td>
</tr>
</tbody>
</table>

Previous IQ-Net research21 highlighted the following main issues regarding the IQ-Net programme managers’ experience with Progress Reports 2017.

- The situation in terms of schedules, resources and responsibilities varied considerably. By April 2017, most MSs were at initial stages, but some had not started preparations. Inputs were coming from MAs, data collected in the monitoring systems, and evaluations.
- Perceptions of experience varied across MSs. While experience was largely positive for some, the benefit was felt to be more limited for others.
- The main challenges related to:
  - new requirement, therefore unknown levels of effort and coordination required;
  - limited availability of information due to early programme stages (absence of result data);
  - overlap with other tasks, including the completion of 2007-13 final implementation reports or AIRs, increasing the need to improve institutional coordination;
  - belated provision of the template by the EC and restricted word count in the template; and
  - insufficient coordination with AIRs, leading to duplicated work.
- The main benefits of the process included:
  - collaborative approach between relevant entities; and
  - opportunity to take a more strategic look at progress (PR enabling a wider reflection).

In spring 2019, at a comparable time period to 2017, the situation in terms of schedules and progress with drafting the PR varies across Member States. The majority of IQ-Net authorities (AT, CZ, GR, HR, NL, NRW, PT, SE) have started preparations, and the importance of timely planning of this work has been emphasised. Preparations range from defining the work plans and timetable, identifying the contributions by the relevant entities, collecting background information, preparing and generating necessary data from central monitoring and statistical systems, to the actual report drafting.

Internal deadlines have been defined in some cases. In Portugal, for example, the objective is to obtain the political validation for the PR by the end of July while in Greece, the timeframe
for submission has been set for early August. First versions of PRs were expected soon in some cases with both Sweden and the Netherlands, for example, anticipating draft reports during April 2019.

As in 2017, inputs to the PRs are expected from data collected in the monitoring and statistical systems and completed evaluations as well as from the Managing Authorities and other relevant stakeholders. Preparation is often led by a central entity which collects and coordinates the relevant contributions. In some cases, drafting of the PR has been outsourced such as in Austria, for example, where three external consultancies have been commissioned to deal with the three MAs, covering four OPs, and ÖROK steering the process. While no studies have been conducted or commissioned specifically to inform the PRs, the findings of ongoing or recently completed evaluations are often expected to provide relevant inputs (e.g. AT, HR, PT, SE, SI).

Performance framework-related information is seen by some MSs as the most demanding and challenging element for inclusion. In Portugal, for example, the major challenge in the preparation of the PR concerns matters related to the PFs in the sense that:

- It requires a rigorous quantification of the physical and financial achievements of the OPs, implying the definition of robust and well-articulated (among the OPs adopting the same indicators) methodologies for the determination of indicators;
- It involves the processing of recent data, the collection of which will only be completed after confirmation by the MCs of the OPs. Only after this can data be rigorously analysed in an aggregated form to provide a coherent picture of the PA implementation;
- The analysis of OPs performance based on the achievement of the PF milestones may necessitate eventual reprogramming for a reallocation of performance reserves. This may imply the need to redefine the specific priorities and objectives of the OPs and the reallocation of funding between and within OPs.

In a similar vein, in Denmark, the calculation of indicators is considered the most time-consuming task related to the preparation of the PR as both the collection and the quality assurance of the data involve a lot of work. In Croatia, data processing is viewed as challenging due to lack of institutional capacity, while in Greece, tracing data per TO and IP is seen as the most difficult task as the IPs are not included in the EC template. In the Czech Republic, obtaining the up-to-date relevant cross-theme data/indicators and tables from the central monitoring system (e.g. for horizontal themes, specific measures) is the most challenging task, as this information has often not been entered into the system by the respective MAs for individual projects. Differentiating between different ESI Funds in terms of their contribution to progress is seen challenging by some MSs (e.g. Austria), while coordination with the AIR can also be problematic as some of the data required for the PR depend on the AIRs, which are not yet available.

Other challenges associated with PR preparation, highlighted by IQ-Net managers, relate to the following.
• **Difficulty to find the time, due to other priorities.** Examples of conflicting time pressures include the ongoing reform process in Denmark or the preparation of the new programme period (combined with the upcoming EU Presidency) in Finland.

• **Demanding timeframe.** Close coordination with AIRs means that, after their submission by the end of June, only two months remain to finalise the PR and obtain the necessary political validation (e.g. PT).

• **Need to coordinate inputs.** Capturing all cross-cutting themes and coordinating inputs from individual actors responsible for a specific topic might be challenging (e.g. CZ).

• **Availability and limitations of the Commission template.** The fixed template is generally seen as useful, but its delayed provision by the EC could hinder reporting. A template imposing a strict word count could lead to information being condensed and insufficiently detailed. On the other hand, some MSs suggested further reducing the qualitative part of the template, since the text sections of the Report are perceived to be underused (e.g. DK). The repetition of the same issues in different sections has also been noted (e.g. FI).

Comparing the process of drafting the 2019 PR to the previous process in 2017, some Member States consider it, and the associated challenges, to be similar (e.g. DK, FI, SI). The existence of **previous experience** is however believed to help improve the process in 2019 (e.g. the mode of requesting and collecting relevant contributions), or make the drafting less demanding, as it will primarily involve updating and streamlining the PR 2017. On the other hand, the process is different given the availability of much more implementation information in comparison to 2017, with the **2019 Report set to focus more on results** (e.g. GR, PT, SE). A fundamental difference in approach has also been emphasised. The major challenges in the 2017 Report were the analysis of convergence and the adequacy of the main public policy options created in terms of programming in the light of wider contextual changes (including the fallout of the economic crisis). The 2019 Report, on the other hand, will focus on the achievements and mid-term results of ESIF implementation in 2014-20, including the progress towards the PFs and the validation of the public policy choices underlying the defined priorities.

As in 2017, **the preparation of PRs is expected to be carried out in very close coordination with the AIRs**, to be submitted by 30 June 2019. Most IQ-Net MSs noted that the PR will benefit from AIRs findings or will be largely based on them. Some **overlaps with the preparation of the AIR** highlighted in previous IQ-Net research, have been flagged again (e.g. DK, FI), although it has been noted that there is a choice to cover certain issues in either of the documents. Potential overlaps are expected to be avoided thanks to relevant institutional arrangements such as:

• the same entity being responsible for both the PR and AIR (e.g. SE, where the drafting is done by the same unit in Tillväxterket, ensuring coordination);
• the same entity being responsible for the PR as in 2017;
• different bodies being responsible for the PR and AIR;
• overall coordination and oversight being ensured by a central body.
Some MSs emphasised the **existence of complementarity, rather than overlap, between the two reporting instruments**. This is due to the fact that the findings of the analytical work needed for one are at least partially used for the other (e.g. CZ), or that they pursue essentially different purposes, one reflecting a strategic approach (PR as an integrated reflection on PA implementation and governance model) and the other a more operational one (AIRs as tools for monitoring OPs implementation progress) (PT).

### 3.5 Short- and medium-term priorities

The short and longer-term priorities for IQ-Net programme managers have shifted over time, reflecting the stage of the programming cycle as well as major pressing requirements, ambitions and challenges. Earlier priorities mostly related to challenges common at the beginning of a financial term, such as internalising new regulatory requirements and new logic (e.g. results-orientation) and incorporating new measures and instruments, followed by other emerging needs (e.g. meeting the PF milestones and accelerating programme implementation coming to the fore particularly since 2017).

For the next six months, priorities for programme managers relate to:

- **Financial implementation**, including fully committing programmes, increasing spending, accelerating the processing of claims, certifying more expenditure, including to fulfil financial targets in the PFs and ensure full absorption (Biz, Eng, Fl, HR, NL-W, NRW, Sco, Vla, Wal) and meeting n+3 (AT, CZ IROP, NL-W).

- **Planning for future implementation failures and defining the optimal level of overbooking** (PT, SI).

- **Putting into practice changes resulting from reprogramming** (CZ, PT), finalising programme amendments (Vla), and implementing the upcoming OP changes (e.g. stemming from the performance review and reallocation of the performance reserve) (AT, NL-W, NRW, Pom).

- **Addressing audit and control-related requirements**, e.g. responding to system audit requests by the domestic audit authority (SI), progressing with on-the-spot checks (SE) and completing the project checks underway (Biz).

