IQ-Net

Improving the quality of Structural Funds management

WHEN IT RAINS, IT POURS: PROGRAMME MANAGEMENT IN A TIME OF CRISIS

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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 48th IQ-Net Conference (online) on 17 June 2020. The report was written by Rona Michie and Viktoriya Dozhdeva.

The report is the product of desk research and fieldwork visits during Spring 2020 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

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

Austria

- ÖROK Secretariat – Austrian Conference on Spatial Planning

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)

France

- National Agency for Territorial Cohesion, which includes the former General Commission for Territorial Equality (CGET), (membership renewal pending)

Germany

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

Greece

- Management Organisation Unit of Development Programmes S.A.

Netherlands

- Managing Authority Kansen voor West
- Managing Authority Noord, Northern Netherlands Alliance (SNN)
- Managing Authority OP Oost
- Managing Authority Stimulus (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)

Slovakia

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

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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LIST OF ABBREVIATIONS

AIR	Annual Implementation Report
CF	Cohesion Fund
CLLD	Community-led Local Development
CP	Cohesion Policy
CPR	Common Provisions Regulation
DG	Directorate General
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ETC	European Territorial Cooperation
EP	European Parliament
IB	Intermediate Body
ITI	Integrated Territorial Investment
IROP	Integrated Regional Operational Programme (Czech Republic)
MA	Managing Authority
MC	Monitoring Committee
MFF	Multi-annual Financial Framework
MS	Member State
OP	Operational Programme
PA	Partnership Agreement
PF	Performance Framework
R&I	Research and Innovation
ROP	Regional Operational Programme
SCO	Simplified Cost Options
SME	Small and medium sized enterprises
TA	Technical Assistance
TO	Thematic Objective
YEI	Youth Employment Initiative

COUNTRY/PROGRAMME ABBREVIATIONS

Country	Abbreviation
Austria	AT
Belgium (Vlaanderen)	BE (Vla)
Croatia	HR
Czech Republic	CZ
Denmark	DK
Finland	FI
France	FR
Germany	DE
Germany (Nordrhein-Westfalen)	DE (NRW)
Greece	EL
Netherlands	NL
Poland	PL
Poland (Pomorskie)	PL(Pom)
Poland (Warmińsko-Mazurskie)	PL(W-M)
Portugal	PT
Slovakia	SK
Spain	ES
Spain (Bizkaia, País Vasco)	ES (Biz)
United Kingdom	UK
United Kingdom (England)	UK(Eng)
United Kingdom (Scotland)	UK(Sco)
United Kingdom (Wales)	UK(Wal)

EXECUTIVE SUMMARY

These are challenging times for ESIF programme implementation. Programme managers are navigating their way through the Covid-19 crisis, which has required a quick and continuously evolving response under very uncertain circumstances, while assessing how provisions will impact programme implementation and the implications for the future. At the same time they must continue spending and supporting existing projects, while meeting regulatory requirements and preparing for closure. They are also preparing programmes for the 2012-27 period within the same uncertain context, dealing with the ongoing negotiation of the MFF, a new regulatory framework and the launch of new recovery instruments – all likely to be impacted by Covid-19.

Responses to the Covid-19 crisis

The European Commission acted quickly in March 2020 to respond to Covid-19. Programme authorities welcomed the provisions introduced in CRII and CRII+, particularly the administrative flexibilities. It will be some time before the full impact can be assessed. Some programmes were able to move quickly to **reallocate resources into the health or social care sectors and to support businesses and employment**. Many IQ-Net programmes were already largely fully committed; their responses have focused on **adjusting calls and supporting existing beneficiaries** to adapt to the new context. Other programmes foresee a clearer role for ESIF during the forthcoming **recovery phase**.

Progress with the 2014-20 programmes

The current Covid-19 crisis notwithstanding, **programme implementation has been progressing well**. Most programmes have already achieved full or near full rates of commitment. Spending rates have accelerated for many programmes. However, the impact of Covid-19 is difficult to assess. MAs are using a variety of methods to address spending rates, and this, along with dealing with the Covid-19 crisis and subsequent recovery (and the programme revisions this will require) are now among the top priorities.

At the same time, day-to-day **implementation challenges** continue, notable among them public procurement and State aid, financial instruments and the implementation of territorial instruments. Relating to territorial instruments, financial performance is improving and absorption has accelerated. Significant benefits are emerging, but at the same time challenges continue, especially relating to (local) capacity and dealing with complexity.

Preparing for **programme closure** remains on the 'to do' list, but has been pushed

down the agenda by the need to deal with the more urgent crisis at hand. Closure preparations have therefore only started in earnest in a few programmes.

Preparation of the 2021-27 programmes

Delay in agreeing an MFF and the legislative package has been a major constraint with planning and programming for the 2021-27 period. It has led to uncertainties with regards to budgetary planning, operational rules with financial impact, and development of the content of interventions. The Covid-19 outbreak adds to the uncertainty and is expected to lead to further delays in post-2020 preparations.

The situation has led to a notable **postponement of the expected schedules of preparing PAs and OPs** as well as domestic programmes, and further delays are likely. It has also affected progress and discussion of future **investment priorities**, and questions remain on whether modifications will be required to the already defined priority areas. **New material** continues to inform programme development.

Decisions on **programme architecture** are often pending, although a large degree of continuity is expected. Where changes are foreseen, in most cases they appear to be relatively limited.

Most IQ-Net programme authorities do not foresee major changes related **citizen engagement** in the post-2020 period, following as previously the partnership principle. At the same time, the focus is often on wider stakeholder engagement rather than direct involvement of citizens.

Maturity of plans and decisions on the use of **territorial instruments** varies considerably across programmes. Major anticipated changes relate to a revision of ITI/SUD/CLLD eligible territories, particularly in the sense of broadening their geographical coverage, and re-thinking the role of territorial actors / IBs.

A general preference towards continuity in the **use of FIs** has been observed, although wider use is foreseen in some programmes.

The maturity of decisions related to the implementation of **JTF** and assessments of its impact on budgetary planning, programming and implementation arrangements is overall limited, particularly as negotiations are still ongoing. The main issues under discussion and analysis relate to the ratio of national vs regional contributions, geographical coverage of the JTF measures, and ensuring synergies with other instruments through strategic and institutional coordination.

Lastly, programme authorities face the new budgetary and regulatory challenges of a new instrument, in the form of new funding under REACT-EU (whose geographical and sectoral targeting will be decided at Member State level and an uncertain role for regional and local partners), as well as substantially increased resources for the JTF.

1 RESPONSES TO THE COVID-19 CRISIS

These are challenging times for ESIF programme implementation. Programme managers are navigating their way through the Covid-19 crisis, which has required a quick and continuously evolving response under very uncertain circumstances. They must assess how their programmes can respond immediately, and how the crisis and the new provisions will impact programme implementation over the longer term.

1.1 The Commission's rapid response to Covid-19

The European Commission acted quickly in March 2020 to respond to the Covid-19 crisis. Mobilising the EU budget and EIB Group resources, the actions launched included:

- liquidity measures through existing instruments, notably €1 billion redirected to guarantee EIF support for up to €8 billion in working capital financing;
- wider eligibility for the EU Solidarity Fund (€800 million in 2020);
- a €100 billion fund to Support mitigating Unemployment Risks in Emergency (SURE) providing favourable loans to Member States to help cover the costs of national short-time working schemes; and
- launch of the **Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+),** adapting the Structural Fund Regulations and mobilising further resources such as the Fund for Aid for the Most Deprived (FEAD).

Box 1: Summary of CRII provisions

1. Liquidity from non-utilised SFs and a delay in repaying unspent pre-financing, to be used for crisis-related purposes
2. All Covid-19 related expenditure eligible under Cohesion Policy rules, with three recommended priorities:
3. Coronavirus-related health expenditure: Use ERDF and ESF to invest in healthcare systems: purchase of health and protective equipment, disease prevention, e-health, medical devices (including respirators, masks and similar), securing of the working environment in the health care sector and ensuring access to health care for the vulnerable groups.
4. Support to SME working capital: Use ERDF to help companies tackle short-term financial shocks linked to the Coronavirus crisis, including for example working capital in SMEs, with special attention to the sectors which are particularly hard hit by the crisis.
5. Short-term employment schemes: Use ESF to temporarily support national short time working schemes
6. OP modifications facilitated
7. Enlarged scope for Solidarity Fund

8. Additional funding from EFSI to EIF to support SMEs and small mid-caps via COSME and Innovfin
9. Commission has set up a Task Force to coordinate work with Member States.

