



## **REVIEW OF THE BALANCE OF COMPETENCES COHESION POLICY**

### **Response by the Institute for European Environment Policy**

#### **1 INTRODUCTION**

The Institute for European Environmental Policy (IEEP) is an independent research organisation concerned with policies affecting the environment in Europe and beyond. Our aim is to disseminate knowledge about Europe and the environment and to analyse and present policy options. We undertake research and consultancy on the development, implementation and evaluation of environmental and environment-related policies in Europe. We work closely with the full range of policy actors from international agencies and the EU institutions to national government departments, NGOs and academics. IEEP has offices in London and Brussels and a network of partners in other European countries. The London office of IEEP was founded in 1980, the Brussels office in 2001. A presence was established in Finland in 2008. For further information, see: <http://www.ieep.eu>.

#### **2 SOURCES OF EVIDENCE**

Over a period of years the Institute has established some familiarity with the development and evaluation of EU Cohesion Policy. Our activities in this sphere have included both academic and applied research work, sustained interaction with the European Institutions, national officials engaged in EU matters and other stakeholders from civil society, business, science, research and elsewhere, the organisation of conferences and events, evidence to the European Parliament, parliamentary committees in the UK, etc.

We have undertaken research and consultancy work on Cohesion Policy related issues for various Directorates-General (DGs) within the European Commission including DG CLIMA, DG ENV, DG REGIO and DG RTD, the European Parliament, Committee of the Regions as well as for independent foundations. A number of published reports cover different aspects of EU Cohesion Policy, including the integration of sustainable development into the Cohesion

Policy<sup>1</sup>, guidance on how to help investing in nature and green infrastructure under Cohesion Policy<sup>2,3</sup>, how to climate proof Cohesion Policy investments and Operational Programmes<sup>4,5,6</sup>, how to biodiversity proof the future Cohesion Policy<sup>7</sup>, the use of financial instruments and revolving funds for climate action<sup>8</sup> and policy recommendations for the use of sustainability indicators in Cohesion policy among others<sup>9</sup>.

Even though the review of the balance of competences in the area of Cohesion covers not only the EU Cohesion Policy but also the Trans-European Networks and EU Industrial Policy, this paper's main focus is on EU Cohesion Policy.

### 3 BACKGROUND

Historically, EU Cohesion Policy has sought to address regional disparities and bring structural change to the economies of European regions 'lagging behind'. Cohesion Policy and its structural instruments provide a mechanism for re-distributing an element of the EU's budget which itself represents only about 1 per cent of the Union's GDP. The level of redistribution is rather modest in relation to the scale of the EU economy and expenditure is traditionally focused primarily but not exclusively on economic and social objectives, which emphasise job creation and economic growth. Cohesion Policy has a role in the shaping the economic models deployed in Europe and the extent to which sustainable development, as referred to in the EU Treaties, is pursued in practice. The Cohesion Fund in particular has played a critical part in helping less developed countries in catching up with EU standards and the implementation of EU environmental legislation, particularly in the fields of wastewater treatment and waste management. In this sense it has made an important

---

<sup>1</sup> Hjerp, P., Medarova-Bergstrom, K., Cachia, F., Evers, D., Grubbe, M., Hausemer, P., Kalinka, P., Kettunen, M., Medhurst, J., Peterlongo, G., Skinner, I. and ten Brink, P., (2011) [Cohesion Policy and Sustainable Development](#), A report for DG Regio, October 2011

<sup>2</sup> Hjerp, P., ten Brink, P., Medarova-Bergstrom, K., Mazza, L. and Kettunen M. of IEEP, together with McGuinn, J., Banfi P. and Hernández G. of Milieu. (2013). [The Guide to Multi-Benefit Cohesion Policy Investments in Nature and Green Infrastructure](#). A Report for the European Commission. Brussels.