Other priorities relate to State aid notifications (NL-W), reviewing evaluation work required (Sco), putting into practice changes resulting from governance reforms (DK), as well as progressing with post-2020 planning, e.g. regarding S3 and the new OP (NL-W), or SCOs in 2021-27 (AT). Planning for different scenarios with regards to Brexit is an important priority for the UK programme managers.
4 ESIF AND STATE AID IN IQ-NET PROGRAMMES

4.1 GBER (General Block Exemption Regulation)

Most IQ-Net programme authorities use GBER (Commission Regulation (EU) No 651/2014) either extensively (e.g. AT, Eng, NRW, NL-W, Pom, PT, WiM) or to some extent (e.g. Biz, GR, SI, Wal) to enable State aid (SA) in their OP(s). For example in England, the MA has registered eight SA schemes under GBER, which largely cover the whole ERDF OP, and no individual SA notifications outside of GBER have been submitted. In Portugal, 14 SA regimes in the mainland were communicated under GBER in 2014-20 (along with 12 in the Autonomous Region of Madeira and two in the Autonomous Region of Azores), including the major Business Incentive Schemes and Support Systems. Most Austrian support schemes fall under GBER, and GBER is the most fundamental legal basis on which SA is granted in the Polish ROPs. In West Netherlands, 80 percent of the projects managed by the MA use GBER.

More limited use (or no use at all under the Czech IROP25) is noted by some partners. In Finland, for example, GBER is not used by the Regional Council for awarding ERDF, while in Wales the MA largely uses procurement under the OPs.

GBER sections that are most commonly used in the IQ-Net Programmes include regional aid, aid to SMEs, aid for SME access to finance, aid for RDI, training aid, and aid for environmental protection (see Figure 4). Other sections feature in specific cases such as the widespread use of GBER in Sweden with respect to broadband (local infrastructure) in TO2.

Figure 4: Examples of GBER sections used to enable State aid in IQ-Net Programmes

<table>
<thead>
<tr>
<th>Section</th>
<th>Countries/Art Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional aid (Art 14-16)</td>
<td>Biz, Fl, GR (Art 14), HR, NRW, Pom, PT, SI, WiM (Art 14)</td>
</tr>
<tr>
<td>Aid to SMEs (Art 17-20)</td>
<td>Eng, DK (Art 18), SE (Art 18-20), NRW, Sco, HR, PT, Pom, WiM (Art 18-19)</td>
</tr>
<tr>
<td>Aid for SMEs’ access to finance (Art 21-24)</td>
<td>Eng, GR (Art 21-22), NRW, PT, Pom, Sco (Art 21,22,24), SE (Art 22)</td>
</tr>
<tr>
<td>Aid for RDI (Art 25-30)</td>
<td>DK (Art 25,29), Eng, GR, PT, Pom, Sco, SE (25-29), SI, Wal, WiM (25-26, 28-29)</td>
</tr>
<tr>
<td>Training aid (Art 31)</td>
<td>DK, Eng, Fl, NRW, Pom, PT, Sco, SE</td>
</tr>
<tr>
<td>Aid for disadvantaged workers / workers with disabilities (Art 32-35)</td>
<td>Eng, Fl, Pom, Sco</td>
</tr>
<tr>
<td>Aid for environmental protection (Art 36-49)</td>
<td>Eng (excl Art 44), HR, NL-W, Pom, PT, SE (Art 38), Wal, WiM (Art 36, 38-41, 48)</td>
</tr>
<tr>
<td>Aid to make good the damage caused by natural disasters (Art 50)</td>
<td>PT</td>
</tr>
<tr>
<td>Aid for broadband infrastructures (Art 52)</td>
<td>SE</td>
</tr>
<tr>
<td>Aid for culture &amp; heritage conservation (Art 53-54)</td>
<td>Eng, Pom, WiM (Art 53)</td>
</tr>
<tr>
<td>Aid for sport &amp; multifunctional recreational infrastructures (Art 55)</td>
<td>Pom, SE</td>
</tr>
<tr>
<td>Aid for local infrastructures (Art 56)</td>
<td>Eng, Pom, SE</td>
</tr>
</tbody>
</table>
4.2 De minimis aid

The use of de minimis support (Commission Regulation (EU) No 1407/2013) varies across the IQ-Net Programmes. Some examples include:

**Figure 5: Use of de minimis aid in IQ-Net Programmes (examples)**

<table>
<thead>
<tr>
<th>No use</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Biz (but there are two aid schemes managed by the Basque Government under de minimis, representing less than 5 percent of the programme)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited use</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CZ: limited use; grant recipients encouraged to use GBER</td>
</tr>
<tr>
<td>• NL-W: very important and commonly used form of aid</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extensive / common use</th>
</tr>
</thead>
<tbody>
<tr>
<td>• DK: de minimis used extensively</td>
</tr>
<tr>
<td>• GR: de minimis used to a larger extent than GBER, esp. the ROPs in targeted actions of limited scope. The entire HR development OP, OP 'Competitiveness, Entrepreneurship, Innovation' and most generic SA actions under the ROPs (with the exception of RIS) use de minimis</td>
</tr>
<tr>
<td>• Pom: de minimis is a very important and commonly used form of aid</td>
</tr>
<tr>
<td>• PT: Normally, all support not covered by GBER is provided under de minimis, through the centralised data base. E.g. parts of the main Business Incentive Schemes and Support Systems are covered, along with the IS for Entrepreneurship and Employment.</td>
</tr>
</tbody>
</table>

There are also regional variations with regards to the use of de minimis. In Finland, for example, different regions have different procedures in place, leading to a range of support rates awarded under de minimis. In this respect, its flexibility is seen as an important advantage as it helps accommodate a variety of projects and interventions. Where de minimis is used, however, it is often difficult for the Programme authorities to estimate the exact proportion of support awarded under this regime (AT, DK, NRW, Pom, SE, Vla).

De minimis is most commonly used for business support (SMEs projects, entrepreneurship) (Eng, HR, Pom, PT, SE, SI, Vla). In Slovenia, it is used for most projects under TO3, e.g. start-ups or fostering internationalisation, and non-financial SME support such as business support schemes and mentoring. Business support also features among de minimis aid granted in Portugal, under both ESIF OPs and instruments under the State responsibility (including credit lines for company financing such as support to companies affected by fires and bad weather). De minimis is also used for some grant schemes run by programme beneficiaries (Sco, Wal).

**Box 4: Centralised database for de minimis aid in Portugal**

In order to ensure compliance with the ceilings for aid granted under de minimis, a centralised data base was created in Portugal in 2002, which means the control of aid accumulation and its monitoring can be carried out. This central register contains aid granted under de minimis, whether under OPs co-financed by EU funds or by instruments which are wholly the responsibility of the State. It includes information provided by the entities that communicate and/or grant the support, subject to previous checks, necessary to control the support limit. Based on this data, it is possible to identify the aid granted under de minimis at all times and before the final decision on support allocation, on a
company-to-company basis (using the Tax Identification Number). The responsibility for the definition, maintenance and control of accumulation lies with the AD&C.

4.3 State aid notifications

Specific elements of the OPs or proposed co-financed projects have been subject to a SA notification to the Commission (e.g. GR, NL-W, Pom, PT, SE). Notifications have concerned projects focussing on infrastructure (port, road and broadband infrastructure, GR; transport infrastructure, SE), low-carbon (Clean Buses in Urban Areas Programme, PT), sustainable urban development (JESSICA funds, NL-W), and regional aid for SME support (investment aid for SMEs in the shipbuilding sector, Pom). In other cases, there have been no notifications to the EC in 2014-20 (e.g. FI, CZ IROP, DK, SI, Vla, Wal, WiM), or notifications have not been managed by the regional MA as they have taken place at national level (e.g. DE, UK broadband notification).

Notifying support is reported to be a time-consuming and resource-intensive task (DK, SE, Vla) and therefore rarely perceived as a viable alternative action in some cases (SE).

4.4 State aid and ESIF: main challenges and post-2020 options

As highlighted in previous IQ-Net research, over the 2014-20 programme period, SA rules have often been referred to by IQ-Net programme authorities as hampering ESIF implementation, causing delays, limiting the capacity of some MAs to fund projects, and overall, forming a more significant barrier than in the past. There has been an overall increased prominence of SA compliance in the 2014-20 regulations and a stricter interpretation of SA rules. This has taken time to become embedded in the ESIF implementation systems and arrangements and associated issues have included:

- restrictions imposed on small infrastructure;
- caps and restrictive eligible costs on innovation support;
- the need to put in place measures ensuring ‘the existence of arrangements for the effective application’ of SA rules (general EAC 5, incl staff training arrangements);
- difficulties in describing the SA regime to beneficiaries;
- administrative burden related to de minimis support; and
- lack of experience with the new SA information system.

