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The Role of Administrative Capacity for an Effective Implementation of EU Cohesion Policy

Some reflections

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Structure

- Introduction
  - Aim of the paper: reflection on the influence of administrative capacity on the absorption and effective use of Cohesion Policy (CP) funds
  - 1.5 years old but still relevant..
- 1. Administrative capacity & the **absorption** of CP funds in EU regions
- 2. Administrative capacity as element of regions' **absorptive capacity** & the effective use of funds
- Examples pointing to the importance of knowing the region:
  - Alignment of ERDF R&I funding with smart specialisation priorities
  - Opportunities of EU regions to develop green and digital technologies through interregional cross-border cooperation
- Conclusion

Introduction

- **Administrative capacity** as the capacity of **managing authorities** of operational programmes (OP) to efficiently administer and effectively distribute the CP funds allocated to a region
  - 1) **Personnel** and **governance**: enough (and well qualified) personnel, well-functioning multi-level governance and partnership principle
  - 2) Succeeding an **effective use of the funds** (decisions on calls for projects, project selection) likely to be driven - among others - by **engagement & in-depth knowledge** of administrative personnel, the coordination with other funding agencies within the region/country and across borders, institutional quality
- → What is **effective**?
  - Not only the absorption of funds …
  - But consideration of local/regional strategies, challenges and capabilities

Administrative capacity is needed along the „investment cycle“

Figure 1: The investment cycle (OECD 2020)



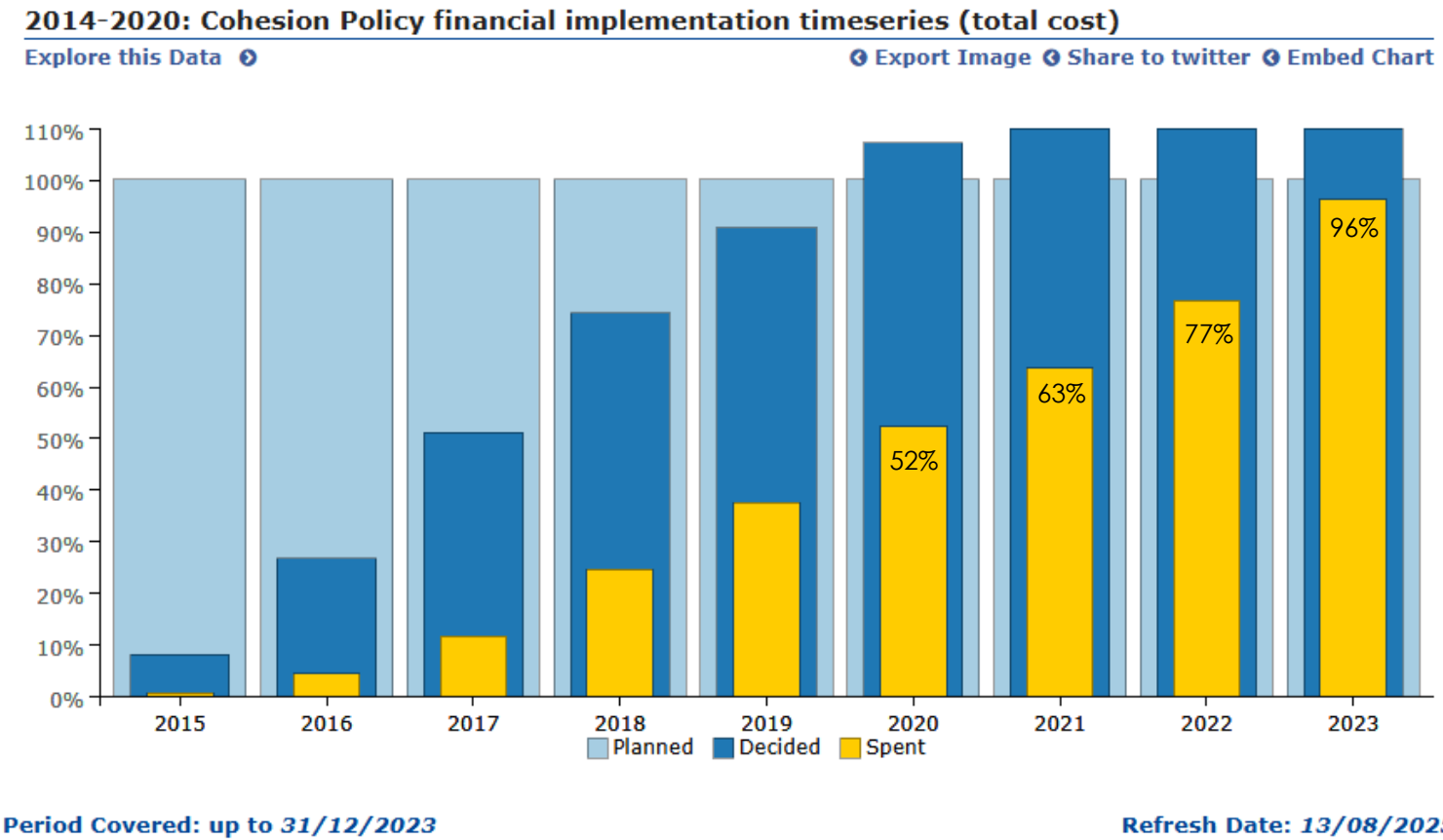
Source: Adapted from (Mizell and Allain-Dupré, 2013[40]).