<sup>3</sup> Kettunen, M., McConville A., and van Vliet, W. (2012) [Handbook on Financing biodiversity in the context of the European Fund for Regional Development \(ERDF\)](#), Practical guidance based on the lessons learned from SURF Nature project (ERDF Interreg IVC)

<sup>4</sup> Hjerp, P., Volkery, A., Lückge, H., Medhurst, J., Hart, K., Medarova-Bergstrom, K., Tröltzsch, J., McGuinn, J., Skinner, I., Desbarats, J., Slater, C., Bartel, A., Frelh-Larsen, A., and ten Brink, P., (2012), [Methodologies for Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy](#), A report for DG Climate, August 2012.

<sup>5</sup> Medarova, K. and Baldock, D., (2012) [Climate mainstreaming in the next MFF and Cohesion Policy: Progress to date](#). IEEP: Policy Brief.

<sup>6</sup> Illés, A. and Medarova-Bergstrom, K. [forthcoming] Mainstreaming climate objectives in EU Cohesion Policy – a guidance.

<sup>7</sup> IEEP, GHK and TEPR (2012) [Background Study Towards Biodiversity Proofing of the EU Budget](#). Report to the European Commission. Institute for European Environmental Policy, London.

<sup>8</sup> Medarova-Bergstrom, K., Volkery, A., Sauter, R., Skinner, I. and Núñez Ferrer, J. (2013) [Optimal use of the EU grant and financial instruments in the next multiannual financial framework to address the climate objective](#). Final report for DG Climate Action, European Commission. Institute for European Environmental Policy, London/Brussels.

<sup>9</sup> Bassi, S., Mazza, L., ten Brink, P., Medarova, K., Gantioler, S., Polakova, J., Lutchman, I., Fedrigo-Fazio, D., Hjerp, P., Baroni, L. and Portale, E. (2011) [Opportunities for a better use of indicators in policy-making: emerging needs and policy recommendations](#). Deliverable D7.2 of the IN-STREAM project.

contribution to environmental policy goals and this role is expected to continue particularly in relation climate policy goals.

The political realities of the European Union are changing, as is the context for Cohesion Policy. Long term challenges such as climate change, energy security, resource scarcity (raw materials, water), biodiversity loss, declining global competitiveness, and an aging society as well as the political stability of the EU's neighbours have become some of the key strategic priorities of the EU. These are coupled with short-term threats such as increasing sovereign debt and fiscal discipline which require intelligent, timely and forward-looking policy responses. At the same time, the implementation of EU legislation in a number of spheres, including the environment, continues to pose considerable challenges in an enlarging EU and the availability of funding from Cohesion Policy will be critical in facilitating the construction of associated infrastructure and strengthening institutions necessary for more sustainable models of development.

The next Cohesion Policy for 2014-2020 is intended to be more closely aligned than its predecessor to the Europe 2020 strategy, which sets out objectives for smart, sustainable and inclusive growth. With an allocation of €325 billion<sup>10</sup> for the seven year period, Cohesion Policy is by far the most substantial funding instrument, representing about a third of the EU Multi-annual Financial Framework, with a major impact in an important segment of the EU, particularly in Eastern and Southern Europe. Consequently the pattern of support it offers, the objectives pursued and the conditions attached are an important building block in the construction of a sustainable Europe. An appropriate Cohesion Policy is in the long term interest of all Member States, including the UK.

## **4 RESPONSE TO SPECIFIC QUESTIONS – COHESION POLICY**

### **4.1 How effective have the structural funds been in addressing the tasks given to them under the various Treaties and what might be done to improve this?**

Various assessments of the effectiveness of Cohesion Policy have shown rather **mixed results**. Depending on the different methodologies and indicators used, some evaluations have suggested generally positive results, for example in terms of GDP growth, job creation and infrastructure development.<sup>11</sup> Other reports are less positive, arguing that while structural and cohesion funds have led to short-term improvements in economic growth they have not resolved overall regional disparities.<sup>12</sup> For instance, the European Policy Centre stresses that if progress is measured on the basis not only of GDP per capita growth but also on social indicators such as the share of the population at risk of poverty, one would come to different results. They give an example of two Spanish regions (Ceuta and Extremadura) where in 2008, despite national GDP growth, around 40 per cent of the

---

<sup>10</sup> €325 billion in 2011 prices; equivalent in current prices is €366.8 billion

<sup>11</sup> EC (2013) Strategic report 2013 on programme implementation 2007-2013. Communication from the Commission, (COM(2013)210), 18.4.2013, Brussels.