Source: Summarised from https://ec.europa.eu/regional_policy/en/newsroom/coronavirus-response/ and https://ec.europa.eu/regional_policy/sources/newsroom/crii/fs_crii_0204_en.pdf

The CRII proposals entered into force on 1 April 2020 after a rapid turnaround through the European Parliament and Council. CRII provided liquidity to Member State budgets by delaying the repayment of pre-financing (albeit to be recovered at closure) and made eligible Coronavirus crisis-related expenditure. CRII+ followed on 24 April 2020. The CRII+ provisions introduced increased flexibility, allowing the transfer of resources between Structural Funds, between different categories of regions and providing flexibility in regards to thematic concentration. In addition, a 100 percent EU co-financing rate was introduced for the accounting year 2020-21.

Box 2: Summary of CRII+ provisions

1. Exceptional and temporary possibility for Member States to request a co-financing rate of 100 percent to be applied for the accounting year 2020-21
2. Additional flexibility to transfer resources between the Cohesion Policy funds, and between categories of regions (2020 budget appropriations only, Covid-19 operations only and with no detriment to LDRs). For ERDF, ESF and CF; YEI not included.
3. Exempted Member States from the need to comply with thematic concentration requirements.
4. Exempted Member States from the requirement to amend Partnership Agreements.
5. Postponed the deadline for the submission of 2019 annual reports.
6. Extended the possibility to make use of a non-statistical sampling method by audit authorities, for the accounting year starting on 1 July 2019 and ending on 30 June 2020.
7. Exempted the requirement to review and update of ex-ante assessments and business plans, in order to facilitate the adjustment of financial instruments to address the crisis (N.B. for existing FIs only – new FIs require a 'short and quick' ex ante).
8. Made expenditure for completed or fully implemented operations fostering crisis response capacity in the context of the coronavirus outbreak exceptionally eligible.
9. Allowed limited financial flexibility at the closure of programmes (allowing 'overspend' up until 10% of the budget allocated to a given priority, provided it is compensated by an equivalent reduction in another priority of the same programme).
10. Allowed for ERDF to provide support for undertakings in difficulties in specific circumstances following adoption of the State Aid Temporary Framework.

11. Allowed retrospective support for operations already implemented in response to the crisis.
12. Rule changes in Fund for European Aid to the Most Deprived (FEAD), allowing delivery of food aid and basic material assistance through electronic vouchers and to provide the protective equipment.
13. Measures related to EMFF and EAFRD.

All control and audit mechanisms remain in place. The legislative framework remains fully applicable especially with regard to MCS.

Source: Summarised from https://ec.europa.eu/regional_policy/en/newsroom/news/2020/04/04-02-2020-coronavirus-response-investment-initiative-plus-new-actions-to-mobilise-essential-investments-and-resources and https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_574

The ECA's opinion on the Commission's measures was lukewarm, citing accountability concerns.[1] With respect to retrospective funding of crisis responses, the ECA notes that the Commission's proposals do not include detail on what kinds of operations are intended, and how to keep track of them. This could result in a lack of reliable information on how ESIF has been used in response to the crisis. The ECA also notes the increased risk associated with proposals such as non-statistical sampling methods to be used by audit authorities, which could weaken scrutiny over spending at a time when it may be most at risk of error and/or fraud. As some measures are temporary and others are in place until the end of 2023, the ECA highlights that the Commission should monitor the developing situation carefully "to ensure the temporary and exceptional measures are in place **only as long as the extraordinary situation requires**". While acknowledging that the proposals were pulled together by the Commission very quickly, they warn about the potential for unforeseen problems and conclude that it "will be important to revert to the normal rules as soon as possible".

1.2 Mixed reaction to CRII and CRII+

Many IQ-Net authorities have welcomed the two CRII regulations and the associated Q&A website. The administrative flexibilities introduced in CRII+ were particularly appreciated. It has taken time for programme managers to see how the provisions work in practice, and some have had to wait for guidance from central authorities. However, at the time the IQ-Net fieldwork was undertaken, many programmes were still assessing the potential use of the provisions and **the full impact was not yet visible**.

It is notable that the response to the initial CRII proposals was low key in some programmes:

"The CRII is insufficient as it consists of the reuse of EU funds already available."

"This is not additional cash, it just changes when you have to pay it back."

"Not having to repay the advance payments helps with the cash flow but is relatively marginal."

The fact that in many programmes the large majority of funds were **already committed** hindered the impact of the CRII proposals on ESIF programmes. In addition, key activities were **largely dealt with through domestic measures** in countries where ESIF programmes represent a smaller proportion of available public funds.

1.3 Evolving programme responses to the Covid-19 crisis

The nature of the crisis means that Member States' and regions' responses have had to evolve quickly. This section provides a 'snapshot' of IQ-Net programmes responses to the Covid-19 crisis at the time of fieldwork. The picture will evolve in line with the Covid-19 situation and as economies move from emergency to recovery responses. When fieldwork was carried out, there were four broad (non-mutually exclusive) categories of response.

1) A significant impact on Cohesion policy programmes was anticipated by some programme authorities. Remaining OP resources were already being reallocated into the **health sector**, or into helping **keep businesses going**.

- New ESF calls for projects have been issued in Greece, providing **grant support to businesses** and to strengthen the **capacity of health care systems** to provide medical services. New ESF-funded operations include a €10 million project for the establishment of mobile nursing units for Covid-19 suspect case sampling and home care provision, funded through the Public Service Reform OP.

- Croatia plans to reallocate remaining funds into the **public health sector** and into **FIs for SMEs**.

- Funds are to be channelled into **health and support for SMEs** from the ERDF ROP in Pomorskie, along with ESF funding to support people finding themselves in a difficult situation on the labour market, or having lost employment as a result of the epidemic, as well as to eliminate workplace risk factors.

- Revisions are planned to Slovakian OPs to urgently introduce measures to make use of available ESIF funds to help fight against the impacts of Covid-19. €50 m has been reallocated from the OP Research & Innovation to the OP Human Resources, and further reallocation may take place in the near future. Further, a new call for **anti-Covid measures** may be launched under the Slovakian OP Research & Innovation.

- In Warmińsko-Mazurskie, PLN 29 million has been reallocated into the priority axis for **high quality public services**. OP amendments have been introduced to support the **healthcare sector** in the context of Covid-19, under the priority axis 'Access to high quality public services', and to support the **enterprise sector, employment and social services**. New project types will be introduced, including financing of working capital (ERDF); social inclusion-related support and care services such as care staff, home and residential care (ESF). District labour offices will implement new measures aimed at

maintaining employment such as instruments to co-finance salaries and meet part of the costs of conducting business activity (ESF).

- New calls and credit lines to allow ESIF to respond to the crisis were also launched in Portugal, including funding for research on Covid-19 and a credit line for business support. PT has also introduced support under the Temporary Framework for State Aid (see Box 4).

Box 3: Assisting businesses during the Covid-19 crisis – the role of financial instruments

A **factsheet on the use of financial instruments** to respond to the Covid-19 crisis has been published by fi-compass.[2] The factsheet outlines the CRII+ provisions specifically relating to FIs, which include:

- no review/ update of the ex ante assessment or new/updated business plans required where an existing FI is refocused as a response to the crisis; and
- light ex ante assessment only and some relaxation of business plan requirements for new FIs in response to the crisis.

In the factsheet, two case studies provide detail on FIs either launched or amended to help tackle the crisis in Slovakia and Poland.

- The **Anti-Corona Guarantee** recently launched in Slovakia by Slovak Investment Holding. Funded under the 'Integrated Infrastructure' OP, the guarantee enables financial institutions to extend favourable-term bridging loans to SMEs.
- The **National Fund for Social Entrepreneurship** operating in Poland, via the national promotional bank BGK. Funded under the Polish ESF OP 'Knowledge, Education, Development', more favourable conditions have been introduced for the loans for social economy enterprises.

NB. FIs to tackle the crisis have also been launched in other MSs and regions.