Source: OECD 2020, Figure 1.7.

Admin. capacity & the absorption of CP funds in EU regions

- **Absorption** of funds as **one indicator** mirroring regional administrative capacity

Absorption rate in the 2014-2020 programming period (ERDF, ESF, CF, YEI)

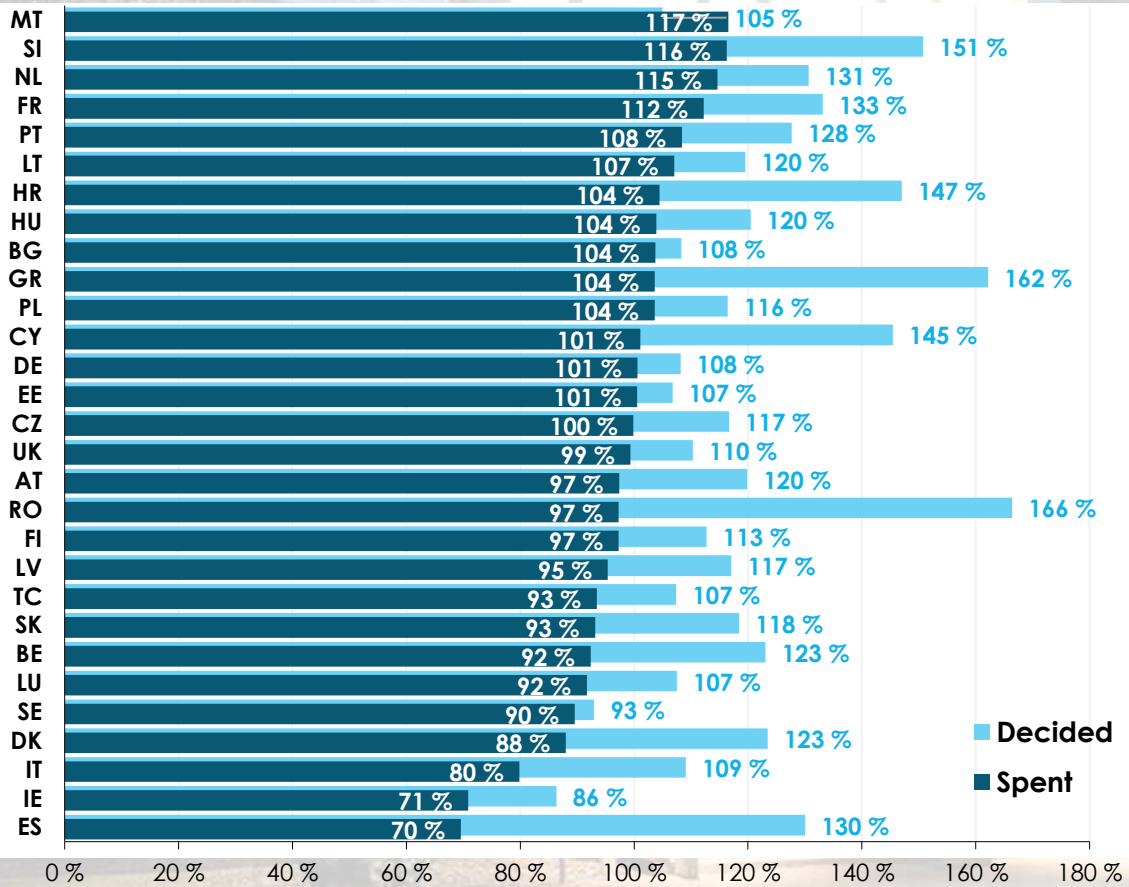


96.2% of planned total cost spent in the end.