In the current round of IQ-Net research, the following main challenges have been noted:

- **Uncertainty and lack of clarity in the interpretation of State aid rules and definitions** (including due to complexity). Many of the interpretation issues arising in the implementation of ESIF programmes stem from the complexity of SA provisions (Pom). Some of the key issues relate to the definition of tangible and intangible assets (Eng) and the interpretation of costs (Pom, WiM). The categories of costs and the regulations around them are seen as too complex (Pom), while the lack of a catalogue of eligible costs under SA in the area of renewable energy sources, for example, leads to problems for entities applying for co-financing in determining eligible costs and the
available co-financing (WiM). Lack of clarity and consistency in the application of GBER in innovation projects (Vla), along with uncertainties over reporting requirements (e.g. under Art 9 of GBER) or the identification of the beneficiary of aid in case of grant schemes subject to SA (HR) are also considered problematic. Lack of clarity on the application of SA often results in the adoption of a more conservative approach and a stricter interpretation of rules, and leads to uncertainty for programmes and beneficiaries.

- **Varied interpretation of SA rules within Member States.** Interpretation of SA application sometimes varies between the regions and authorities awarding aid, leading to increasing calls to have more harmonised application of SA and more guidance (FI).

- **Application of SA rules as a time-consuming and resource-intensive task.** SA issues are often difficult to assess and manage. It is a complex task to work out if SA rules apply and, if so, how SA considerations at different levels should be designed to ensure that both legal certainty and effectiveness as set out in programmes are met (SE). The application of SA rules is not a standardised process due to the wide diversity of projects, therefore requiring considerable in-depth knowledge (Vla). SA issues can be particularly problematic for new applications, requiring significant time investment at project planning phase due to lack of familiarity with SA requirements (SE). The regulatory complexity and heavy administrative burden associated with the application of specific SA provisions (e.g. under the theme of social entrepreneurship, CZ IROP) may encourage programmes to focus on ‘safe options’ outside the SA scope (Vla).

- **Strictness of SA rules.** According to the Danish authorities, the SA options, especially under the ERDF, are more limited in 2014-20 than in the previous programme period (despite the SA guidelines now being clearer than in 2007-13). In some cases the rules might have been too strict, slowing down project generation and implementation.

- **De minimis aid limitations.** The ceiling of €200,000 is seen by some IQ-Net programme authorities as discouraging investment (GR), as project applications easily surpass this threshold (FI, NL-W), particularly if the organisation aims to sell the excess capacity. In addition, interpretation issues concerning de minimis and the definition of the market price are seen as a difficulty (FI).

- **Absence of central State aid register.** Where a central SA or de minimis register is absent, responsibility for the SA monitoring is dependent on the businesses, which can be complex given that the businesses in question may not know or understand that they have received SA (FI).

- **State aid for RDI support.** The West Netherlands MA highlighted issues concerning GBER Articles 25 and 27 (aid for innovation clusters and R&D projects), including the
allocation of subsidy payments only to one entity (Art 27) and aid threshold fixed per partner (Art 25), thus limiting aid for knowledge institutions as they are often larger than SMEs.

- **Lack of coherence between State aid and ESIF rules.** Differences between what is eligible under GBER and ERDF and, more generally, lack of coherence and coordination between the rules defined by DG REGIO and DG COMP are seen as problematic (Eng, PT). Major projects notified to DG COMP under SA imply a significant administrative burden due to longer response times, hindering ESIF implementation.

- **Unequal treatment of ESIF and EU-level instruments.** Differentiated treatment of centrally-managed and ESIF co-funded instruments in terms of SA requirements is seen as compromising ESIF implementation (PT). In the case of (large) universities, for example, alternative funding such as H2020 may be more easily accessible than ERDF support due to SA regulations (Vla).

Other ongoing SA questions relate to the combination of SA and SCOs (SI), rate of financing (HR), combination of de minimis and GBER resulting in very complex calls for proposals (HR), and lack of synchronisation between the revision of the SA framework and Cohesion policy (AT). 29

Given these constraints, many IQ-Net programme managers would like to see changes introduced to the State aid rules in the future programme period.

Previous EPRC research 30 has shown that, in contrast with the intensive preparations for the next MFF and Cohesion policy post-2020, few concrete steps have been taken on the future of State aid control. In its policy statements, the EC has emphasised stability and continuity of the rules, rather than policy change. At the same time, some of the suggested revisions put forward alongside the post-2020 budget proposals concern the inclusion in the GBER of provisions for national financing combined with InvestEU instruments, as well as broadening the scope of the current limited exemptions for ETC in the GBER. Furthermore, facilitating domestic funding of projects qualifying for Horizon Europe funding or awarded the ‘Seal of Excellence’ is proposed.

In January 2019, the EC announced its intention to prolong by two years the validity of seven sets of State aid rules, adopted as part of the State Aid Modernisation (incl GBER, De Minimis Regulation and Regional State Aid Guidelines) – which would otherwise expire by end 2020 – in order to ensure predictability and stability regarding the applicable SA rules immediately after 2020. The Commission also launched a comprehensive policy evaluation in the area of State aid rules (‘fitness check’), 31 to assess whether to further prolong them or possibly update them in the future.

Some of the changes IQ-Net programme managers wish to see introduced relate to the following.

- **Simplification.** Measures could include removing the need to notify aid of under €5,000 as SA (FI), increasing the basic de minimis aid threshold to at least €500,000 to a single
undertaking over any period of three fiscal years (Pom), linking SA rules and SCOs (SE), and generally simplifying the entirety of SA procedures (NRW).

- **Ensuring legal certainty** by avoiding different interpretations of rules and minimising discrepancies (also contributing to simplification) (e.g. DK, HR, NRW, Pom, SE, WiM). For instance, a clearer definition of what constitutes ‘business clusters’ (Art. 27) (DK) or ‘date of granting of the aid’ (HR) could be introduced, or adjustments made to the SA regulations to address uncertainties based on a systematic review of how ESIF IPs and the related performance and monitoring indicators can act within permissible SA (SE). Clarifying the calculation of eligible costs under aid schemes and the types of costs considered eligible is also important (WiM), as is addressing the challenge of varied interpretation of SA application between the different regions and authorities awarding aid (FI). Furthermore, introducing a clearer interpretation of effects of support on trade between MS could be beneficial (HR). Overall, new SA legislation, with clear, unambiguous provisions could lead to better comprehensibility and consequently fewer interpretation problems (Pom).

- **Introducing an equal approach to ESIF programmes and EU-level instruments** (e.g. CZ, CZ IROP, NRW, PT). The latter are not under the SA requirements, which creates different environments for implementation and favours the EU-level tools, potentially making Cohesion policy funding less attractive than other funding sources to project applicants.

- **Harmonising the State aid and Cohesion policy rules** (e.g. GR, HR, PT, SI). For example, Greece has identified five major issues with regards to compatibility of SA and ESIF legal frameworks that have to be addressed (see Box 5).
Box 5: Major issues regarding compatibility of State Aid and ESIF rules identified in Greece

1. Different methods:
   - Different method for calculating amount of support for specific projects (e.g. funding gap vs specified aid intensity)
   - Private contribution when state acts as State aid beneficiary
2. Different rules
   - Different approach between incentive effect and eligibility period for ESIF support
   - Different enforcement periods between SA and ESIF rules
   - Different set of rules on financial instruments (selection vs in-house award)
   - ‘Beneficiary’ in terms of OPs and SA rules differs
   - Different eligibilities between approved OPs and GBER
   - ERDF legislative requirements vs SA rules (e.g. de minimis and firms in difficulty)
3. Different policies
   - Structural funds promote sector-oriented approach (RIS) while State aid rules require a non-selective approach (no sector specific)
   - SA and ESIF policies have two completely different approaches in the field of R&D
4. Different procedures
   - Numerous forms/databases (SANI, SARI, SFC, TAM)
   - Evaluation, monitoring and audit requirements
   - Publicity & transparency requirements
   - OP milestones & DG Comp procedures
5. Need for further guidance and clarifications:
   - Scope and method of application of SCOs
   - Application/interpretation of specific terms and rules (e.g. locality)
   - ETC projects


Other suggestions include limiting SA as much as possible (DK), or introducing specific changes to SA provisions regarding R&D and innovation support. For instance Sweden would welcome a renewed or complementary provision of ESIF support to project initiatives in the framework of ‘cluster formations’, or the application of GBER Art 30 in the context of industries other than fisheries and aquaculture, which would facilitate the management of a significant number of R&D projects.

5 EVALUATION ACTIVITY

Previous IQ-Net research highlighted the following general trends and features with regards to the evaluation activity in the 2014-20 programme period:

- The number of evaluations planned in 2014-20 marked a significant increase on the 2007-13 period, especially concerning impact evaluations.
- A regulatory change in emphasis from implementation evaluation to impact evaluation, as an essential element of the strengthened result-focus, has been a key innovation in 2014-20; results-focus has been largely internalised.
- In total, out of c. 2,000 ERDF/CF evaluations expected in 2014-20, 63 percent were expected to look at results/impacts of policies supported in both 2007-13 and 2014-20.
- Efforts to increase evaluation quality in IQ-Net programmes entailed ensuring data quality and measurability, flexibility of the Evaluation plan to match evaluation needs,
the early launch of process evaluations to generate additional knowledge, and coordination between implementation and evaluation bodies.