<sup>12</sup> EEA (2008) Territorial cohesion – environmental aspects of EU Regional Policy. Task 1: Evaluate ex post the effectiveness, efficiency and effects of implementing the Structural and Cohesion Funds in environment. Final report, European Environmental Agency: Copenhagen.

population was at risk of poverty.<sup>13</sup> Another study which analysed regional disparities against a range of structural indicators including economic, social, demographic, environmental and educational ones also reveals the existence of different regional development patterns than those based on GDP growth.<sup>14</sup> Overall, the existing evidence is inconclusive and points to the need for a revised framework for evaluating the effectiveness of EU Cohesion Policy which should include a broader set of indicators that better reflect the evolving objectives and challenges of the policy, including the emphasis on green growth and sustainability.<sup>15</sup>

To fully understand the achievements of EU Cohesion Policy its ‘unintended’ effects must be examined. This refers to side effects or co-benefits of policies which were not the primary goal of the funding instrument. EU Cohesion Policy is often described as adding value through its **leverage effects**. These can involve direct leverage effects of mobilising national public and/or private financing, the co-financing of EU Structural Funds programmes receiving EU support and also indirect leverage effects. The latter are exemplified by improving governance systems and strengthening partnerships. Such benefits can be achieved not simply by EU expenditure itself but through conditionality clauses in the funds’ regulatory framework. This is sometimes termed ‘solidarity with strings attached’.<sup>16</sup>

EU Cohesion Policy has evolved over the years. The legislative package for the 2014-2020 period includes a number of new and improved elements including better alignment to EU’s strategic objectives for smart, sustainable and inclusive growth, more stringent targeting of investments and more focus on result-orientation and performance. EU Cohesion Policy has the potential to bring higher EU added value if investments are made in a way which catalyses the transition pathways towards a resource efficient, low carbon, equitable and green economy<sup>17</sup>. This requires strengthened programming at national and regional levels where priority should be given to **measures** that can deliver multiple economic, social and environmental benefits, many of which are “win-win” investments. One such example is scaled-up investment in energy savings. This offers considerable ancillary effects on job creation, competitiveness, poverty reduction, resilience of housing and energy systems and urban development.<sup>18</sup> Another example is investment in biodiversity and ecosystem services. This can deliver multiple benefits for local communities and economies, strengthen

---

<sup>13</sup> Dheret, C. (2011) What next for EU Cohesion Policy? Going ‘beyond GDP’ to deliver greater well-being. European Policy Centre. Policy Brief, Brussels: March 2011.

<sup>14</sup> EP (2007) Regional disparities and cohesion: what strategies for the future. May 2007

<sup>15</sup> Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) [Strategies and Instruments for Climate Proofing the EU Budget](#). IEEP, Brussels.

<sup>16</sup> Jouen, M. and Rubio, E. (2007) *Synthesis Paper. Seminar “The EU Budget: What for?”*, 19 April 2007, Brussels.

<sup>17</sup> Hjerp, P., Medarova-Bergstrom, K., Cachia, F., Evers, D., Grubbe, M., Hausemer, P., Kalinka, P., Kettunen, M., Medhurst, J., Peterlongo, G., Skinner, I. and ten Brink, P., (2011) Cohesion Policy and Sustainable Development, A report for DG Regio, October 2011

<sup>18</sup> Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) [Strategies and Instruments for Climate Proofing the EU Budget](#). IEEP, Brussels.

resource security, provide opportunities for recreation and tourism, and underpin the creation of jobs, cultural values and identity.<sup>19</sup>

The new provisions on **ex-ante conditionalities and performance reviews** are a positive step towards improving the effectiveness of the future policy. A coherent and robust framework of sustainability targets, milestones and indicators, which account not only for outputs but also outcomes/results, should be translated into appropriate programmes and specific projects. There is also a need for investment in indicators, data and tools to help regions to commit to important EU sustainability objectives such as *carbon neutrality* and *no net loss of biodiversity*. Similarly, there could be significant benefit from more effort to help assess the state of natural capital and the flow of ecosystem services from ecosystems to social and economic systems. This would assist demonstrating the public benefits and thus value for money of cohesion actions. To do this will require data, spatial mapping and ideally also the development of natural capital accounts for regions or other geographical levels (e.g. cities, river basins).<sup>20</sup> A consistent EU approach to the construction of natural capital accounts has much to recommend it given the role of the EU both in regional development and environmental management.