Up to June 2023: 84%.

Source: DG REGIO Open Data Platform, https://cohesiondata.ec.europa.eu/cohesion_overview/14-20/#finance-implementation

Absorption rate per member state, 2014-2020



Shares over 100% might arise from shifts of funding between funding priorities that is not adequately corrected for in financial implementation data, or other adaptations of commitments as a response to the COVID-19 crisis (see https://cohesiondata.ec.europa.eu/stories/s/Cohesion-policy-2014-2020-investment-progress/4e3bddcr).

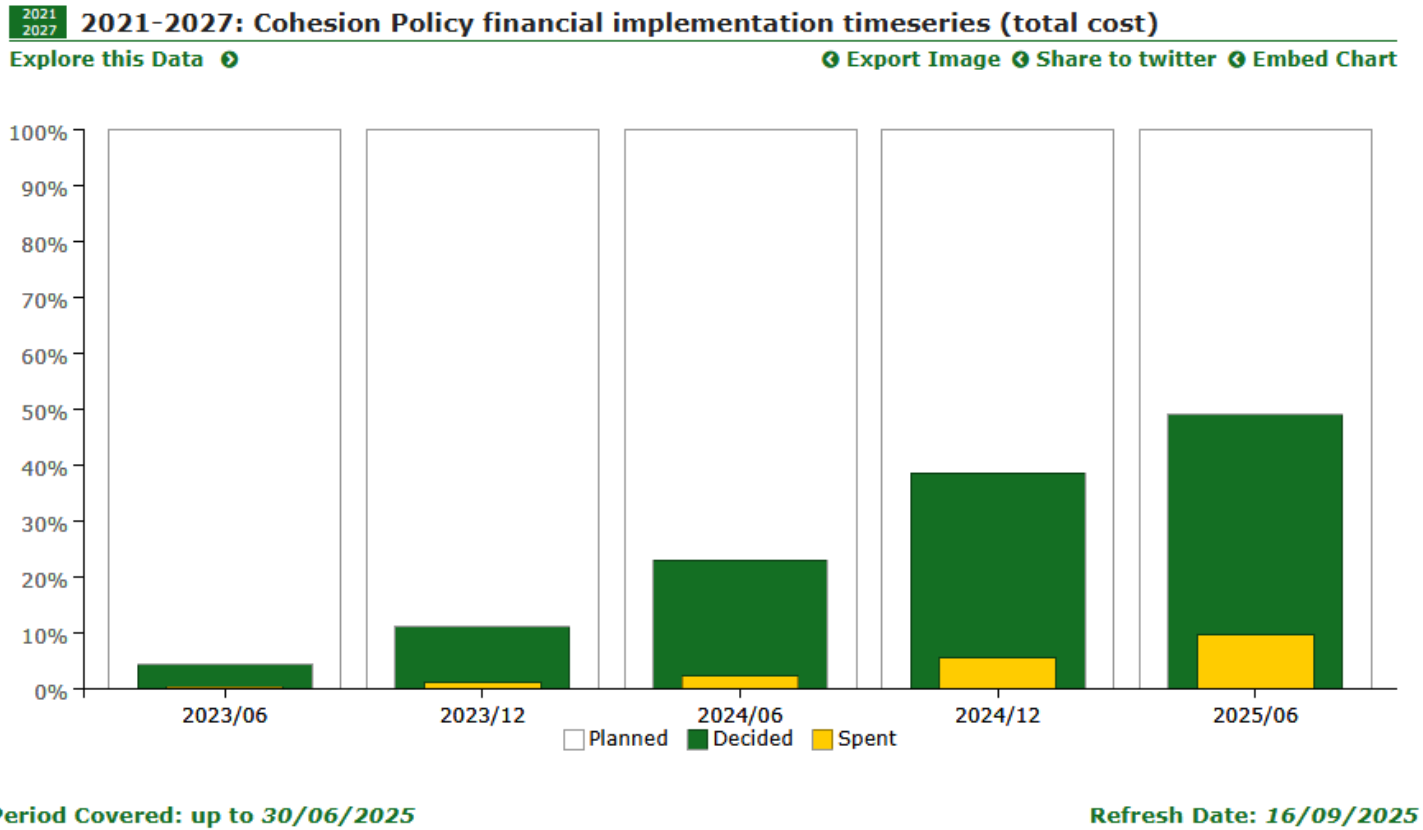
Source: DG REGIO Open Data Platform, own elaboration. Period covered: up to 31/12/2023.