- Evaluation activity among IQ-Net programmes has been intensifying particularly since spring 2017, with a more recent surge in the second half of 2018.
- For most IQ-Net programmes, implementation evaluations were particularly high on the agenda during the first half of the period; impact evaluations gained more prominence in the second half. Some partners, however, adopt staggered or flexible approaches, or concentrate all evaluation activity in the later part of the programme period.

The Commission ESI Funds Annual Summary Report 2018\(^{35}\) and the accompanying Staff Working document\(^{36}\) synthesising the evaluation work conducted since 2016, note that despite considerable attention devoted to evaluation, it is still early to evaluate the results and impacts of the 2014-20 programmes due to the limited volume of completed projects. Most evaluations since January 2015 have been ex-post evaluations of 2007-13. The number of evaluations of the 2014-20 period is, however, increasing, with so far most of them being process/implementation or progress-oriented. The number of impact evaluations completed on the 2014-20 period is limited but expected to grow, although their start is likely to be delayed in MSs or thematic areas where implementation has been slower than expected. Nearly 50 percent of the impact evaluations are only planned to be undertaken after 2020.

### 5.1 Evaluation plans revisions

Over the last six months, revisions to the Evaluation plans have been (or are expected to be) made in about half of IQ-Net programmes (e.g. CZ, CZ IROP, GR, HR, PT, PV, Sco, WiM), in order to adjust the schedules and/or scope of the planned evaluations, as well as incorporate new evaluation activities or drop some of the initially foreseen ones. The main reasons for revisions have related to the following.

- **(Un)availability of evaluation material/information, related to implementation (im)maturity.** The timing of evaluations needs to be adjusted in line with the pace of implementation, as execution levels should justify carrying out a specific evaluation.
- **Pertinence considerations.** In order to capitalise on synergies between the results of different evaluations, it is sometimes appropriate to start some evaluations upon the completion of others.
- **Efficiency considerations,** prompting the aggregation of some evaluations or refinement of the respective scopes and/or objects of study.
- **The need to reflect the ongoing contextual uncertainties.** In Scotland, for example, the MA is intending to review the Evaluation plan depending on the outcome of negotiations over the UK’s future relationship with the EU.
- **The need to anticipate preparation for Cohesion policy post-2020.** The recent Evaluation plan revision of the CZ IROP aimed to incorporate new evaluation activities related to a 2021-27 OP (e.g. regarding the compulsory SEA and other regulatory requirements).

Many IQ-Net programmes have made no recent revisions to the Evaluation plans (e.g. Eng, FI, DI, DK, NL-W, Pom, SE, SI, Vla, Wal), although in some cases, changes were introduced
previously or are anticipated. Where there have been no official revisions, modifications have sometimes taken place in practice. In NRW, for example, more evaluations are taking place than envisaged by the Evaluation plan.

Given the need for Evaluation plans to reflect implementation dynamics and evolving evaluation needs, they have often been constructed in a way that foresees regular (e.g. annual) updates, provisions for ad hoc evaluations, or the annual preparation of Evaluation plans. In Portugal, the first two chapters (Context and Evaluation System) of the Evaluation plan have a more structural character, while the third (Planning of the evaluations) is expected to accommodate annual updates. Related methodological documents have also been subject to review. In the Czech Republic, for example, ‘the Methodological guidance on evaluations’ has recently been under scrutiny to prepare it for the post-2020 period, with the aim of revising and simplifying the evaluation obligations of the MAs.

5.2 Use of evaluation findings to inform changes

Some evaluation results have reportedly already been (or are being) implemented in the current period. In some IQ-Net Programmes, evaluation findings have provided material for programme revision(s) (e.g. DK, GR, HR, Sco). For example efficiency and effectiveness evaluations conducted by EYSSA provided material for 2018 OP revisions in Greece, e.g. regarding target-setting, changes in intervention logic, and adjustment to the PF targets. The 2018 mid-term evaluations of the ERDF and the ESF have also been used as a basis for OP changes in Denmark. Apart from fostering specific OP changes, evaluation activities have had an impact on the dynamics of ESIF implementation more broadly, including improving trust among actors involved in the ecosystem of Cohesion policy implementation due to the wide coordination of evaluation actions among relevant stakeholders (CZ). Some IQ-Net programme authorities expect evaluation findings to drive (further) change in 2014-20. The País Vasco ROP evaluation aims to support the drafting of the 2018 AIR and the allocation of the performance reserve. In a similar vein, the evaluations being carried out as part of the mid-term review in Pomorskie are looking for recommendations for ROP implementation, including on the use of the performance reserve.

Conversely, a range of IQ-Net managers note or expect no changes to programme implementation in 2014-20 as a result of the concluded evaluations (Eng, Fl, Sl, Wal), despite the possibility of some ‘fine-tuning’ to the ways of working (Fl). Among other factors, this is due to the late availability of evaluation results (e.g. in England, the impact evaluation results will not be known until 2021), or the fact that the finalised evaluations have not provided many new recommendations, confirming the relevance and adequacy of the pursued interventions (e.g. Pom).

Several IQ-Net programme authorities highlight that, even where certain evaluation findings could influence, or are already feeding into, programme implementation in 2014-20, the main impacts will be on the next programme period (NL-W, NRW, PT, SE, Vla). Most evaluations are still ongoing, whereas programme implementation is advanced, therefore there appears to
be little incentive or opportunity to introduce fundamental changes at this stage. Effects on the 2014-20 implementation thus tend to be limited mostly to targeted, practical changes (e.g. PT, Vla). The nature of the evaluations’ impacts upon ESIF implementation and their temporal relevance, however, largely depends on the nature of evaluation recommendations. Management-related recommendations are likely to prompt fine-tuning in the management procedures and operationalisation of the OPs, intervention types and forms of support still in 2014-20, whereas programmatic recommendations are expected to have an impact upon governance options, design of the support instruments and definition of policy options underlying ESIF programming in 2021-27 (e.g. PT).

Overall, most IQ-Net programme authorities expect evaluation results to inform post-2020 Cohesion policy. Changes are anticipated both in the areas of organisation and delivery of the programmes, and in terms of content. Evaluations are expected to inform, more broadly, policy choices underlying the negotiation and programming of post-2020 and relevant governance options, as well as the design of specific instruments (e.g. integrated territorial approaches, FIs), structures and procedures. Evaluation findings could support calls for a number of specific changes in 2021-27.

- Changes to calls for proposals (SE, SI), e.g. making the calls more targeted.
- Changes in the assessment of applications, e.g. better differentiation in the assessment between innovation and low-carbon applications (NL-W) and simplification of project selection procedures, e.g. shorter turnaround time (NL-W). Striving for a leaner administration, the MA and IB in NRW are considering whether or not to continue with the two-step procedure for project selection under the competitive calls in future.
- Changes to the requirements concerning the horizontal criteria and better mainstreaming of horizontal priorities (SE, SI), e.g. by providing more support to project applicants and promoters on how to integrate the horizontal objectives.
- Improvements to indicator systems (CZ IROP, SI), e.g. by avoiding shared indicators.
- Stimulating demand under specific priorities (e.g. promoting more demand for TO4 and TO1 projects in Denmark).
- Ensuring greater stability of structures for the future period (e.g. CZ).
- Informing post-Brexit planning (e.g. in England and Scotland, the main impact of the evaluations will be on the approach to the delivery of replacement programmes following Brexit and/or participation in future programmes such as ETC).

Evaluations are also expected to provide suggestions and prompt changes with regards to: project size, approach to ITIs, or role of the MC (Vla); and administrative simplification, mitigation of corruption, or application of financial instruments (CZ).

Across the IQ-Net Programmes, specific provisions have been formally or informally embedded in evaluation practices in order to promote greater ownership and impact of the results and ensure a continuous learning process (see Box 6).
Box 6: Learning from evaluation results – examples of IQ-Net Programmes’ approaches

The **Danish** approach to evaluation is to carry out multiple evaluations at project level which seek to demonstrate the effects of the project and the lessons learned. A single evaluator visits projects as soon as they have been awarded funds to develop an evaluation design; projects are then evaluated at the mid-term and the finalisation stages. Evaluations are used as a tool for internal knowledge sharing and to qualify project-related discussions, e.g. for seeking information about how to develop a stronger intervention logic and when developing calls for applications. The evaluations are also a useful basis for stakeholder discussions on the next programme period.