Source: fi-compass (2020) Responding to the Covid-19 crisis through financial instruments in the framework of the Coronavirus Response Investment Initiative (May 2020); https://www.fi-compass.eu/sites/default/files/publications/Responding%20to%20the%20Covid-19%20crisis%20through%20financial%20instruments_0.pdf

2) There has been less immediate impact among the many IQ-Net programmes which are already largely fully committed (e.g. CZ, NI, Vla, UK). At the same time, where Structural Funds OPs are relatively small compared to domestic resources, the main response to Covid-19 has been at the level of the country/region using domestic funds. The domestic response has been supported by the Commission's introduction of State aid flexibility under the Temporary Framework.[3] Nevertheless, these programmes are still responding to the crisis. This includes publication of dedicated calls for relevant projects.

- A call for applications was launched targeting operators of ongoing business development projects in Denmark, to allow existing initiatives to propose how they could help Danish companies through the crisis by **adjusting or scaling ongoing activities**. The call (budget of up to DKK 114.7 m) invited short idea descriptions (pitches), to a tight deadline. Successful pitches would then go on to submit an application for funding.

- The North NL MA launched a new tender specifically aimed at **'Corona solutions'** with an ERDF contribution of €1m, which has received a lot of interest.

- In Vlaanderen, **new calls may include a paragraph that addresses Coronavirus-related issues**. For example, an expected call for smart city projects may emphasise the strengthening of the social fabric, since local shops are likely to be affected by the current crisis. The MA may also fund technical applications that contribute to the treatment or confinement of the virus (e.g. face masks, medical equipment). In mid-April, the urban and provincial authorities distributed a beneficiary survey which gave the MA an overview of the effects of the crisis at that time.

- In the Czech Republic, the OPs are mostly fully committed or at the stage of final calls for projects. An **analysis across all OPs is being undertaken by the National Coordination Authority** to prepare recommendations for government on how to use any available ESIF allocations to respond the Covid-19 challenges. The already prepared reallocation from the OP Enterprise and Innovations for Competitiveness (from the theme of broadband) to the Integrated ROP (for the theme of e-government) was stopped as a response to the Covid-19 situation, and the funds are likely to be used within the OP Enterprise and Innovations for Competitiveness to **support the economy and SMEs** in particular.

- Wales has considered allocating c. £280 million ESIF funds to **healthcare**. This would involve a new priority for the ESF OPs, and could potentially be used to pay the additional costs of final year medical students or recently retired staff (re)entering employment with the health service. Another possibility is funding the emergency field hospital in Wales. The funding for these operations would come from exchange rate gains rather than unallocated ESIF funds, as the Wales OPs are already fully committed. The MA also considered redeploying any funding recovered from projects which no longer have capacity to deliver, as well as match funding from Welsh Government which would be released if activities were scaled back.

Box 4: Using ESIF to co-finance national responses to Covid-19

The Commission adopted a Temporary Framework for State Aid on 19 March 2020 to support the economy in the Covid-19 outbreak. This provided for several measures aimed at supporting the liquidity of firms in the crisis through direct financial aid capped at €800,000 and guarantee and interest rate subsidies. An extension adopted on 3 April enables two new types of aid to be considered compatible.

At the time of writing, Estonia, Hungary, Slovakia and Poland had signalled that they **intend to use ESIF resources to co-finance Covid *de minimis* schemes** under the Temporary Framework. For instance, Poland plans to introduce new loans and guarantees, to be co-financed using ESIF returns from 2007-13.

Germany have introduced an umbrella scheme for R&D which might be co-financed by ESIF, and Portugal is now also using the Temporary Framework for Support to R&D projects, testing infrastructures and production of Covid-19 related products, guarantee schemes for SMEs and mid-cap companies affected by Covid-19, and a Covid-19: Direct grant and loan guarantee scheme, among others.

Source: Wishlade F (2020) Business support and the EU State aid rules: the Covid-19 Temporary Framework, EPRC Briefing paper - April 2020. Briefing paper to the EoRPA Research Consortium; EPRC research.

3) A clearer role is foreseen for Structural Funds at a later stage in the recovery process in some programmes.

- ERDF funds are likely to play a more active role during the **recovery phase** in Austria, where the ERDF OP is highly business-oriented, and receives only 27 percent of funding from EU sources. The MA highlighted the difference with previous crises, as absorption of EU Funds is not currently a problem. The main priority is to speed up payments to beneficiaries in order to bring liquidity into the economy.

- Similarly, French regions envisage redirecting unallocated resources to **businesses during the recovery phase.**

- In Pomorskie, the regional development fund (*Pomorski Fundusz Rozwoju sp. z o.o.*) plans to launch a new financial product of PLN 50m **dedicated to SMEs** to combat the consequences of Covid-19.

- In England, the MA's focus is on **repurposing ERDF projects from a 'growth' orientation to focus on survival and ultimately recovery**. Guidance is being updated to clarify that ERDF co-funded FIs and grants can support the retail sector. In addition, £50 million of ERDF has been allocated to a fund for local councils to support them in preparing for the reopening of non-essential retail by introducing safety measures in high streets and town/city centres, as well as other public spaces such as beachfronts and promenades. The **Reopening High Streets Safely Fund**[4] will support four main strands of activity:

    - developing action plans to safely reopen the local economy;
    - communications and public information activity;
    - business-facing awareness raising activities;
    - temporary public realm changes such as safety measures including new signs, street markings and temporary barriers.

  The funds will be allocated to local councils on a per capita basis, with expenditure eligible from 1 June 2020.

- In Wales, the MA expect ESIF funds could be more involved in **supporting SMEs in the recovery phase,** when additional funding could be allocated through existing IBs (for example, grant schemes delivered through Welsh Government) or existing FIs (delivered via the Development Bank of Wales).

- In Greece also, planned OP revisions will be oriented towards **combating the adverse repercussions** caused by the Covid-19 pandemic on the economic and social environment.

4) The potential uses of the CRII and CRII+ provisions were still being assessed in some programmes at the time of IQ-Net fieldwork. In **Bizkaia**, guidance was awaited from the MA on the implications of the regulatory changes, and in **Scotland** the MA was still assessing the potential uses for the provisions, but anticipated introducing some health-related expenditure. In the **Netherlands**, the MA of the West OP has decided not to issue targeted Coronavirus-related investments to protect the interests of local stakeholders who were planning to submit project proposals for the geographically-earmarked remainder of available funds.

While programmes have been deciding their response to the crisis in terms of new initiatives or revisions, in parallel, their focus has been on **addressing the impact on existing projects and current beneficiaries,** using the CRII+ flexibilities. Many projects have been impacted by delays in implementation, and may require project extensions, and to find new ways of working. MAs themselves are also impacted – in England, the MA has lost staff to work on the government's crisis response teams. Programme managers have introduced measures to support beneficiaries:

- extensions to projects and flexibility in implementation schedules are being widely introduced (DK, NL, PT, Vla (on a case-by-case basis), W-M, UK, FI, FR (Paris region));
- extending calls for applications (PT, W-M);
- working to widen the possibility to finance working capital (e.g. rent and staff costs) using existing resources (West MA, NL, W-M);
- speeding up payments (AT, PT) and increasing advance payments to beneficiaries (FR (Paris region), DK, NL);
- deferral of calls (Eng, Pom). In England, the ERDF MA has decided to defer the ERDF Reserve Fund calls that were due to launch in the coming months;
- deferral of repayments (PT);
- delaying project control visits (FI);
- allowing flexibility in the submission of evidence (FR);
- introducing new methods of project delivery (DK, Sco, Vla); and
- issuing FAQ for IBs and beneficiaries (e.g. FI, PT, UK).

Box 5: Changing modes of project delivery during Covid-19 in Scotland

Scottish Government has issued guidance for lead partners in the form of a Q&A. The guidance recognises that programme activities, delivery models and working arrangements during the crisis will vary widely and will be reduced, and that evidence of activity and outputs, achievement of targets and milestones, staffing levels and arrangements will all be severely impacted for the duration of the Covid-19 disruption and possibly beyond. If lead partners are unable to deliver their projects as planned because of Covid-19, the MA will be sympathetic to this and will consider extensions on a case-by-case basis, bearing in mind that dates should not go beyond June 2023, in order to enable all lead partner closure activity to occur by 31 December 2023.

In project delivery, where face-to-face support to participants and businesses has ceased and is being delivered remotely i.e. telephone/email/skype, alternative methods of providing evidence of this support can be used, such as:

- notes of the discussion
- email verifications for registration/attendance records/achievements of results that are not signed by the participant/business

- Microsoft forms that gather registration information and trail consent from participants

All notes of discussions should be retained alongside the date/time. When the Covid-19 disruption is over, the lead partner or delivery agent should ensure that the participant/business signs and date the relevant paperwork required to confirm that the support has taken place.