The **added value** of EU spending should indeed be ‘a key test to justify spending at the EU level’<sup>21</sup>. In addition to its role in building greater European solidarity and redistributing part of the EU Budget, Cohesion Policy should promote EU public goods and actions that Member States and regions cannot finance/coordinate themselves, or where it can secure better results than could have been achieved by funding under national schemes. However EU added value is a complex, multi-faceted concept which is interpreted differently by different actors. Moreover given that EU funding instruments have their own rationale and support different policy objectives, developing a common approach to assessing EU added value applicable across all funding instruments is a challenging task with numerous conceptual, methodological and political difficulties. Despite these challenges, agreeing a more operational approach to EU added value for this purpose would be helpful in focussing funding instruments and expenditure. It could help to improve the consistency while accepting that development priorities will not be identical in all parts of Europe.

Further to this, certain operations under Cohesion Policy are not only inefficient but also inherently in contradiction with EU policy objectives. For example, supporting carbon intensive developments (e.g. fossil fuels extraction or road/air based transportation) can be in conflict with long term climate and decarbonisation objectives. Ensuring ‘climate- and biodiversity- proofing’ of future programmes and projects is another key priority in this respect. It could help to increase the cost-efficiency and resilience of investment on the

---

<sup>19</sup> Hjerp, P., ten Brink, P., Medarova-Bergstrom, K., Mazza, L. and Kettunen M. of IEEP, together with McGuinn, J., Banfi P. and Hernández G. of Milieu. (2013). The Guide to Multi-Benefit Cohesion Policy Investments in Nature and Green Infrastructure. A Report for the European Commission

<sup>20</sup> Bassi, S., Mazza, L., ten Brink, P., Medarova, K., Gantioler, S., Polakova, J., Lutchman, I., Fedrigo-Fazio, D., Hjerp, P., Baroni, L. and Portale, E. (2011) Opportunities for a better use of indicators in policy-making: emerging needs and policy recommendations. Deliverable D7.2 of the IN-STREAM project.

<sup>21</sup> EC (2010b) EU Budget Review. Communication from the Commission, (COM (2010)700), 19.10.2011, Brussels.

long-term.<sup>22,23</sup> EU added value, therefore, should be understood not only in relation to better alignment of spending to EU objectives but also by ensuring greater **policy coherence and long-term sustainability of investment**.

#### **4.2 To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?**

Evaluation of the **achievements** of Cohesion Policy in the UK in the **2000-2006** period indicate that over 256 000 jobs were created or safeguarded; the knowledge-based economy was stimulated; more than 295 000 small businesses were supported, 16 000 of which received direct financial support; the accessibility of remote and rural areas (e.g. Cornwall and the Isles of Scilly) was considerably improved; positive environmental outcomes include a 30% increase in water treatment capacity and a 275% increase in sewage treatment capacity in Northern Ireland.<sup>24</sup>

In the **2007-2013** programming period, UK regions were allocated approximately €10 billion in direct support from Cohesion Policy for a wide range of interventions, the majority of which aimed to foster **research and innovation** (€2.9bn), improve **access to employment** (€1.5bn), increase **competitiveness** and **entrepreneurship** (€1.3bn) and strengthen **social inclusion** (€1.1bn).<sup>25</sup>