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Absorption of CP funds in the 2014-2020 programming period

- **Challenges** to the absorption of CP funds:
  - Lack of national co-funding as one major issue in the 2007-2013 programming period (see, e.g., Camagni and Capello, 2015, Bachtrögler, 2016)
  - Complexity & administrative effort to call upon the funds, lack of (appropriate) applications by appropriate beneficiaries
  - + Recovery & Resilience Fund with similar targets and restricted timeline (but lack of place-based component)
  - + Delay in the implementation of OPs 2014-2020 as well as programming & implementation of 2021-2027

Absorption of CP funds in the 2021-2027 programming period



Source: DG REGIO Open Data Platform, https://cohesiondata.ec.europa.eu/cohesion_overview/21-27/#finance-implementation

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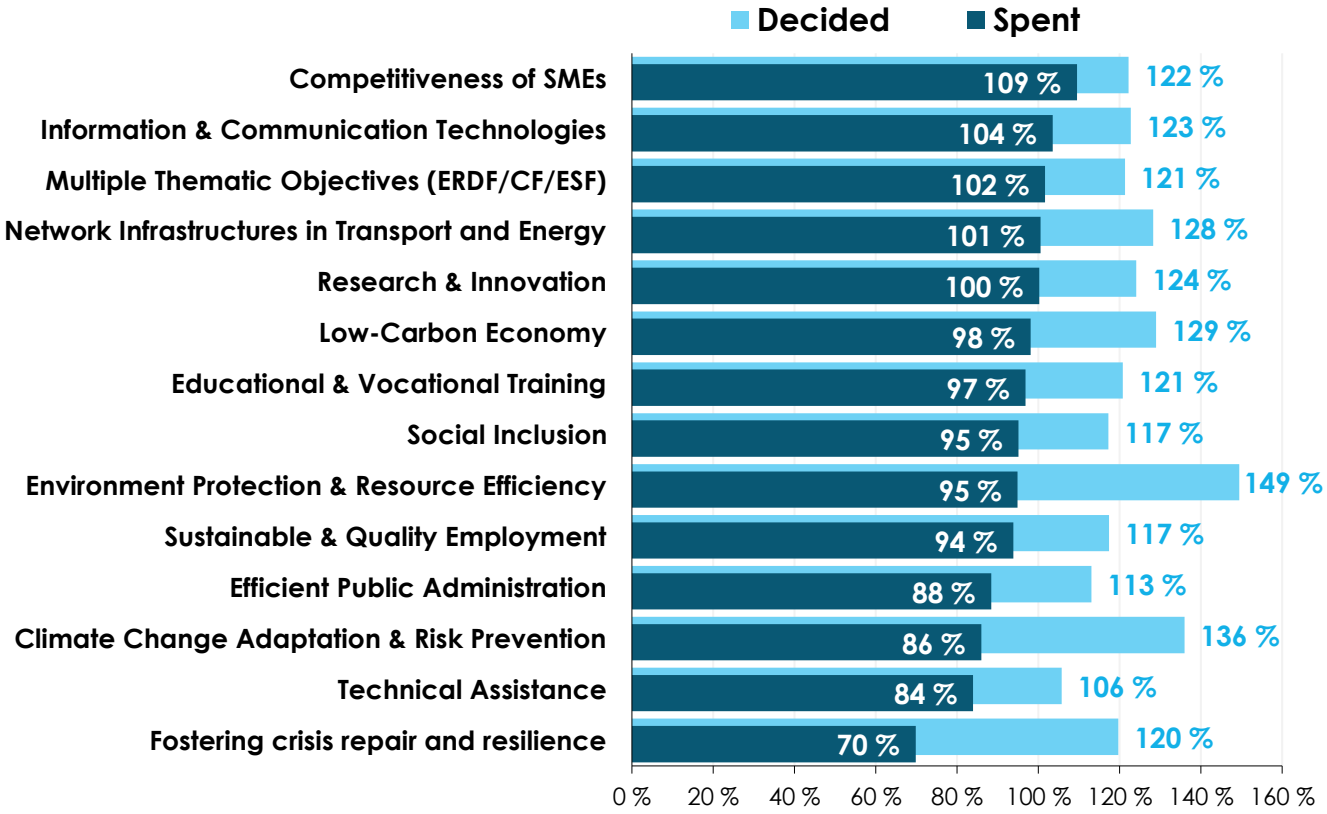
The link between administrative capacity & the absorption of funds: A literature review