Source: Coronavirus (Covid-19) & European Structural and Investment Funds 2014-2020 programmes Q&A for Lead Partners 29 May 2020[5]

These types of 'administrative' measures can have a major impact – in Portugal it is estimated that this type of measure will represent an injection of liquidity in companies of c. € 475 million by 30 June 2020.

1.4 Next steps - measuring the response

Some programme authorities have discussed with the Commission plans to add **programme-specific indicators for new actions targeting the Covid-19 response**, to capture the outputs from the expenditure. The Commission proposed a voluntary list of relevant indicators on 12 May, with unique codes and names which could be used to allow wider monitoring of Covid-19-related spend to take place. If OPs adopt these specific indicators, the targets will become available later in 2020 with the first report of implementation due in May 2021.

Table 1: Proposed voluntary indicators for Covid-19 spend

Code	Indicator short name
CV1	Value of personal protective equipment purchased
CV2	Value of medical equipment purchased
CV3	Value of medicines purchased linked to Covid-19
CV4	Value of IT equipment and software/licences financed
CV4a	Value of Covid-19 related IT for SMEs
CV4b	Value of Covid-19 related IT for health
CV4c	Value of Covid-19 related IT for education
CV5	Value of grants for R&D into Covid-19
CV6	Items of personal protective equipment (PPE)
CV7	Ventilators to support treatment of Covid-19
CV8	Additional bed space created for Covid-19 patients
CV9	Number of laboratories supported to test for Covid-19
CV10	Testing capacity supported for Covid-19
CV11	Ambulances and vehicles purchased for emergency response
CV20	Grant support to SMEs for working capital (grants)
CV21	Financial Instrument support to SMEs for working capital
CV22	Number of SMEs with grants for working capital
CV23	Number of SMEs with repayable working capital

CV24	Number of SMEs receiving non-financial support
CV25	Number of enterprises supplying equipment and PPE
CV30	Value of ESF actions to combat or counteract Covid-19
CV31	Participants supported to combat or counteract Covid-19
CVST	Participants benefitted from support in short-time work
CVHC	Health care personnel who benefitted from ESF support
CV33	Entities supported in combating Covid-19
CVR1	Participants maintaining their job 6 months after (Covid-19)
CVR2	Participants gaining qualification upon leaving (Covid-19)

Source: Open data portal for the European Structural and Investment Funds, Covid related programme specific indicators proposed by the Commission, data downloaded 27 May 2020.

1.5 Looking ahead – issues of concern for programme authorities

Some issues related to the crisis and the new provisions remain of concern to programme managers, including:

- what will be the impact of the crisis on results and performance, and how will this be dealt with? Are there implications for n+3?
- related, what are the implications of businesses now being more concerned with 'survival' than 'growth', and does the definition of a 'development project' need to change?
- how 'temporary' are the 'temporary measures' which have been introduced? Will any flexibility be withdrawn early (e.g. under pressure from the ECA)?
- what are the implications of the relaxed thematic concentration requirements?
- will the closure timetable be relaxed?

2 PROGRESS WITH THE 2014-20 PROGRAMMES

Implementation of the programmes is progressing well compared to previous data. Information on the financial implementation of the ESIF programmes is available on the Commission's Open Cohesion Data Portal.[6] In relation to financial implementation the following three types of information are available.

- The commitment rate gives an indication of amounts allocated to projects selected by programme managers. According to the latest EU-level data, by the end of 2019, the **EU average commitment rate stood at 91 percent** (up from 84 percent in September 2019).[7]

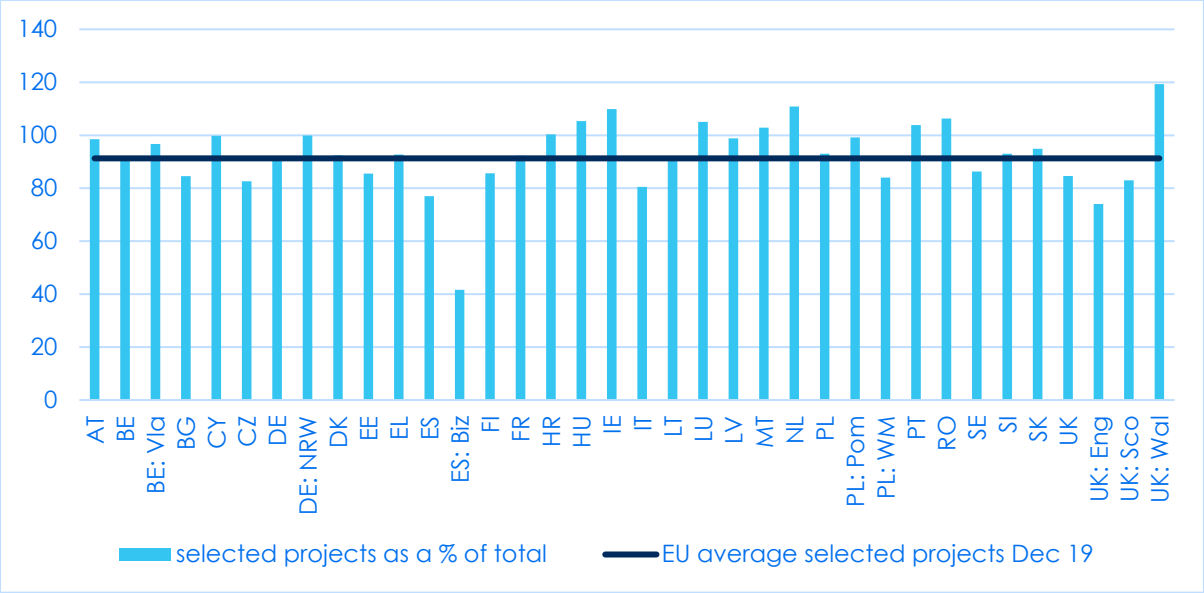
- The spending rate includes the total project expenditure eligible for reimbursement as reported by beneficiaries to the Managing Authorities, who report this data to the European Commission three times a year. By the end of 2019, the **EU average spending rate stood at 38 percent** (up from 32 percent in September 2019).

- The payment rate includes all EU payments to the programmes based on payment requests submitted by the Managing Authorities, as well as automatic initial and annual pre-financing payments to the programmes. This data is updated daily on the Open Cohesion portal and on 3 June 2020, the EU **average payment rate stood at 43 percent** (up from 33 percent in September 2019).

2.1 High levels of commitment in many programmes

Most programmes are already largely fully committed. The current data shows the position at the end of 2019, by which point, the **EU average commitment rate stood at 91 percent.** This means that across the EU, only a small amount of funding was still available to be committed to new projects. The **average commitment rate for IQ-Net programmes at the end of 2019 compares well with the EU average**, at around 93 percent (see Figure 1). Using the EU-level data, the commitment rates of IQ-Net programmes are at 100 percent or higher, in Wales (119 percent), Netherlands (111 percent), Portugal (104 percent), Nordrhein-Westfalen (100 percent) and Croatia (100 percent). Higher than average rates can also be seen in Austria and Pomorskie (99 percent), Vlaanderen (97 percent), Slovakia (95 percent), Greece (93 percent), Denmark (92 percent) and France (92 percent). It is worth noting that the commitment rate may understate progress as it does not reflect the project pipeline. In NL North, for example, projects worth €13m are still in the selection process, and in NL South, the last remaining calls expects to spend the remaining budget of €7.7m budget under the low-carbon priority.

Figure 1: Overview of ERDF/ESF/CF implementation – selected projects as % of planned, 31 December 2019



Source: Open data portal for the European Structural and Investment Funds, ESIF 2014-20 Finance Implementation Details, data downloaded 2 June 2020. Note: The aggregated selected project amounts divided by the total allocated amounts provides the commitment rate.