**Portugal** has established a formal procedure to follow-up the results and recommendations of all the evaluations carried out under the Global Evaluation plan. It aims to promote greater ownership and impact of the evaluations results and make their discussion and relevance broader, more transparent and more effective. The process invokes the principles of: (i) learning through reflection and self-assessment of the evaluation process for its continuous improvement; (ii) and usefulness in producing relevant and timely results for political and management decision-making, fundamental for (re)formulating policies and managing the programmes. Guidelines set out the objectives, steps, time-frame and responsibilities for the follow-up procedure.33

In **Sweden**, a synthesis report covering all evaluations is currently being developed by the MA. It will collect the key recommendations and conclusions that will be taken into consideration for the future period and, where possible, also for the current period. Related to this, a report prepared by VETA38 looked into how the evaluations have been used. It concluded that there is an ambitious, well thought-out and organised system to work with ongoing (learning) evaluations at all levels, but also recommended that the MA play a more central role in organising the regional learning process.

5.3 Impact evaluations

Impact evaluations are considered important and useful by the overwhelming majority of IQ programme managers (e.g. CZ, DK, Eng, GR, FI, NRW, PT, Pom, SE, SI, Wal, WiM). This type of evaluation is prioritised in some cases, and their growing importance and acceptance over time has been noted (CZ, ES, PT, SE, Wal). This relates not only to the increased result-focus in line with EU regulatory requirements, but also to the domestic choices and ambitions. These include the effort to deliver more knowledge-based and result-oriented regional growth policy (SE), as well as promote learning and increase the use of evaluation findings to inform decision-making more generally. Although impact evaluations were also carried out in the previous period, the approach has often evolved and been further extended. For instance in Wales, the Evaluation plan foresees undertaking around three-quarters of all evaluation activity using impact evaluation while in Portugal, impact evaluations have also gained prevalence in 2014-20.

**Box 7: Impact evaluations in IQ-Net Programmes 2014-20: selected examples**

In the **Czech Republic** (national level) four thematic impact evaluations of 2007-13 OPs, applying a counterfactual approach, were finalised by the end of 2018, targeted at R&D, enterprise & innovations, waste management, and energy savings.

Impact evaluations are a fundamental part of the **England** national evaluation, particularly counterfactual evaluations. These are intended to provide a new level of learning to the
impact of local growth interventions, particularly in relation to business support activity, which will both inform future programming as well as national policy development.

In Finland, the OP evaluation was conducted in three stages, focusing on: (i) governance and implementation, (ii) results, and (iii) impacts. The impact evaluation used theory-based and counterfactual approaches and covered both ERDF and ESF (final report expected in June 2019).

In Portugal, impact evaluations (theory-based and counterfactual) represent the largest set of planned and carried out evaluations, with a prevalence of evaluations that are thematic in nature and transversal to the different OPs. Evaluations focusing on the NSRF interventions in thematic areas where there is strong continuity between programme periods are also envisaged (and most have already been carried out or are in progress). Three recently finalised evaluations assess the ESIF impact on the performance of enterprises, dynamics of knowledge transfer and valorisation, and advanced training.

In Wales, the Evaluation of ERDF Infrastructure (2000-2013), currently underway, includes an element to consider the feasibility of undertaking an impact evaluation of infrastructure and sets out recommended methods. It also aims to assess the usage and maintenance of the new/improved infrastructure, and whether and how it works together within the three regions of Wales.

Despite the importance of impact evaluations, their execution can be constrained by a range of difficulties including:

- **Scale and data comparability.** Counterfactual evaluations are difficult to conduct in small countries (e.g. FI), due to lack of comparable groups.
- **Time.** Effects need to be evaluated with an adequate time gap in order to detect middle and long-term effects (e.g. CZ, PT).
- **Data availability / access to data.** In the Czech Republic, data shortages relate to the limited willingness to share relevant data among respective institutions (due to concerns about legislative hindrances) and within one particular institution.
- **Causality and measurability of impact** on macro-aggregates, and
- **Increased methodological requirements.** demanding significant time and resource investment, especially at initial stages, along with limited or absent previous experience.

Other issues raised in terms of the evaluation exercise more broadly include the need to coordinate evaluation activity to respond to the information requirements under the AIRs 2018 (Wal), and the need to broaden the currently limited evaluation market (PT).
Previous IQ-Net research highlighted an overall agreement with the underlying logic of the Performance Framework (PF) as it strengthened strategic management and built commitment to, and awareness of, targets. A number of implementation challenges were identified including:

- Perceived lack of flexibility and uncertainty;
- More time needed for elaborating PF elements and targets;
- Difficulty of identifying appropriate, good quality and reliable data for highly complicated indicators;
- Significant risks of not meeting the targets due to implementation delays and because targets were set too early; and
- Rigid rules and the punitive nature limiting the scope for experimentation.

In the context of the upcoming performance review, as part of Cohesion policy’s overall performance framework, the operational focus of most programme managers has been on meeting challenging targets for spending and results. The first performance review is due to be carried out by DG Regio in the second half of 2019 and will examine 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 will result 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.

Some IQ-Net programme managers reported that PF related milestones were met. In Vlaanderen, for example, all the output and result indicators are on track and milestones have been met, although this is due in part to the European Commission’s decision to take into account outputs in ongoing projects rather than only outputs of closed projects as originally planned. The targets were also met in Pomorskie and Finland without major difficulties and some milestones (e.g. Research, Development and Innovation targets in FI) were exceeded.

While generally most milestones were achieved, the majority of IQ-Net managers reported that some milestones relevant for the performance reserve were not met. West Netherlands, NRW and Bizkaia expect to meet the final targets at the end of the programme period but did not meet some 2018 milestones linked to Priority Axes on low carbon (NRW and NL-W), social inclusion (NL-W), and Sustainable Urban Development (NRW). Certain milestones were also not met in Austria, Croatia, Czech Republic, England, Portugal, Scotland, Slovenia, Sweden, Wales, Warmińsko-Mazurskie, with underperformance ranging from minor to more serious across Priority Axes.
Previous modifications of OPs have facilitated the achievement of some milestones and/or are expected to help reach the targets. OP revisions altering the milestones have, in some cases, allowed their achievement at the end of 2018 (AT, CZ, DK, GR, SE, SI, WiM). In England and under one OP in Sweden, however, a request to modify the milestones was rejected by the Commission.

Preparations have already started for the 2019 performance review. IQ-Net programme managers are aware which Priority Axes have not reached the 2018 milestones and will most likely not receive the additional allocation from the performance reserve, thus requiring re-programming of the amounts envisaged under the performance reserve to other Priority Axes. Concrete preparatory measures range from compiling qualitative and quantitative data from the IT system (Sco), preparing political orientations/guidance with regards to the reallocation of the performance reserve (PT), to consultation with stakeholders on where to move funding from allocations in Priority Axes that did not achieve milestones (Eng). In terms of timing, the performance review is not yet a key concern for the MA in Denmark, as discussion about distribution of funds will occur only once the performance reserve is released. In Warmińsko-Mazurskie, the drafting of the AIR for 2018 is still in progress, while NRW is waiting for official approval after the submission of a revised version. England expects to submit the final modified OP to the EC in autumn 2019, consolidating information on funding reallocations in underperforming Priority Axes.

Some IQ-Net programme managers will use the requirement for OP modification related to re-programming the performance reserve as an opportunity to engage in a wider review of the programme (Pom, Sl, Wim). In Warmińsko-Mazurskie and Pomorskie programme modification will also address recommendations from the mid-term evaluation.

The following challenges or potential issues in relation to the performance review were identified:

- over-fulfilment of milestones leads to uncertainty whether OP modification needs to follow or whether the issue can be addressed in the AIR (CZ);
- the continued respect of thematic concentration obligations after reprogramming (PT); and
- in some cases, moving the performance reserve from one Priority Axis to another, thereby lowering the allocation to the former, could endanger the implementation of projects until 2023 and achievement of targets (SI).

The overall rationale for a performance framework remains strong. However, the practical implementation is problematic in many respects and should be improved in the upcoming programme period along with a number of other recommendations and lessons.

- **The balance needs to be right between fast implementation and sufficient time for preparation and adaptation.** IQ-Net programme managers have emphasised the time it takes to reach results. Allocating the funds faster would have improved the implementation of the performance framework but this might have been to the detriment of good quality projects (Biz, CZ, NL-W, NRW, WiM).

- **Clarity of rules is needed to provide certainty for implementation** (CZ, Pom, PT, Vla). An example of this is the uncertainty whether partially completed projects could be taken into account for the performance review.

- **Choosing realistic milestones and targets is essential** (CZ, Pom, SE, SI). It is important that indicators are chosen carefully and are broad enough to be used by different types of projects and without overly ambitious targets (SE). In this respect, it is also important to note that the context might change between the time targets are set and the completion of projects (CZ, DK, Eng, PT). The projection of targets should take into account, along with the previous experience, the specific phase of the economic cycle at which the planning takes place, as well as the new regulatory requirements and constraints at the start of the programme period (PT). Moreover, there is a need to differentiate between different types of projects (revenue generating, grants, FIs, etc.) (Sco). In Sweden, a key lesson therefore is to play an active part in the early negotiations when discussions are focusing on the indicators to be included in the CPR.