Study / Author(s)	Proxy for Admin Capacity	Effect on Absorption	Notes
Mendez & Bachtler (2024)	Quality of government, managing authority performance	Higher quality → better absorption; ⚖ trade-off absorption <-> outcome focus in regions with relatively low admin. capacity	EU-wide, 173 regions
Incaltarau et al. (2020)	Government effectiveness, corruption levels	Effectiveness ↑ absorption Corruption ↓ absorption	Stronger effect in new MS
Výrostová & Nyikos (2024)	Institutional quality, political stability	Higher quality reduces corrections Instability hampers absorption	Hungary & Slovakia
Surubaru et al. (2017)	HR capacity, pay, coordination style	Centralised coordination helps Low pay/expertise hurts	Bulgaria & Romania
Smeriglio et al. (2016)	Authority expertise, stakeholder involvement	Good monitoring, stakeholder dialogue ↑ absorption Fragmentation/ delays of interventions ↓ absorption	Sicily (low absorption rate) vs Puglia and 2 Polish regions (high absorption rates)
Bachtler et al. (2014)	Staff skills, turnover, training	Qualified staff & training, centralisation of admin. procedures ↑ absorption Turnover ↓ absorption	New MS (2004–08)
Aiello et al. (2019)	Political system, bureaucracy, autonomy	Instability & fragmentation ↓ absorption Flexibility ↑ absorption	Case-study evidence

Further measures to increase absorption?

- **Sole focus on absorption not optimal:**
  - More funding (absorbed) does not always mean more successful policy implementation (Becker et al. 2012, Di Caro and Fratesi 2022)
  - There is a trade-off between absorption and outcome orientation of CP in regions with relatively low administrative capacity (Mendez and Bachtler 2024)
  - Short-term solutions (e.g., by reducing national co-financing or financing already decided projects) due to a fear of a reduction in EU contribution, which could be perceived as political failure (Aivazidou et al. 2020, Cunico et al. 2022)
  - Unfortunately, under-use of the budget available for technical assistance as well as under the thematic objective 11, 'Enhancing the capability of public authorities and efficient public administration' (European Commission 2023)

Absorption rate per thematic objective, 2014-2020



Source: DG REGIO Open Data Platform, own elaboration. Period covered: up to 31/12/2023.

Admin. capacity & the effective use of CP funds in EU regions

→ The allocation of CP funds to **actual projects/on the ground** matters

- Compliance with EU and national regulations such as state aid rules as well as the achievement of outcome targets as central indicators in addition to the absorption rate to assess administrative performance (Mendez & Bachtler 2024)
- Effect of the same euro dedicated to a thematic area in different types of regions is not uniform → setting the "right" priorities in OPs and selecting the "right" projects and beneficiaries, in line with national or sub-national strategies, considering regional capabilities and expected return for the region requires administrative capacity
- Administrative efficiency and citizen engagement positively correlated with the effects on Cohesion Policy (Bachtrögler-Unger et al. 2024)

Determinants of Cohesion Policy effectiveness

- **Institutional quality** (part of which is quality of administration) as one element of the absorptive capacity of a region (Becker et al. 2013), together with **human capital**
- 🏛 **Regional Characteristics**
  Business environment, innovation ecosystem, human capital, demographics and labour market affect „good" project selection
- 🎯 **Thematic Orientation**
  Policy mix and prioritisation shape the effect of CP in the specific (type of) region
- 🔗 **Smart Specialisation / Relatedness**
  Align with regional strengths; exploit complementarities across funds & regions
- → **Motivated, qualified and experienced** administrative staff & sufficient human resources required for "good" project selection, **effective stakeholder involvement**, interaction with potential beneficiaries, coordination & communication