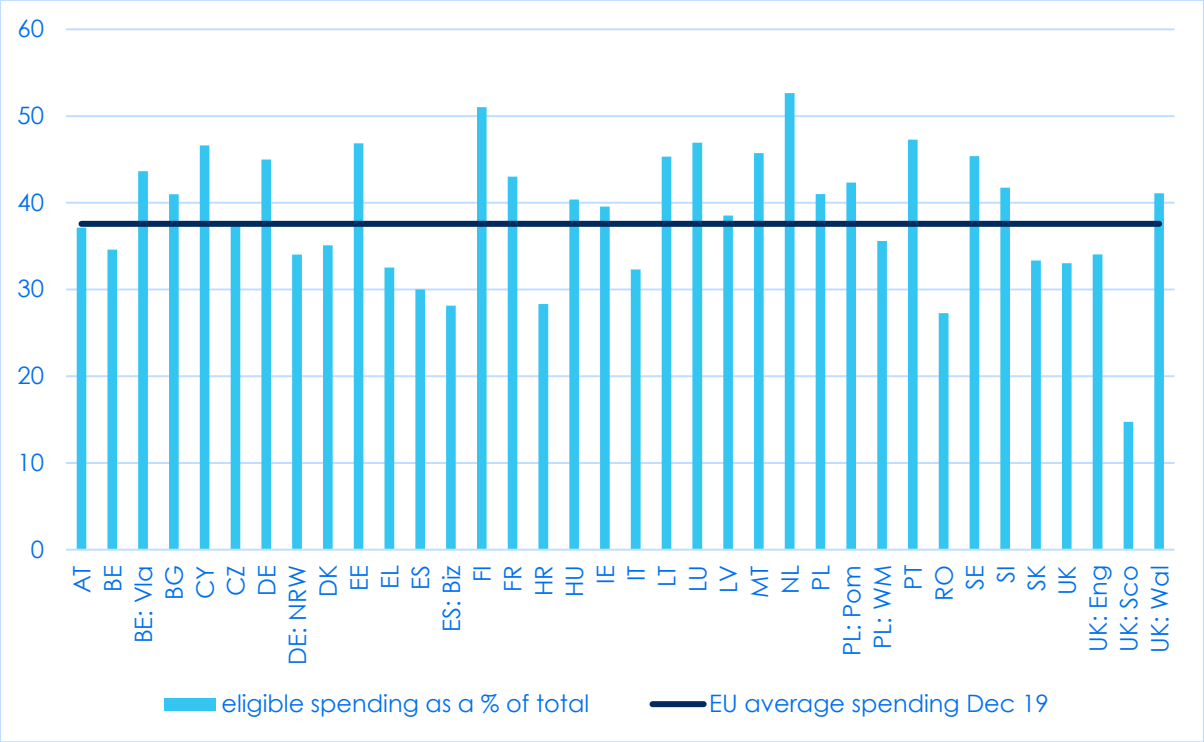
2.2 Spending rates vary greatly

Further insight on the financial implementation of programmes is provided by the spending and EU payment rates. As highlighted in the previous IQ-Net Review Paper,[8] the spending and EU payments rates become increasingly synonymous as the programme period progresses, despite measuring different things.

- The ***spending rate*** is a measure of project implementation. It includes aggregate data available to the managing authorities based on payment claims submitted by project beneficiaries.
- The EU ***payment rate*** provides real-time data on EU payments to the programmes based on payment requests submitted by the managing authorities (interim payments) and automatic payments provided by the regulations (initial and annual pre-financing).

Increasing the spending and payment rates has been given high priority by IQ-Net programme managers over the last six months and **IQ-Net programmes' spending rates compare well with the EU average of 38 percent** (see Figure 2). Netherlands (53 percent) and Finland (51 percent) continue to show the highest spending rates throughout the EU. Other IQ-Net programmes with a spending rate higher than the EU average include Portugal (47 percent), Vlaanderen (44 percent), France (43 percent), Pomorskie (42 percent) and Wales (41 percent). However, caution should be used in comparing the data, as programmes vary widely in terms of programme size, thematic and strategic focus as well as type of intervention.

Figure 2: Overview of ERDF/ESF/CF implementation – eligible spending as % of planned, 31 December 2019



Source: Open data portal for the European Structural and Investment Funds, ESIF 2014-20 Finance Implementation Details, data downloaded 2 June 2020.

For many IQ-Net programmes, the **payment and certification rates have accelerated in the last six months**. However, it should be noted that the overall payment rate can mask **significant variations** between different OPs within a Member State or region as well as between priorities or thematic objectives within the OPs themselves. For example, within the Païs Vasco ERDF OP, the spending rate varied between 60 percent for TO5 and 20 percent for TO4. Also, where co-financing rates are applied at the level of the programme rather than the level of individual operations, the commitment rates may differ for EU funding and domestic co-financing (as in France).

However, even where spending rate is not currently a problem, **the Covid-19 effect is difficult to assess** (AT, NL South, NRW, PT, Vla), and even when it is not a cause for concern it is closely monitored (DK). Where it is considered somewhat lower than expected, (e.g. HR), programme authorities is confidence that steps taken will ensure timely progress.

The following factors were highlighted by programme managers with respect to accelerated spending rates.

- **'Slower' priorities and spending areas are now catching up** e.g. innovation stakeholders in NL North took time to find their way to low carbon funding; the CZ Integrated Regional OP has seen accelerated rates of commitment and payments even though the OP features longer-term investments with a lot of public tendering; a significant

increase in the commitment rate took place under sustainable urban development in NRW, as most of the projects are co-financed by a national domestic programme which has an annual deadline for project selection. In Vlaanderen, payments have accelerated steeply over the last 18 months, in part thanks to the provincial ITIs which lagged in the entrepreneurship and low carbon economy priorities, but have now largely caught up. Under the low carbon priority in Vlaanderen, a number of larger investment projects have taken longer to develop.

- Advance payments to **financial instruments** have played a role in NL West, as 25 percent of the amounts had to be paid in advance (40 percent of the OP funds are allocated through FIs).
- In Greece, **OP overbooking** has been used.
- **Digital platforms** and electronic processes are actively utilised to track spending (EL, NRW)
- use of **Simplified Costs Options** can speed up spending (SK, EL).
- Front-loading programme implementation in the first few years of the period (Pom). However, the MA is now facing a large volume of payment claims to process, which exceed its administrative capacity. This challenge is amplified by the fact that many beneficiaries submit numerous, small payment claims.
- In NRW, the MA has required all projects to be implemented within three years of approval (and by end 2022 at the latest).

Although the impact of Covid-19 is difficult to anticipate, most IQ-Net programmes are **not anticipating problems reaching n+3** in 2020. Indeed, many OPs have already met or were about to meet n+3 at the time fieldwork was undertaken in Spring 2020.

Box 6: Speeding up spending under the OP Integrated Infrastructure, Slovakia

Under the Integrated Infrastructure OP in Slovakia, a range of measures have been used to spend up spending:

- simplification of calls and management documentation for preparation and implementation of projects (reduction of required documents and maximum possible use of fact verification in public registers, predefined forms (model documents) and various tools for the applicants/beneficiaries to minimize the formal shortcomings);
- the widest possible use of Simplified Cost Options (SCO);
- establishment of an internal control body (analytical unit) to ensure correct and effective verification of the size category of the undertaking/SME, undertaking in difficulty and cumulation of *de minimis* aid (some of the most demanding aspects of the management verification of projects);
- possibility of ongoing reimbursement of expenditure related to the purchase of tangible and intangible assets (submission of the proof of incorporation of the assets into use within the payment request claiming expenditures for the last part of the asset, at the latest as part of the final payment request);
- possibility to make advance payments;

- simplification of the process for expert evaluators (introduction of the possibility of remote expert evaluation and of auxiliary evaluation sheets in user-friendly form);
- speeding up the selection and contracting process within the launched calls;
- applying the principles of crisis management for implementation of projects that have potential to contribute to the annual financial commitments, involving: shortening procedural deadlines of the MA/IB (contracts preparation, approval of: public procurements, applications for payment, change requests, verification of cost effectiveness), intensifying communication with beneficiaries to reduce the error rate of their outputs and to accelerate the implementation of actions aimed at submitting requests for payment, optimization of cooperation with the Public Procurement Office by prioritizing the control of the over-limit public procurements, establishing the possibility of safeguarding the claims (funds provided) after the relating request for payment is paid by MA/IB, flexible personnel management in order to optimize the workload of administrative capacities; and
- continuous active monitoring.