- **Reducing administrative requirements under the performance framework is needed.** Representatives from the Czech Republic pointed out that the benefit gained from the performance review is questionable with respect to the necessary administrative complexity and demands. In Croatia, a need for institutional capacity building was identified to meet the administrative requirements. In Slovenia, reducing the administrative burden, along with introducing some room for manoeuvre under the PF and n+3, might be possible by combining more than one ESI Fund and more than one type of region within a single OP. Nevertheless, in NRW and Austria, the PF is seen as too restrictive and unnecessary as implementation would be monitored anyway.
7 PREPARING THE REFORM OF COHESION POLICY 2021-27

7.1 State of the negotiations and next steps

More than one year after the publication of the proposals on the Multi-annual Financial Framework (MFF) and the Cohesion policy legislative package, negotiations are still underway with differential rates of progress on the budgetary and regulatory issues. The process started with the European Commission presenting the proposals for a future MFF on 2 May 2018, followed by the proposals on Cohesion policy on 29-30 May 2018. Since then, negotiations on these proposals have been ongoing within and between the European institutions and stakeholders.

The negotiations on the MFF are crucial for Cohesion policy for two reasons. First, the MFF determines the final amounts allocated to Cohesion policy globally and within the Member States. Second, it was decided to integrate in the framework of the negotiations on the MFF controversial elements of Cohesion policy implementation such as the transfers of financial allocations between Funds and to other instruments, thematic concentration rules, co-financing rates, and decommitment rules. This means that, until an agreement in the MFF negotiations is reached, uncertainty persists on key elements which are important in the context of preparing the OPs.

It is, however, difficult to predict by when an agreement on the MFF can be reached. The current Romanian Presidency of the Council aims to make significant progress at the June European Council, with a view to achieving an agreement in the European Council in autumn 2019. An agreement reached by the Heads of State also requires the approval of the European Parliament through the interinstitutional process which means that potentially lengthy negotiations will follow any Council agreement. For comparison, an agreement on the MFF for the period 2014-20 was only reached in late December 2013, a couple of days before the start of its implementation.

Negotiations on the Cohesion policy regulations have made some progress, with most of the legislative issues agreed in the Council committees. They will be approved through a co-decision procedure in which the Council and the European Parliament act as co-legislators on an equal footing. The European Parliament has already adopted all individual texts in first reading in Spring 2019 and the Council’s position is expected to be formally adopted by the end of June 2019. After the summer break and the start of the new Parliament following the European elections in May 2019, the co-legislators will meet together with the EC to agree on a common text.

Based on past experience and a reading of the current state of negotiations and context, IQ-Net programme authorities expect further delays to the adoption timeline (AT, NRW, SI, WiM). Initially, the European Commission and the European Parliament had already hoped to adopt the legislation before the EU elections, which means that the anticipated timeline is already delayed. Moreover, negotiations might prove difficult as policy-makers in new positions may
need some time to familiarise themselves with the files and unexpected difficulties may arise. The Cohesion policy legislative acts also cannot be officially adopted until the MFF is adopted.

**A timely adoption of the legislative framework is crucial** in order to ensure an efficient implementation and a timely start of the programme period and reduce absorption pressures. Specifically, IQ-Net programme authorities have noted the following potential consequences of a delayed adoption of the legislative framework.

- Delays are a concern in Portugal due to high demands for speedy financing under some funded themes such as business support.

- In the Czech Republic an approximate allocation for particular OPs is not specific enough to decide e.g. on the level of co-financing rates for beneficiaries but this level has a direct and substantial influence on the interest of potential applicants.

- In Slovenia there could be a substantial change of funding for transition regions, which remains unclear at the moment.

- A delayed start of the programme period is incompatible with implementation requirements, notably n+2 (CZ, NRW). In NRW the late start of the current programme period 2014-20 is seen as the reason for not achieving intermediate milestones and targets under two Priority Axes. A similar situation is likely if the start of the 2021-27 period is delayed.

- Increased implementation pressures due to delays are likely to limit implementation flexibility in Warmińsko-Mazurskie for the MA and beneficiaries.
7.1.1 Reaction to initial proposals

The views of IQ-Net programme authorities on the initial proposals were collected through an online survey and substantiated during the fieldwork. The survey revealed an overall positive assessment and improvements in comparison to the 2014-20 rules in a number of areas while three components (eligibility, financial instruments and monitoring and evaluation) were seen as remaining similar to the previous programme period. IQ-Net programme managers had overwhelmingly negative views on the proposals for the mid-term review and the provisions on TA (see Table 2).
Table 2: IQ-Net views on original CP legislative proposals

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Source: Authors based on online survey

IQ-Net programme managers overwhelmingly agree with the proposed discontinuation of the following requirements of the 2014-20 period:

- Designation procedure
- Revenue generating projects
- Additionality verifications
- Major projects

About half of the respondents to the survey, however, would have liked the Common Strategic Framework to be continued.

In addition to the general overview provided through the survey, IQ-Net programme authorities highlighted the following issues.

- **N+2.** As an overall principle, project quality and results should be more important than fast spending. In this respect, the current n+3 rule is seen as extremely important in Croatia, NRW, Pomorskie, Slovenia. Vlaanderen and Czech IROP noted that obligations to incentivise faster spending might lead to reduced investments in larger projects, which tend to be implemented more slowly than smaller projects. The Czech Republic underlined that the n+2/n+3 rule is cumbersome as it does not respect the normal dynamics of the programme cycle, which entails lower spending rates at the beginning and higher spending rates towards the end.
• **Unforeseen administrative burden.** Some IQ-Net programme managers noted that the proposed regulations might entail potential or unforeseen administrative burden. This is due to vague wording of some parts of the proposals which could lead to different interpretations of the same rules or auditors might apply stricter interpretations than the MAs (NRW). In Pomorskie a question was raised about how the criteria of fulfilling the enabling conditions would be applied in practice and Vlaanderen wondered whether the requirement to monitor their continued fulfilment would lead to additional administrative burden. Moreover, there was some uncertainty about the territorial instruments and about how sustainable urban development interventions contribute to the calculation of thematic concentration obligations (NL-W, NRW, Pom).

• **Frequency of data reporting.** NRW representatives noted that the obligation to provide implementation data every two months was too frequent as it would not be possible to ensure that only verified data was sent. This requirement would be particularly burdensome for small OPs (Vla), although the administrative burden associated with the validating information prior to its transmission is generally considered significant. Furthermore, the two month timetable for all data transmissions is viewed as insufficiently differentiated in terms of type of data to be transmitted (PT). In this regard, clear reporting milestones and dates should be agreed and fulfilled, taking into account different types of information concerned.

• **Level of funding.** The levels of funding and their calculations remain a key issue for IQ-Net programmes (as discussed in the last IQ-Net paper).

### 7.1.2 State of the negotiations

During the negotiations on the future of Cohesion policy **most of the key issues of IQ-Net programme authorities were addressed.** In some areas, such as technical assistance provisions or data reporting, the negotiations seem to address key concerns. However, there are other areas, including the mid term review and n+2, where concerns expressed do not appear to have resulted in changes. Table 3 presents an overview of key issues in the negotiations and the current considerations although, on most issues, no final agreement has been reached and the provisions are likely to change as negotiations move on.

<table>
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<th>State of negotiations</th>
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| Thematic concentration (TC) | • No agreement has been reached yet, but the thresholds seem likely to be decreased.  
                              | • TC should apply at national level according to the EC proposal but some MS suggested applying TC at regional level.  
                              | • Calculating TC levels based on spending categories rather than strictly by Policy Objective is an option currently being discussed.  
                              | • Measures to ensure the compatibility of TC requirements and the European Semester recommendations are also being discussed. |
**Partnership Agreements (PA)**
- A number of MS would like to make the drafting of PAs non-binding for small MS or MS with a small number of OPs.
- This proposal is a major concern for the CoR and territorial associations CPMR and CEMR who see it as part of a trend towards weakening the partnership principle.

**EAFRD integration**
- The EP has voted to re-integrate the EAFRD into the CPR but MS seem to prefer to keep it under CAP as in the EC proposal. In practice, it seems difficult to re-integrate as negotiations on the CAP have been evolving in parallel and realigning to the CPR would be challenging.
- Integration of EAFRD in CLLD to remain possible and facilitated by the possibility to designate lead fund whose rules are to be followed.

**Mid-term review**
- A compromise to limit the mid-term review to 50% of the 2026 and 2027 allocations is being discussed.