3 Examples in area of R&I (ERDF)

- European Commission encourages the distribution of R&I funding in line with certain aspects
  - Alignment of project selection under thematic objective 1 (TO 1) with **smart specialisation (S3) priorities**
  - Contribution to (top-down) **strategic targets**, e.g., green and digital technologies
    - Potential for interregional collaboration
  - Synergies with Horizon funding → „critical mass“ of funding expected to enhance outcomes
- **→ Administrative capacity (in managing authorities) as central prerequisite of achieving this**

Alignment of project selection under TO 1 with S3 priorities

- Critique that S3 strategies and priorities
  - are set too broadly (Iacobucci & Guzzini, 2016; Gianelle et al., 2020a; Di Cataldo et al., 2021; Marrocu et al., 2023)
  - mimic those of neighbouring regions (Deegan et al. 2021; Di Cataldo et al. 2021; Pylak et al. 2025)

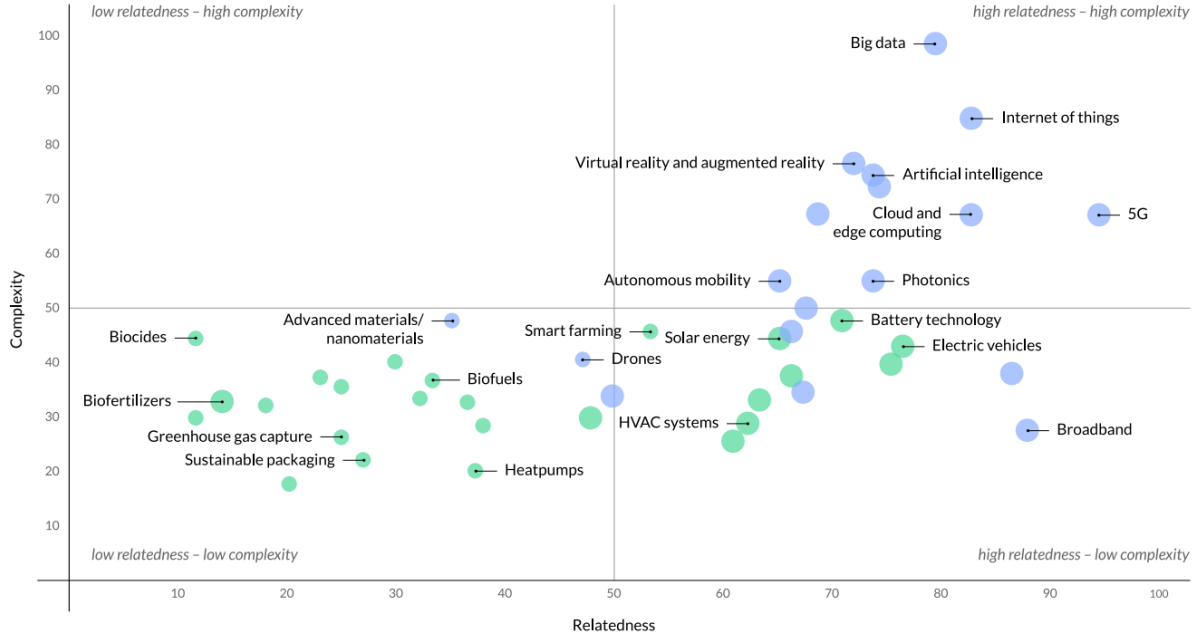
For a **subset of ERDF R&I projects** that could be classified as targeted at the development of a certain technology...

- ... the **large majority of R&I projects is in line with S3 priorities**.
  - BUT: around 25% of ERDF R&I projects do not provide sufficient detail to classify them (issue of administrative capacity?)
- ... actual R&I funding is better targeted in terms of relatedness to regional capabilities (measured by patents) than S3 priorities (→ presence of actors)
- → issue of unselective S3 strategies is, to some extent, mitigated in the translation from S3 priority selection to actual funding decisions

See **Hellinga et al. (2025)**, http://econ.geo.uu.nl/peeg/peeg2502.pdf.

Potential for developing green and digital technologies in more developed regions

Figure 8: **Potential of more developed EU regions to develop twin transition technologies**



Notes: This figure shows the potential to develop twin transition technologies for the group of more developed regions in the EU. The horizontal axis plots the relatedness density score. The vertical axis plots the complexity scores of each technology. All values are averaged across the group of more developed regions. Data source: OECD REGPAT. Refer to Bachtrögler-Unger et al. (2023) for more information.