2.3 Current priorities

Dealing with the Covid-19 crisis and subsequent recovery are now the top priority for programme managers in countries/regions where ESIF programmes are an important part of the crisis response (FR, EL, HR, PT) and elsewhere. Priorities are speeding up payments to beneficiaries to bring liquidity into the economy (AT); ensuring continuity in programme implementation (NRW); speeding up project implementation to minimize the impact on projects, as well as looking into funds that are potentially still available for re-allocation for use for measures aimed at public health sector and helping the economy (HR).

Alongside the crisis, programmes still have a range of day-to-day priorities, including: committing any remaining funds; finalising any remaining calls for projects; maximising spend; ensuring indicator targets are met; carrying out control checks and certifying expenditure; and achieving the final goals of the performance framework. Other specific prioritised tasks include:

- scheduling the review of OPs in what is the last year of the 2014-20 programming period in which the transfer of resources between different OPs is possible (EL);
- continuation of the closure simulation process for the 2014-20 OPs at regular intervals (EL);
- achieving the lifting of current programme suspensions (Sco);
- implementing domestic strategies, e.g. in DK the new 2020-23 strategy for business development, which was the result of a comprehensive stakeholder involvement process initiated in spring 2019; and

- looking ahead and continuing preparations for the 2021-27 period (FR, NRW), including planning for potentially frontloaded projects (EL).

Programme revision is also a high priority, including as a result of Covid-19 (Biz, CZ, HR, Pom, Wal, W-M, EL, SK), the performance review (HR, NRW, PT, NL West, W-M) and general reprogramming to move funds between priorities/thematic objectives (AT, Biz). In Finland, a change to the OP will be prepared towards the end of 2020 only should the 10 percent transfer possibility between the priorities turn out to be insufficient. In Slovakia, there has been a merger between the OP Integrated Infrastructure and the OP Research and Innovation (see Box 7).

Box 7: OP merger in Slovakia

The merger of the Slovakian OP Integrated Infrastructure (OP II) with the OP Research and Innovation (OP R&I) was approved by the European Commission in December 2019. The merger involves the incorporation of the OP R&I into the OP II, in which several new priority axes will be created, with one MA (the Ministry of Transport and Construction) and one Monitoring Committee. The Ministry of Education, Science, Research and Sport of the Slovak Republic and the Ministry of Economy of the Slovak Republic will become intermediary bodies with delegated powers for the implementation of research and innovation projects. Existing IBs will remain as such (e.g. Office of the Deputy Prime Minister for Investment and Informatization). Original OPII priority axes will continue to focus on the development of transport (road, rail, water, public passenger transport).

The total allocation of the combined OP is over €8 billion, including national co-financing. During the harmonisation of systems, the Ministry of Transport and Construction will carry out an in-depth process audit with the help of European experts, with the aim of setting out measures to improve the uptake of ESI Funds for research and innovation.

2.4 Challenging implementation issues continue

Alongside the many challenges currently being faced, programme managers highlighted issues related to public procurement and State aid (among others) affecting programme implementation.

2.4.1 Public procurement remains difficult

Public procurement continues to pose challenges for programme managers, with lengthy procurement procedures impacting on administrative capacity and project timetables.

To help overcome these challenges, the Croatia MA has established a **network of public procurement experts and coordinators** (PP Network) and a network of State aid experts and coordinators (SA Network). The networks include staff from ESIF bodies, PP experts from the Ministry of Economy, Entrepreneurship and Crafts, Directorate for Public Procurement Policy, State aid experts from the Ministry of Finance, staff in charge of national funds, audit and

prevention of fraud in order to discuss and exchange good practice, practical problems, complex cases, bottlenecks, trainings, etc. To help prevent the occurrence of irregularities and fraud, and to exchange practices in handling, reporting and follow-up of irregularities, the MA has also established a **Network for the Management of Irregularities**. The first network meeting was in February 2017 and meetings are generally held every three to four months. The network includes staff for irregularities in Intermediate Bodies, and where appropriate, the Agency for the Audit of European Union Programmes Implementation System, as well as experts from the Ministry of Economy, Entrepreneurship and Crafts, Directorate for Public Procurement Policy.

The MA has also provided **instructions on the management of irregularities** to Intermediate Bodies (related to irregularities in public procurement procedures), with the aim of resolving issues and unifying procedures. A Summary of Instructions is available to beneficiaries on the MA's website.[9] A table with examples of common irregularities shows the most common mistakes made and their consequences. Further, a report on complaints during implementation procedures is planned by the end of 2020, to highlight the most common mistakes made in public procurement procedures noticed during the complaint handling procedure.

In NRW, **digitalisation of public procurement procedures,** allowing project promoters to submit applications electronically, is expected to have a major impact on OP implementation. In Scotland, the MA have revised their checking processes to ensure that further checks are taken where public procurement has taken place, to verify that goods and services have been delivered. This responds to the issue being raised in the EC EPSA (Early Preventative Systems Audit) reports (2017 and 2018) was regarding public procurement and a lack of checks to ensure that goods and services had been delivered as per contractual requirements.

2.4.2 State aid: Slovakia, Vlaanderen and the Netherlands

As discussed in a recent IQ-Net review paper, State aid provisions continue to pose challenges for ESIF implementation.[10] State aid (including SME status assessment) is currently an issue for the Slovakian Integrated Infrastructure OP. Verifying SME status is found to be a highly administratively demanding and time-consuming process. There are problems with the **availability and accuracy of data on enterprises** established on the territory of another EU Member State/outside the EU. There is also a lack of definition of certain terms, e.g. owner-managers, partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise. A major issue is the different scope of the data verified under the relevant Commission regulations for determining the single undertaking, the definition of SME and for determining the undertaking in difficulty. The MA uses an e-wiki tool, but would prefer for specific provisions to be set out more clearly in the legislative acts.

State aid is also a continuing implementation challenge in Vlaanderen. The programme directly targets innovation projects that aim to valorise knowledge, which is State aid sensitive

and whose beneficiaries have little knowledge of the regulations. ERDF is often additional to domestic funding, which discourages potential applicants to seek co-financing. The MA has invested heavily in **building capacity** (e.g. setting up a State aid working group, appointing an internal specialist) and improving external communications. Beneficiaries (particularly knowledge institutions) for instance thought that State aid was not relevant and of no risk, and encounter different (less strict) regulations in H2020 and Interreg. There is also continuous concern about the role of the AA in Vlaanderen, which often takes a very conservative approach. This leads to stricter State aid application and uncertainty for the MA and beneficiaries. For example, it can be arbitrary whether valorisation is a knowledge-related or an economic activity. There are concerns that the project proposal and actual activities are not always congruent and may actually lead to State aid issues later on.

West NL has found Articles 25 and 27 of GBER problematic. The MA uses GBER frequently (for around 80 percent of projects), finding **GBER especially relevant for low-carbon projects**. The regulation is used to compare conventional energy investments with investments that make something circular or sustainable, and subsidise the difference. This comparison is often difficult, specifically in relation to GBER Regulations 25 and 27. In the current programme, and perhaps more so post-2020, project applications easily surpass the €200,000 *de-minimis* limit. In addition, many projects under the innovation and low carbon economy priorities (West and South) are cluster projects in which knowledge institutions are part of the consortia. This means GBER article 27 has often been problematic as payments could only go to one partner.

2.5 Financial instruments are being repaid and recycled

The implementation of financial instruments in IQ-Net programmes is generally perceived to be going well. Funds from the 2007-13 and 2014-20 programme periods are being repaid and recycled within regions, with examples of recycled funds being used to fund new investments for similar purposes, as well as being used to fund FIs in the next programming period.

- The CZ IROP used repaid funds from the 2007-13 JESSICA FI to the State Fund of Housing Development for a new grant programme supporting revitalization of public spaces and courtyards.
- JESSICA Funds from 2007-13 are being used from 2021 in Greece for the new Infrastructure Fund, for reinvestment in regions that had initially contributed through their OPs to the Fund's resources.
- In Croatia, in FIs with shorter maturity periods, repaid funds are reused within the same instrument, while in FIs with maturity over 10 years, repaid funds will be used in new FIs in the 2021-27 period.
- In Pomorskie, the MA reuses reflows from FIs in 2007-13 to support SMEs and urban projects. This task was entrusted to the regional development fund (Pomorski Fundusz Rozwoju sp. z o.o./PFR)[11], which was established for this purpose in 2016. PFR currently manages over 70 contracts with Financial Intermediaries and will soon launch another

financial product of 50 mln PLN dedicated to SMEs to combat the consequences of Covid-19.