The overall value of the structural funds has been increased through novel **financial engineering schemes** such as the JESSICA initiative. EU Member States make contributions from their Structural Fund Programmes which then leverage additional public / private finance into urban development funds (UDFs). In the UK, an example of such a fund is the London Green Fund. This is a £100 million fund, out of which £50 million is from the London ERDF Programme, aimed to support direct investment in waste, energy efficiency, decentralised energy and social housing projects.<sup>26</sup> The UDFs invest in equity, loans and/or guarantees - not grants. Furthermore, these funds should 'revolve', that is, any return on investment can be reinvested in new urban development projects. The role of Cohesion Policy in can facilitating financial innovation in certain regions and improving the efficiency of public funds can be increased in this way.<sup>27</sup>

---

<sup>22</sup> Hjerp, P., Volkery, A., Lückge, H., Medhurst, J., Hart, K., Medarova-Bergstrom, K., Tröltzsch, J., McGuinn, J., Skinner, I., Desbarats, J., Slater, C., Bartel, A., Frelüh-Larsen, A., and ten Brink, P., (2012), Methodologies for Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy, A report for DG Climate, August 2012.

<sup>23</sup> IEEP, GHK and TEPR (2012) Background Study Towards Biodiversity Proofing of the EU Budget. Report to the European Commission. Institute for European Environmental Policy, London.

<sup>24</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/country2009/uk\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/uk_en.pdf)

<sup>25</sup> [http://ec.europa.eu/regional\\_policy/thefunds/funding/index\\_en.cfm](http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm)

<sup>26</sup> <http://www.london.gov.uk/priorities/business-economy/championing-london/london-and-european-structural-funds/european-regional-development-fund/jessica-london-green-fund>

<sup>27</sup> Medarova-Bergstrom, K., Volkery, A., Sauter, R., Skinner, I. and Núñez Ferrer, J. (2013) Optimal use of the EU grant and financial instruments in the next multiannual financial framework to address the climate objective. Final report for DG Climate Action, European Commission. Institute for European Environmental Policy, London/Brussels.

In terms of indirect impacts, there is a study which sought to estimate the benefits accruing to older Member States (the EU 15) from Cohesion Policy interventions in the Visegrad countries for the period 2004-2010.<sup>28</sup> It shows that on average 1 euro (net) spent by EU15 countries on Cohesion Policy in the Visegrad countries resulted in 61 cents of additional exports to them. For the UK in particular, this would translate into €4.8 billion of additional exports.<sup>29</sup>

The Institute does not have a particular view on the geographical scope of future beneficiaries of Cohesion Policy, which clearly depends to some degree on the scale of funding available as well as the objectives. However, we would note that there is evidence of some flexibility in responding to the UK requirements when the funds have been utilised in the past. In response to the economic crisis in 2008, the European Commission allowed greater flexibility in the use of EU funds so that Member States could respond adequately to changing conditions. The UK for example modified its ESF programmes by taking short-term anti-crisis measures specifically targeted at unemployed people, such as transferring resources to measures to help make the unemployed more employable. Reallocation of expenditure was also made to increase investment in energy savings in housing thereby reducing energy bills which helps reduce energy poverty in urban areas. Also, funds were allowed to be 'frontloaded' so as to speed up payments for specific projects. The rules for reimbursement of expenditure were simplified, for example, the Commission approved the method of the Welsh authorities for the use of indirect costs declared on a flat-rate basis for both ERDF and ESF-funded programmes.<sup>30</sup>

#### **4.3 What is the right balance between strategic guidance at EU level, Member States management and control of the funds and regional or local identification of needs?**

Cohesion policy operates in a complex multi-level governance system including various partners from the social, economic and environmental domains where each level should play its critical role. There is a clear need for the EU to set out a strategic direction, robust policy framework and a coordination platform for information, knowledge and capacity building.<sup>31</sup> It is possible to add very considerable value to spending programmes at the EU level through the efficient and forward looking execution of this role and maintaining this appears to be the priority at present rather than making any significant changes in competences.

Ideally, a more place-based agenda should be pursued within the funds without compromising core objectives. This would allow development opportunities, identified through robust assessments, to capitalise more on local assets and put a greater emphasis

---

<sup>28</sup> Poland, Czech Republic, Slovakia and Hungary

<sup>29</sup> IBS (2011) [Evaluation of the benefits of the EU15 countries resulting from the implementation of the Cohesion Policy in the Visegrad group countries](#). Final Report.