**N+2**
- N+2 likely to be maintained but proposal to return to n+3 for the first years of implementation if there is late agreement on legislation.

**Technical Assistance**
- A compromise to let MS choose whether to apply EC proposal or 2014-20 arrangements is being discussed.

**Enabling conditions**
- Some controversy about horizontal enabling conditions in Council.
- EC intends to keep light approach avoiding burden on MA. MA would only need to justify fulfillment of conditions in OP but no further obligations provided that context remains the same.

**Co-financing rates**
- Co-financing rates are to be established at the level of Priority Axis according to EC proposal but discussion about establishing it at the level of OP or even MS has been raised to increase extra flexibility.

**Data reporting frequency**
- Council likely to reduce the number of times for transmission of data from 6 to 4 times.

**Transfer of resources**
- Diverging opinions between EP (disagree) and Council (in favour)

**Level of funding**
- EP proposes to increase the amounts to ‘at least at the level of the 2014-2020 programming period’. Council likely to oppose.
- Ongoing discussions on special allocations for coal regions and regions likely to be negatively impacted by Brexit.

Source: Authors based on fieldwork

Finally, it should be noted that the European Commission still intends not to issue any guidance documents and rely on desk officers to resolve any questions on a case-by-case basis.

### 7.2 Preparations for implementation

In parallel with the ongoing negotiations on the legislative proposals, preparations of the OPs have already got underway. This section presents the different thematic and organisational preparations of IQ-Net programme authorities in terms of preparation for the 2021-27 period.

#### 7.2.1 Preparing the content of OPs

Three elements influence the content of the 2021-27 programmes: the European Commission’s ‘Investment Guidance on Cohesion Policy Funding 2021-2027’ (Annex D); domestic investment strategies; and findings from evaluations of the current programme period.
Annex D

In the context of efforts to strengthen the link between the European Semester and Cohesion policy, the European Commission provided formal input into the preparations of the OPs through the ‘Investment Guidance on Cohesion Policy Funding 2021-2027’. These were adopted by the Commission as Annex D to the country reports of the European Semester on 27 February 2019. IQ-Net programme authorities tend to agree with the broad messages outlined in ‘Annex D’, but some reservations have been expressed. In NRW, for example, specific uncertainties within the document relate to the potential impact of different definitions of SMEs and innovation, which diverge between the EU and Germany. In Finland, the Commission has recommended in its country report a concentration on PO1 and PO2 on the basis that limited funding should be focused on these two key priorities. However, there are calls to have some funding available for PO3, at least in the East and North, in order to continue the activities that have started in the current programme period. French regions were missing a stronger focus on sustainable urban mobility measures and found the suggested thematic intervention areas under PO5 too restrictive. Given these reservations, the question remains as to how far the guidelines within the document are binding or whether there is room to adapt to individual needs that are not covered in the Annex.

Link to domestic investment strategies

Another key factor influencing the content of the documents concerns the existence of domestic strategies and their links to the OPs. Some domestic strategies are required by the CPR regulation as creating or renewing sectoral/cross-sectoral strategies is considered to provide ‘enabling conditions’ for effective Cohesion policy investments. However, some domestic investment strategies go beyond the requirements of the CPR regulation. For example, a National development strategy (HR), a National Investment Programme 2030 (PT), and a new national strategy for regional growth (SE) serve as the foundation for the concrete preparation of the OP. In Warmińsko-Mazurskie, an update of the social and economic development strategy was initiated. Pomorskie is following an approach to programming based on a logic that builds on a succession of strategic frameworks (the regional development strategy, regional strategic programmes, the ROP). In the Czech Republic, close cooperation took place with other Member States in the Visegrad V+4 group. This cooperation fed into a national debate on Cohesion policy post 2020. A key strategic document serving as a basis for definition of thematic priorities for ESIF funding is being prepared. In parallel, a comprehensive national ‘Strategy of Regional Development of the Czech Republic 2021+’ is being drafted ensuring links with EU funding.
Box 8: Domestic investment strategy in Warmińsko-Mazurskie

At a strategic level, OP preparations are advanced. Last year, an update of the social and economic development strategy of the Warmińsko-Mazurskie Voivodeship was initiated. The diagnostic stage has been completed, the Strategy’s assumptions have been developed and updated and the institutional system has been created. A discussion has been initiated about possible development scenarios of the region. A number of questions still need to be answered including how the energy potential of the region can be increased and what should best be done to prepare for climate change.

Central role of evaluations.

Evaluation reports of the 2014-20 programme period are the third key element determining the content and structure of future OPs.

- In Sweden preparations for the future programme period were started in 2016 through an internal project which aimed to look at lessons learned, mistakes and what has worked well in the current programme period.
- In Pomorskie the mid-term review and review of the implementation system of the ROP 2014-2020 include recommendations for the 2021-27 period and in Vlaanderen, the mid-term evaluation of November 2018 is the main reference document for the post-2020 programme preparations.
- The Czech Republic uses the findings of a series of evaluations/studies for preparatory work for the new OPs. The study undertaken in preparation of the 2020+ period, for example, covering ESIF implementation structures and features in selected MSs (including with regards to FIs, integrated territorial tools, and legislative adaptation for ESIF), is expected to provide inputs for 2021-27.
- A major event will be organised in NRW in mid-2019 to discuss the future approach and thematic orientation of the OP. The process will be informed by a presentation of the impact evaluations.
- Partly based on the mid-term evaluation recommendations, thematic working groups in Vlaanderen will be combined for ERDF and ESF and the MA expects further cooperation between the two funds.
- In reaction to evaluation recommendations, the MAs in Vlaanderen and Denmark aim to reduce the number of priorities and specific objectives under each priority in order to simplify implementation in the upcoming programming period.

7.2.2 Organisational aspects

Preparations for the next programme period 2021-27 are context dependent and involve significant coordination efforts between territorial levels, sectoral ministries, and a wide range of stakeholders.

OP drafting schedules
IQ-Net programme managers are prepared to react to developments and delays of the negotiations. Managing authorities remember the late adoption of the 2014-20 Cohesion policy regulations which delayed implementation by almost one year. The Portuguese authorities are carefully following the developments in the negotiations in order to avoid any obstacles arising and allowing for an early reaction. Sweden is taking precautions to avoid any delays being passed on to the project owners and Slovenia has set itself a target to start implementation on 1 January 2021, irrespective of the approval of the programme. Similarly, the MA of the West Netherlands OP recognises that the available funding may still change due to the negotiations but expects this will not require large alterations to the programme. As a result, they intend to stick to the current timing and envisage a submission of the draft OP in 2020. The territorial association of French regions (Regions de France) confirmed that a delay in the adoption of the legislative package would lead to delays in the start of implementation of Cohesion policy programmes but assumes that practical solutions will be found, given that the impact of the delays would not be higher in France than anywhere else. In Pomorskie, the MA has already carried out work on the strategic level and any changes in the EU timeframe do not significantly alter expectations.

IQ-Net partners have already started to prepare the OPs, however, the actual drafting phase is only starting in the second half of 2019 and carries on into the spring of 2021. The Czech Republic already approved the general OP structure including a detailed schedule of further actions in January 2019. In France preparations for post 2020 at OP level are only just beginning. Some initial meetings with the European Commission as well as with relevant stakeholders have already been held and initial domestic discussions on technical issues are ongoing (FI, FR, NRW). Kick-off meetings with the EC to discuss the preparation of the OPs have already taken place in France and the Czech Republic. In País Vasco, a consultancy firm was contracted in March 2019 for a two-year period to support the process of planning the next regional programme, and in Austria the procurement process for the drafting of the 2021-27 ERDF OP has already been started and a decision about the successful bid was taken in early May. Warmińsko-Mazurskie and Pomorskie will adopt the structure and framework for the future OPs in June. Austria noted that the EC requested a timetable for their preparations by the summer of 2019 and Finland found that the Commission’s request for a first draft of the OP to be done by early spring 2020 was quite challenging, particularly in the light of elections to the Finnish Parliament in April 2019. Programme authorities in the Netherlands and Austria have reported that they aim to submit the OPs before the end of 2020. According to the planning of MAs and the likely delays in adopting the legislative framework, it is likely that OP approval will last into 2021.
Figure 8: Detailed drafting schedule in Finland

Context of OP preparation

Some IQ-Net managers emphasised that continuity was an important consideration in the preparations for the next programme period. In the Netherlands, the four OPs which have been in place since 2007 are set to continue despite a general opposition towards Cohesion policy by the Dutch Finance Ministry. In the Czech Republic, institutional memory from the previous programme period exists thanks to stable staffing in the MA and intermediary bodies of the Integrated ROP and this facilitates continuity and coherence with past interventions.36

Changes in domestic political and institutional contexts, however, can have an impact on the preparations for the next programme period. In Finland, for example, a formal policy position from the Government has been delayed following the Parliament elections in April 2019. In France, the number of regional OPs will be reduced following a territorial reform in 2016, which
resulted in a merger of regions. In Vlaanderen it is now confirmed (somewhat unexpectedly) that Limburg will also be a transition region, meaning that the budget allocation for Limburg will be implemented in a separate programme. The same applies to the province of Flevoland within the West Netherlands OP, which is set to receive additional ERDF funding in the next programming period.