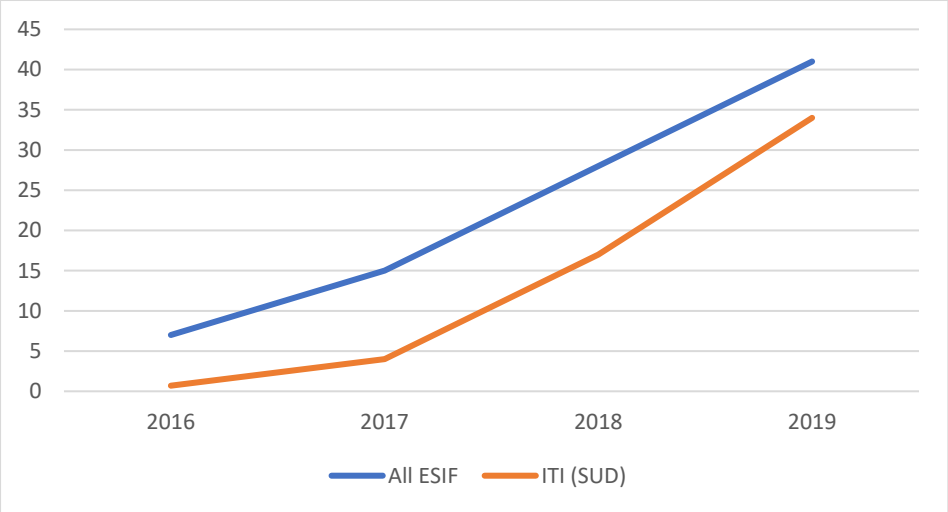
- In Slovakia, returns have been received from the National Development Fund I (NDFI, previously known as Slovenský záručný a rozvojový fond (SZRF) – Slovak Guarantee and Development Fund), via the Slovak Investment Holding (previously known as SZRB Asset Management. The largest share of repaid funds comprises loan repayments from the PRSL (Portfolio Risk Sharing Loan) programme. The repaid funds have been allocated for investments into Central European Fund of Funds managed by the EIF and Venture to Future Fund, managed by Slovak Asset Management. Both funds invest into SMEs in or with capital links to the Slovak Republic.

2.6 Taking stock of experience with territorial instruments

Programme authorities are currently taking stock of the implementation of territorial instruments, including Integrated Territorial Investments (ITI), Integrated Sustainable Urban Development (ISUD) strategies and Community Led Local Development (CLLD). This process involves assessment of financial performance but also the identification of specific challenges and benefits.

Financial performance is generally improving and absorption has accelerated over the past two years. Overall the rate of absorption for territorial instruments is lower than the average for all ESI Funds, although performance is improving. Figure 3 shows the absorption rate for ISUD strategies that use the ITI approach. The difficulties of designating management and implementation bodies and approving management and control systems, and the protracted development of strategies and project proposals meant that the launch of ITIs was often significantly delayed. Since 2017, the gap in absorption rate for ISUDs and the total rate for all ESI Funds has steadily decreased. These challenges were apparent across different types of territorial investment. In Portugal, for instance, the launch of CLLD was delayed due to a complex process of strategic definition, as foreseen in the regulations, that involved a two-stage process of a pre-selection of Local Action Groups followed by a selection of CLLD strategies.

Figure 3: Comparing absorption rates: ITI SUD & all ESI Funds, 2016-2019 (% spent according to planned)



Source: EC, ESI Funds Open Data Platform, see https://cohesiondata.ec.europa.eu/ accessed 21/4/20.

Nevertheless, implementation challenges remain. Some programme authorities have subsequently found it challenging to ensure the absorption of funds allocated to ITI projects. Key difficulties encountered include the following.

- **Limited experience and capacity in the management and implementation of the new instruments, particularly at local level.** This has been was reflected in the struggle to generate, select and implement ITI projects and to navigate complicated bureaucratic procedures. Finding consensus on the design and implementation of ITIs has often required lengthy negotiations and sometimes resulted in fragmented strategic frameworks. The establishment of project 'pipelines' has been time-consuming as local authorities came to terms with this new, integrated approach and tried to mobilise new partners in local communities (e.g. ES, EL, HR). In some contexts, limited administrative capacity (including a lack of personnel) and difficulties in providing own-resources (due to scarce public funding and austerity restrictions) has impeded implementation (e.g. NRW).

- **Regulatory and procedural complexity**, often exacerbated by lack of coordination between instruments and funds. Public procurement issues, State aid requirements and dealing with different ESI Funds are perennial implementation challenges. However, these are compounded when programme authorities and ITI Intermediate Bodies strive to integrate investments 'on the ground'. Procedural complexity has sometimes been exacerbated by limited regulatory coordination across ESI Funds. In the Netherlands, efforts to implement projects that integrate ERDF and ESF have been obstructed by the need to comply with two different regulations with different application procedures and lines of accountability. Moreover, lack of coordination with domestic regulatory, strategic and policy frameworks has in some cases impeded ITI implementation. In some contexts, the limited funding available for ITI has limited the incentive for local authorities and other potential beneficiaries to become involved in these complex procedures (e.g. DK).

Significant benefits are emerging despite the problems. Evaluations and reviews of experiences in ITI implementation conducted by national ministries, programme authorities

and ITI Intermediate Bodies are revealing positive results. These can be summarised under four main headings.

- **Improved strategic quality** through identification of specific needs and potentials and the adoption of an integrated approach. The negotiation between programme authorities and representatives of local authority areas has, in some cases, improved understanding of the development needs at the local level and helped to mainstream them into broader regional development policy (e.g. POM). Moreover, despite the procedural challenges involved, reviews of experience with territorial instruments have noted strengthened synergies between the various thematic strands of ESIF support and coordinating a range of contributions to territorial development on the ground (e.g. AT). The benefits of ITI in increasing the scope to implement operations related to different sectors in the same territory or in facilitating the articulation between instruments with different purposes has been highlighted (e.g. PT).[12] This integrated approach has been highlighted, for example, in efforts to address mismatches in labour supply and demand in the case of the West OP in the Netherlands[13] and in the use of ISUD in Gothenburg to support the low carbon economy as a cross-cutting priority.[14]

- Increased **emphasis on functional areas** rather than administrative boundaries. The role of these instruments in underlining the territorial, functional (rather than sectoral) dimension of Cohesion policy projects is valued by MAs and IBs. The implementation of territorial instruments has introduced or strengthened the focus on specific types of area (functional areas, city-region, urban-rural zones etc.). This has helped address the negative results of administrative fragmentation on the implementation and impact of ESIF investment. It is apparent, for example in cases where sustainable urban mobility is a priority as integrated projects are boosting connectivity between core cities and their surrounding functional urban areas (e.g. PL).[15]

- **Strengthened governance and administrative capacities**. ITI has played a role in supporting multi-level governance mechanisms, strengthening horizontal and vertical coordination in the design and delivery of ESIF investments and boosting administrative capacities, particularly at sub-regional levels. Implementation of these instruments has prompted more direct cooperation between national, regional and local levels (as noted in the cases of HR, POM). New governance structures and cultures have been established (e.g. associations of municipalities, steering groups etc.) to strengthen coordination and ensure representation. This is increasing the role of local authorities, NGOs and other sub-national bodies in managing and implementing ESI Funds, increasing the potential for leverage of additional resources for territorial development. Administrative capacity is being built through this process, particularly at the local level. In some contexts, involvement in the development and delivery of ITI strategies and projects is seen as an important stage in developing the role of the local/sub-regional level in ESIF implementation and regional development more generally (e.g. HR and PT). In England, city authorities have welcomed the greater devolution of decision-making and are keen to build on this in future. The contribution of CLLD to better partnership and participation at regional and local levels has been noted (e.g. in AT – Tyrol and in EL). A pilot CLLD in The Hague (Scheveningen) has strengthened local ownership, improved social connections and mobilised citizens to propose and carry out funded projects. The availability of directly spendable public funds has greatly contributed to this. The assessment of the pilot noted that the CLLD operated at a distance from municipal authorities and was based on a strongly networked local community, raising questions about its broader applicability.[16]

2.7 Evaluation update

At the time of writing, there was uncertainty over the impact of Covid-19 on planned and current evaluation activity. However, evaluation activity which has been reported from late 2019/early 2020 includes:

- A **thematic analysis of clusters in business promotion** has been published In Denmark.[17] It includes recommendations how the Danish Executive Board for Business Development and Growth can benefit from a coordinated business promotion effort, includes also on future use of Structural Funds.