<sup>30</sup> EC (2010) Cohesion Policy: Responding to the economic crisis. A review of the implementation of cohesion policy measures adopted in support of the European Economic Recovery Plan, Communication from the Commission (COM(2010)1291), 25.10.2010, Brussels.

<sup>31</sup> Medarova-Bergstrom, K. and Volkery, A. (2012) [Walking the talk - practical options for making the 2014-2020 EU MFF deliver on climate change](#). Final report for the Dutch Ministry of Infrastructure and the Environment. IEEP, Brussels.

on developing indigenous potential. The infrastructure needed for smaller, more distributed forms of renewable energy supply is a case in point. There have been examples of bottom up actions that fostered innovation, excellence and growth.<sup>32</sup> However, these tend to be confined to several front-running regions / cities. In many other cases, however, decision-makers, especially at lower levels of governance, tend to opt for familiar and apparently safe solutions and traditional infrastructure projects.<sup>33</sup> Many new Member States and regions lack the information, experience and skills to initiate more ambitious or innovative projects and actively seek the Commission's guidance and support in developing programmes and calls for proposals. Once again, this points to the need for greater EU level facilitation, networking and co-ordination to increase the availability of and accessibility to information databases, promotion of good practice, networking opportunities, demonstration projects and tools for improving the governance processes and structures.

At the same time, Member States and regions should strengthen the programming process to improve the linkages between EU policy objectives and local, regional and sectoral planning processes. They should also set out robust implementation frameworks including associated targets, sustainable project selection criteria and performance reviews. For the effective overall functioning of the system, therefore, a balance of the competences between the EU and national/regional levels should be maintained.

A good example of EU level strategic guidance relates to the political commitment in the 2014-2020 Multiannual Financial Framework (MFF) to 'mainstream' climate change obligations across different policy areas and for at least 20 per cent of the EU budget to support climate change related activities and the requirement to track this climate-related expenditure. Cohesion Policy has particular potential to deliver climate benefits if environmental and climate objectives are sufficiently and effectively integrated into the Operational Programmes of Member States. Nevertheless, the precise means of tracking climate-related expenditure are not straightforward under Cohesion Policy and thus the European Commission's role in giving advice on how to operationalise this requirement and then doing so in a consistent way is crucial.<sup>34</sup>

#### **4.4 How effective is the accountability and financial management of the structural funds? What further steps if any might be taken to provide increased assurance for EU taxpayers?**

Experience suggests that the current system of financial management allows considerable financial **errors**, duly reported in the annual Court of Auditors reports. Payments under the Cohesion Policy continue to be affected by material errors and the level is higher than average, though the rate has started to decrease in recent years. Eligibility errors continue to be the dominant error source. For the ERDF, eligibility errors were accounting regularly

---

<sup>32</sup> REC-ENEA (2009) Improving the Climate Resilience of Cohesion Policy Funding Programmes. REC: Szentendre

<sup>33</sup> Euractiv (2012) [EU budget debate: Some one trillion euro questions and answers](#), by Keti Medarova-Bergstrom and Pawel Swidlicki.

<sup>34</sup> Withana, S., Baldock, D., Illés, A., Rayment, M., Buchner, B., and Medarova-Bergstrom, K., (2013) *Tracking system for climate expenditure in the post-2013 EU budget: Making it operational*, Final report for the European Commission - DG CLIMA, Institute for European Environmental Policy, London/Brussels.



for up to 90 and more per cent of expenditure of the total quantifiable errors analysed by the Court of Auditors. By contrast, the ESF was found to have a broader mix of errors, such as the inclusion of ineligible costs and the overestimation of staff costs and overheads. Public procurement errors were also found to be significant. In order to overcome the high error rates under Cohesion Policy the Court of Auditors each year makes recommendations, which include *inter alia* the need to simplify eligibility rules, strengthen the sanctioning system and provide better guidance for managing authorities on how to reduce error rates.<sup>35</sup> Transparency should be a key component of the management of EU structural funds.