The economic context also plays a role in Finland, where the regions of the West and South Finland have published a position paper arguing that East and North Finland have developed significantly as a result of ESIF support and therefore there was no longer a need for a separation between the two larger areas in Finland (North and East vs. South and West) in the 2021-27 programme period. The need for special funding for sparse population should be maintained in East and North Finland. In the South and West it is therefore argued that Cohesion policy funds allocated to Finland for the post 2020 period should be distributed in a more balanced way through a single OP covering mainland Finland.

Coordination between different territorial levels, sectors and stakeholders

In terms of territorial and sectoral coordination, IQ-Net programme managers have reported the creation of specific organisational entities to support this process. Examples of this include ongoing intergovernmental discussions (PT, SE, SI), ‘special units’ (SI), ‘working groups’ (CZ, FI, FR, PT, SE, Vla), a ‘task team’ (WiM), workshops (CZ, NRW) and major events and conferences (CZ, NRW, PT, SE).

One example of a comprehensive approach can be found in Portugal. The aim here has been to develop a coherent logic which is not yet focused on the source of financing but rather on developing a broad strategy for the economic and social development of Portugal. It has involved the following steps:

- A roadshow presenting the main guidelines and priorities for the economic and social strategy for the next decade (Portugal 2030), involving consultations with main sectoral and territorial stakeholders.
- Joint declaration between the Government and the main opposition party on the main priorities for the Portugal 2030 strategy.
- Sectoral preparatory steps regarding the planning of investments in infrastructure (transportation, urban mobility, environment, energy, agriculture). The National Investment Plan was concluded by the Government at the beginning of 2019.

Extensive cooperation between the national and regional levels has been reported in Finland, Denmark and Sweden.

- In Denmark a bottom-up approach is being taken whereby regional workshops are being organised to provide input for an overarching strategy and to discuss the European Commission’s guidance and the proposed TOs (Annex D). A national workshop will follow.
• In Sweden, the government has organised a national conference ‘Regional Growth policy in transition’ which was the official kick-off to start the preparations at the regional and national level for the next programme period. The regions have submitted their respective regional priorities to the Government, which will feed into the future Cohesion policy preparations as well as the new (domestic) strategy for regional growth.

• In Finland, the OP preparation is coordinated by the Cohesion 2021+ working group. It includes representatives from the regions, ministries and other organisations, and meets once a month focussing on specific themes such as circular economy, climate, inequality and exclusion. There is also a more informal ministerial discussion group, which gathers before the meetings of the Cohesion 2021+.

The biggest issue for Regions de France (Association of French Regions) is the distribution of future competences for the implementation of Cohesion policy funds. ERDF management is set to remain with the Regions, although the situation remains undecided in the case of the ESF. Currently the Regions manage a third of the total ESF allocation, with two thirds managed by the central state, and Regions de France would like to increase the share managed by the regions. Finally, domestic discussions seem to be blocked on how the EAFRD should be managed (regionally or centrally).

Vlaanderen, NRW, the Czech Republic and Portugal have reported a special focus on stakeholder involvement.

• The MA in Vlaanderen is preparing to involve stakeholders early-on in the programming stage in order to encourage a timely start for project calls and the engagement of beneficiaries by setting-up designated working groups per priority (pending political approval).

• In NRW, the MA has started preparing the next programme period by organising talks with all relevant stakeholders. A concept note was prepared to guide the talks and a major event will also be organised bringing together all potential stakeholders to discuss the future approach and thematic orientation of the OP.

• In the Czech Republic, several round tables to debate particular themes were organised and a ‘sharepoint’ for document and information sharing was established. These measures are designed to support the entire preparatory process and promote the partnership principle. Moreover, the importance of informal contacts for coordination activities was highlighted although these require low levels of staff fluctuation and sufficient trust among involved stakeholders.

• In Portugal, the National Investment Programme 2030 (PNI 2030), as an integral part of the economic and social strategy for the next decade (Portugal 2030), was built in an open and participative way in order to reflect the country’s choices regarding the major structuring investments. A broad public consultation process was conducted,
involving a wide range of economic and social actors, to reach a national consensus regarding the medium and long-term strategic infrastructural investments to be made.
Notes
1 total expenditure eligible for reimbursement as reported by beneficiaries
2 including pre-financing
3 https://cohesiondata.ec.europa.eu/overview
4 as a percentage of planned expenditure
5 on 31 January, 31 July and 31 October, these data covering the periods up to 31 December, 30 June and 30 September
7 Over the six-month period for which the financial progress is analysed (based on the most recent available data, i.e. June 2018 – December 2018), the overall increase in the commitment and spending rates across EU programmes has been more significant than in the comparable previous six-month period (December 2017 – June 2018). The EU average commitment rate has seen a 13 percent increase (compared to 8 percent in a preceding six-month period), while the EU average spending rate has seen a 9 percent increase (compared to 3 percent in a preceding homologous period).
8 Although it tends to cover different time periods and different OP types (national, regional, ERDF, ESF and multi-fund OPs), so direct comparisons should be avoided.
10 Total net initial pre-financing plus net annual pre-financing plus net interim payments. The planned EU amount data is reported from the System for Fund Management in the European Union (SFC2014) based on the latest adopted version of the programmes.
11 As in the case of the commitment and spending rates, over the last analysed six-month period (November 2018 – May 2019), the overall increase in the EU payment rates across EU programmes has been more significant than in the preceding six-month period (May 2017 – November 2018), constituting 9 percent (compared to 5 percent in the previous six months).
12 From January 2019, the previous secretariat function for the RGF was moved to the Danish Business Authority in Silkeborg, which now serves as both the MA and the secretariat for Denmark’s Business Promotion Board. The six cross-municipal business development centres will contribute to the strategy of Denmark’s Business Promotion Board. They will also be beneficiaries of ERDF and ESF co-financed projects, which poses some challenges regarding the ‘arm’s length principle’.
13 https://gov.wales/preparing-wales-brexit/eu-funds
15 The re-orientation of priorities and mobilisation of complementary sources of financing, inter alia, implies reduction in allocation or discontinuity of certain typologies, due to e.g.:
- financing through alternative sources (e.g. national funds, EIB or private operators)
- re-orientation of financing modalities (e.g. substitution of FIs with other forms of financing)
- areas in which initial over-allocation took place (e.g. social innovation and business support FIs)
- intervention typologies discontinued through a political option.
16 http://www.eprc-strath.eu/ignet
18 Art. 52 of Regulation 1303/2013.

20 Actions taken to fulfil the ex ante conditionalities not fulfilled at the time of the adoption of the PA only apply to the PR submitted in 2017.

21 http://www.eprc-strath.eu/iqnet

22 The AIRs to be submitted by 30 June 2019, in addition to the information referred to in Art 50(2) and Art 50(3) CPR, should include information on, and assess progress towards, achieving the objectives of the programme and its contribution to achieving the Europe 2020 strategy. Specific information to be covered in the AIR submitted in 2019 is set out in Art 111 CPR.

23 Lehuraux T (2017) op. cit.

24 For example in Portugal, given the overall high levels of commitment and lower execution rates, and given that in some Priority Axes and IPs the already decided approvals and commitments absorb existing allocations, the variable of implementation failures has been introduced into the strategic budgetary management of the OPs. The MAs may initiate mechanisms to enable them to overcome, in terms of approvals, the amount of the budget allocation foreseen under each IP, in order to compensate for future failures. The allocation for new approvals, including overbooking, will be determined by: (i) the initial allocation; (ii) total approvals; (iii) net approvals of the already closed operations; and (iii) estimated hazard rates for the already approved (not yet closed) and yet to-be-approved operations.

25 Due to the nature of the target group not including private companies

26 http://www.eprc-strath.eu/iqnet

27 Under Art 9 of GBER, it is not clear whether the MS should inform about the amount granted at the level of a project or a single beneficiary/partner (HR).

28 In case of grant schemes subject to SA the process is complex since the grant contract is signed only with the (main) beneficiary and it is not always clear who the beneficiary of the aid is (HR).

29 It has also been highlighted that the need to secure adequate absorption sometimes requires from the MS to start with project implementation before the formal project approval for EU financing, while on the other hand the SA-imposed ‘incentive effect’ de facto forbids such practice (HR).


32 http://www.eprc-strath.eu/iqnet


42 As of mid-May 2019


45 This also applies to the national level.