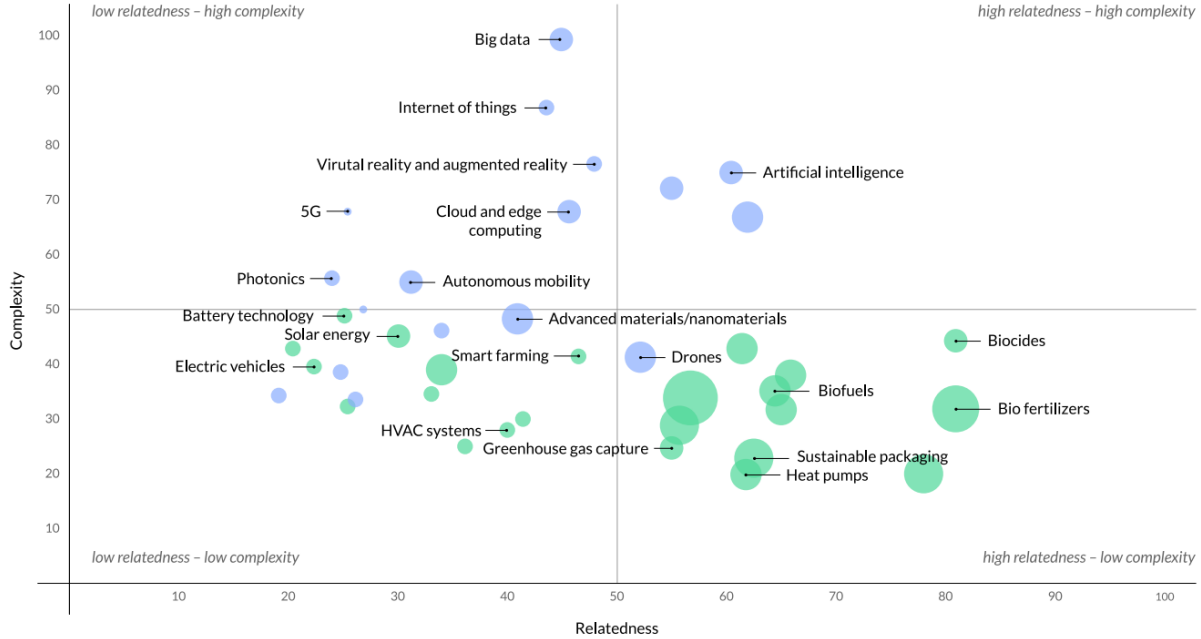
Source: Bachtrögler-Unger et al. (2023), p. 25.

See https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/technological-capabilities-and-the-twin-transition-in-europe.

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Potential for developing green and digital technologies in less developed regions

Figure 9: **Potential of less developed EU regions to develop twin transition technologies**



Notes: This figure shows the potential to develop twin transition technologies for the group of less developed regions in the EU. The horizontal axis plots the relatedness density score. The vertical axis plots the complexity scores of each technology. All values are averaged across the group of more developed regions. Data source: OECD REGPAT. Refer to Bachtrögler-Unger et al. (2023) for more information.

Source: Bachtrögler-Unger et al. (2023), p. 25.

See https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/technological-capabilities-and-the-twin-transition-in-europe.

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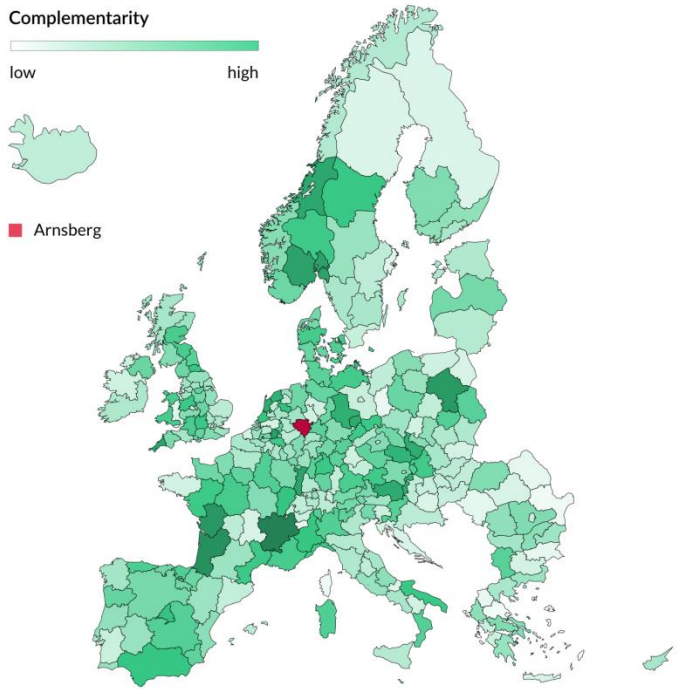
Large potential from interregional cross-border cooperation for developing green and digital technologies