We acknowledge this considerable challenge but would like to stress that the current system is pre-occupied with financial errors while considerations related to the **efficiency and effectiveness** of operations should be given more weight. A special report by the Court of Auditors on EU cohesion spending for energy efficiency in Italy, the Czech Republic and Lithuania (the countries with the highest allocations in energy efficiency in the 2007-2013 period) showed that the programmes did not benefit from proper needs assessments to identify the specific sectors where energy savings could be best achieved and the options for achieving those savings in a cost-effective manner. In fact, the investment cost compared to the potential energy saved was considered high.<sup>36</sup> Safeguarding the interests of EU taxpayers requires checks not only on financial management, but also on effectiveness, where the tangible social, economic and environmental results of the operations need to be demonstrated.

#### **4.5 What are the main barriers to accessing EU funds? What might be done to overcome these?**

As stressed in the Call for this evidence, some of the main barriers to accessing EU funds are the EU very considerable administrative requirements and the subsequent burdensome processes applying at lower levels of governance. This has contributed to overall low absorption rates of EU funds throughout the different programming periods. However, robust rules and effective targeting is needed and broad-brush cutting back of 'administrative burdens' can lead to higher overall inefficiencies in decision-making. A smart approach and well-timed advice and facilitation is needed as well as the constant review of administrative requirements. Appropriate EU procedures can be cost-saving for many Member States, rather than cost-increasing.

On a more practical level, introducing a 'one-stop-shop' approach and various e-government solutions for EU funded projects has shown positive effects not only on reducing administrative processes but also on improving the overall quality and effectiveness of projects.<sup>37</sup> Investing in soft measures, such as new skills, training, improving the knowledge

---

<sup>35</sup> Volkery, A. and Illés A. (2013) [Execution of EU annual budgets 2007-2013](#): relevant recommendations for local and regional authorities, File note for the Committee of the Regions, 22 July 2013, Brussels

<sup>36</sup> European Court of Auditors (2012) Cost-effectiveness of Cohesion policy investment in energy efficiency. Special report 21/2012.

<sup>37</sup> Hjerp, P., Volkery, A., Lückge, H., Medhurst, J., Hart, K., Medarova-Bergstrom, K., Tröltzsch, J., McGuinn, J., Skinner, I., Desbarats, J., Slater, C., Bartel, A., Frelh-Larsen, A., and ten Brink, P., (2012), Methodologies for

base and governance tools is vital as they can improve implementation and reap efficiency benefits in the long-term.

Other barriers to take up of the funds include the lack of co-financing available for some projects<sup>38</sup> and also limited knowledge and experience of project developers of certain types of projects and types of financing instruments (e.g. innovative financial instruments such as JESSICA).<sup>39</sup> More specifically, in the area of environmental and climate funding, managing authorities and project developers often lack a sufficiently clear understanding of the interlinkages between climate change/environmental sustainability and the socio-economic objectives of Cohesion Policy. This can prevent them from identifying potential funding opportunities and synergies for investment.<sup>40</sup>

13 January 2014

---

Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy, A report for DG Climate, August 2012.

<sup>38</sup> Metis and EPRC (2012) Barriers for applicants of structural funding. Report to the European Parliament.

<sup>39</sup> Medarova-Bergstrom, K., Volkery, A., Sauter, R., Skinner, I. and Núñez Ferrer, J. (2013) *Optimal use of the EU grant and financial instruments in the next multiannual financial framework to address the climate objective*. Final report for DG Climate Action, European Commission. Institute for European Environmental Policy, London/Brussels

<sup>40</sup> Hjerp, P., Volkery, A., Lückge, H., Medhurst, J., Hart, K., Medarova-Bergstrom, K., Tröltzsch, J., McGuinn, J., Skinner, I., Desbarats, J., Slater, C., Bartel, A., Freluh-Larsen, A., and ten Brink, P., (2012), *Methodologies for Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy*, A report for DG Climate, August 2012