- **Complementarity** maps show that there is large potential in partnering up with regions across the border ...
- ... but the large majority of patent collaborations happens **within countries**

- → **Partnerships for Innovation** in 2021-2027 programming period
- → Enhanced **data availability**
- → Fostering interregional collaboration requires **capacity** in managing authorities

See **Bachtrögler-Unger et al. (2023)**, https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/technological-capabilities-and-the-twin-transition-in-Europe.

Figure 10: **Regions with complementary capabilities for Arnsberg (Germany) and the development of patents in the field of hydrogen**



Notes: This map shows European NUTS-2 regions with complimentary technological capabilities to Arnsberg (DEA5, in red) to develop hydrogen technology. High values denote a high complementarity (measured in "added" relatedness density) and, thus, a high potential for Arnsberg to develop the technology when collaborating with the respective region. Data source: OECD REGPAT.

Source: Bachtrögler-Unger et al. (2023), p. 32.

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Conclusion & Recommendations (I)

- **Absorption:**
  - Recommendation #1: It should be evaluated in detail whether the **RRF** has diverted resources from the implementation of Cohesion Policy by financing **similar priorities** or, potentially, **additional efforts for managing authorities**.
    The advantages and disadvantages of RRF implementation should be considered when designing future Cohesion Policy.
    Furthermore, the consequences of RRF implementation in terms of **delays in the implementation of the 2021-2027 Cohesion Policy** need to be taken into account for **monitoring and evaluation** and should be addressed soon.
  - Recommendation #2: The European Commission should reflect on measures to **increase flexibility** in using Cohesion Policy funds in order to avoid an incentive to spend the money (at the end of a programming period) in a rush and therefore perhaps ineffectively. Granting the possibility of **rolling over** cohesion policy funding to the next programming period could be one option.

Conclusion & Recommendations (II)

- **Administrative capacity (personnel and governance):**
  - Recommendation #3: Given the **importance of well-qualified and motivated staff** in managing authorities for the absorption and effective implementation of Cohesion Policy, it should be ensured that **sufficient financial resources** are available to attract and retain staff. **Better salaries and career options** and an **attractive working environment** (e.g., cooperation with other regions in the country or across the border, room for manoeuvre concerning the design of calls for projects) are essential.
  - Recommendation #4: If managing authorities in certain regions are understaffed despite the availability of financial resources, the European Commission and national policymakers should consider the **possibility of merging** managing authorities for operational programmes in two (or more) regions that are close to each other and/or have similar characteristics and challenges. **Synergies in tasks** such as monitoring or stakeholder processes could possibly be identified and exploited **without losing the place-based focus of the policy**.

Conclusion & Recommendations (III)

- **Administrative capacity and the effective use of CP funds:**
  - Recommendation #5: The use of Cohesion Policy funds for **technical assistance** and **strengthening public administration** should be prioritised in order to generate positive impacts on the policy's implementation overall. EU and national authorities in charge should analyse the relatively slow progress in the absorption of cohesion policy funding allocated to technical assistance and more efficient public administration. This is likely to be particularly relevant in the current context with an increased number of EU funding instruments and a variety of policy objective.
  - Recommendation #6: **"Good" programming and project selection** depends on administrative capacity. In addition to the five previous recommendations, **information systems** on regional capabilities, sectoral strengths, regional needs, and opportunities for interregional cooperation should therefore be improved and made accessible to administrative staff as well as potential beneficiaries.

For the full paper ...

See
https://www.wifo.ac.at/wp-content/uploads/upload-9813/wp_2024_688.pdf

and

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References (II)

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