- Evaluations of **financial instruments and revitalisation projects** have been carried out in Warmińsko-Mazurskie.

- 2020 is a busy year for evaluation in Portugal, with more material available for analysis from several completed evaluations[18] and work starting on **Interim (Mid-term) Evaluations** of the OPs. A call is about to be launched to carry out a **macro-economic evaluation** to understand the ESIF contribution to major macro-economic aggregates. This will not be a public call but a call aimed at a set of university research centres. In addition, the Terms of Reference were being finalised for the **evaluation of territorial instruments** to look in more detail at the operationalisation of the ITI and CLLD on the ground. A **follow-up model** of the recommendations of the evaluations has been standardised in Portugal, that includes the critical analysis of the recommendations and, when applicable, the preparation of an action plan for its implementation.

- Evaluation of social services and infrastructure in Pomorskie (see Box 8).

Box 8: Evaluation of social services and infrastructure in Pomorskie

An analysis has been carried out of the state of social services and infrastructure in Pomorskie, including the assessment of development opportunities. The issues were considered from the point of view of different groups of recipients, e.g. the elderly, people with disabilities, long-term unemployed, people struggling with poverty, migrants, foster care and families in crisis, especially those affected by domestic violence. Main findings include:

- the number of social assistance beneficiaries in Pomorskie is decreasing and there are clear changes in the beneficiary profile;
- the importance of support for dependent, elderly people with disabilities is increasing;
- a serious and growing problem is the provision of specialised assistance for people in mental crisis and with mental disorders;
- the current formula of support is weakening and the scope of support provided under the social assistance system is changing towards the provision of care services;
- demand for public social services is significantly outstripping supply. The structure of environmental support is dominated by care services and support centre services, but the availability of these facilities is insufficient;

- support for people in a homelessness crisis is relatively good, although there may be local problems with access to emergency assistance services;
- there is a need for intensive development of services for active seniors, especially neighbourhood houses in rural areas; and
- the social assistance system can be challenged by the influx of migrants. The models for supporting and integrating this group are rare and the social services dedicated to this group are very limited.
- All recommendations from the Report concern mainly the 2021-27 programming period and are currently being analysed by the MA.

Source: EGO (2019*) Ocena potrzeb w zakresie rozwoju usług społecznych i infrastruktury społecznej w województwie pomorskim"*, November 2019

- an evaluation on **internal functioning and delivery of the programmes** in Netherlands was published at the end of 2019 (see Box 9);
- ongoing **capacity building** in CZ (see Box 10).

Box 9: Evaluation of internal programme processes in Netherlands

In the Netherlands, an evaluation on internal functioning and delivery of the programmes was published at the end of 2019. The report made the following recommendations.

- Identification and prioritisation of ambitions as agreed in the cooperation memorandum between the MAs, the Ministry and the CA. This includes harmonising the way of working with the IT system, the organisation of joint training courses, and lending personnel at 'peak times' between MAs.
- Standardisation of the control and accountability procedures, in consultation with CA and AA, in order to reduce the perceived regulatory burden on entrepreneurs. I.e. more attention / weight to projects' results and outcome.
- Increased exchange of good practices between MAs, while embracing their mutual differences.
- Intensifying communication efforts towards (smaller) companies, highlighting the societal impact of the programme and using concrete, quantifiable communication objectives. Compared to other ERDF programmes, the evaluation recognises that the visibility of successful innovation projects is relatively low (as opposed to infrastructural, architectural and tourism-related project abroad). This relates to:
- Smaller companies and SMEs with less capacity to engage in network activities often have less access to the programmes, and have misunderstandings about the (complexity of) regulations;
- Low awareness of the programme among the wider public (c. 75% of citizens is not aware of regional programmes).

- Identification of the current strategic focus of the regions and their ambitions for the following programme period.
- Consideration of a **flexible expert committee** (responsible for project selection). The East and West MAs might change the composition of the committees after 2020, following the model of South NL, which has a small core committee (two members) and a 'flexible layer' of 25 anonymous thematic experts to choose from based on the required field of expertise (e.g. high-tech, chemical industry, agriculture and nature). The West MA is expecting this would result in a more effective operation of the committee and better alignment with the priorities of the national Top Sector policy, but there is a risk that the overall costs will increase.

Sources: IQ-Net research; SIRA (2019), MidTerm Evaluatie Uitvoering landsdelige EFRO-programma's 2014-2020. https://www.kansenvoorwest2.nl/files/midterm-evaluatie-uitvoering-landsdelige-efro-programmas-2014-2020-sira.pdf [English summary on pp. 7-10].

Box 10: Boosting evaluation capacity in the Czech Republic

The National Evaluation Unit (CZ) has launched a range of activities which boost evaluation capacity in the country and more widely.

- A regular evaluation conference was organised in October 2019 to improve evaluation capacity, share knowledge and exchange experience of evaluation practice. Workshops were held on themes such as cost benefit analysis and the communication of evaluation findings. A further regular autumn evaluation conference is planned, depending on the situation with Covid-19.
- A joint meeting of evaluation units of V4+4 countries within the conference was organized to share practice with the preparation of evaluation for the 2021-27 period.
- A summary of selected evaluations carried out in the 2014-20 programming period has been prepared to inform the public and interested entities, as well as help shape discussions over the preparations of the 2021-27 OPs.
- A peer review process took place in May 2019 with the Commission, concerning the assessment of two ex post evaluations commissioned by the National Evaluation Unit. The process of engaging international experts invited by the Commission (thematic experts, statistical experts, experts on counterfactual assessment) was considered to be useful, with valuable feedback on improving tender documentation and applying statistical tests. The Evaluation Unit plans to take an advantage of the peer review process again in 2020 for two impact evaluations, to receive feedback on the tender documentation drafts.
- A handbook of evaluation has been prepared for contracting authorities and evaluators, to spread evaluation practice and knowledge.
- In the longer term, the National Evaluation Unit would like to prepare and launch an Evaluation Academy for those dealing with ESIF evaluations.

Source: IQ-Net research

2.8 Preparations for programme closure

Preparation for programme closure is not high on the agenda for many programmes as the focus is still on responding to the Covid-19 crisis. Even prior to the crisis, many programme managers (AT, CZ, HR, W-M, Pom, PT, NRW, Sco) were waiting for the publication of the **Commission's closure guidelines** which had been expected at the EGESIF meeting at the end of April 2020. Finland plan to start closure preparation in autumn 2020, while for others it will be among the priorities for 2022-23 (NL, Vla). Portugal recognises that it may be necessary to adjust the arrangements in view of the amendments related to Covid-19. In the Czech Republic, the MA for the Integrated ROP level, as well as the National Coordination Authority, would like to see a modification of the Regulations introducing flexibility at priority level at the end of programming period.

Closure preparations have therefore only started in earnest in a few programmes. In Scotland, initial steps towards closure were being taken before Covid-19; including making final approvals and revisions to approved operations by June, and making internal plans for those which are coming to a close. Greece is currently working towards closure through the ongoing work of the action plans for accelerating programme implementation and aiming at closure at 110 percent of their total budget. Regular technical meetings are being held with the Special Management Authorities (MAs) of the national and regional OPs, with the participation on a case-by-case basis of final beneficiaries and other stakeholder services/bodies. In parallel, working meetings have been scheduled with DG Regio and Employ.

3 PREPARATION OF THE 2021-27 PROGRAMMES

3.1 MFF negotiations

Prior to the crisis, the negotiations on the Multiannual Financial Framework (MFF) for 2021-27 had stalled. The Special European Council held on 20-21 February 2020 failed to reach agreement on the overall level of the MFF, the volumes of the main policy areas, the issue of financing (including revenues and corrections), and the proposed conditionalities and incentives.

The situation changed dramatically as a result of the crisis, and it became increasingly clear during March/April 2020 that the economic impact of Covid-19 necessitated a fundamental reconsideration of the EU budget as part of its response to recovery. The European Council on 23 April 2020 agreed on the need for a European recovery plan, and welcomed a **Joint Roadmap for Recovery**, prepared by the Commission and Council President. Based on the principles of solidarity, cohesion and convergence, the Roadmap defined four key areas for action: a fully functioning Single Market, an unprecedented investment effort, acting globally, and a functioning system of governance.[19]

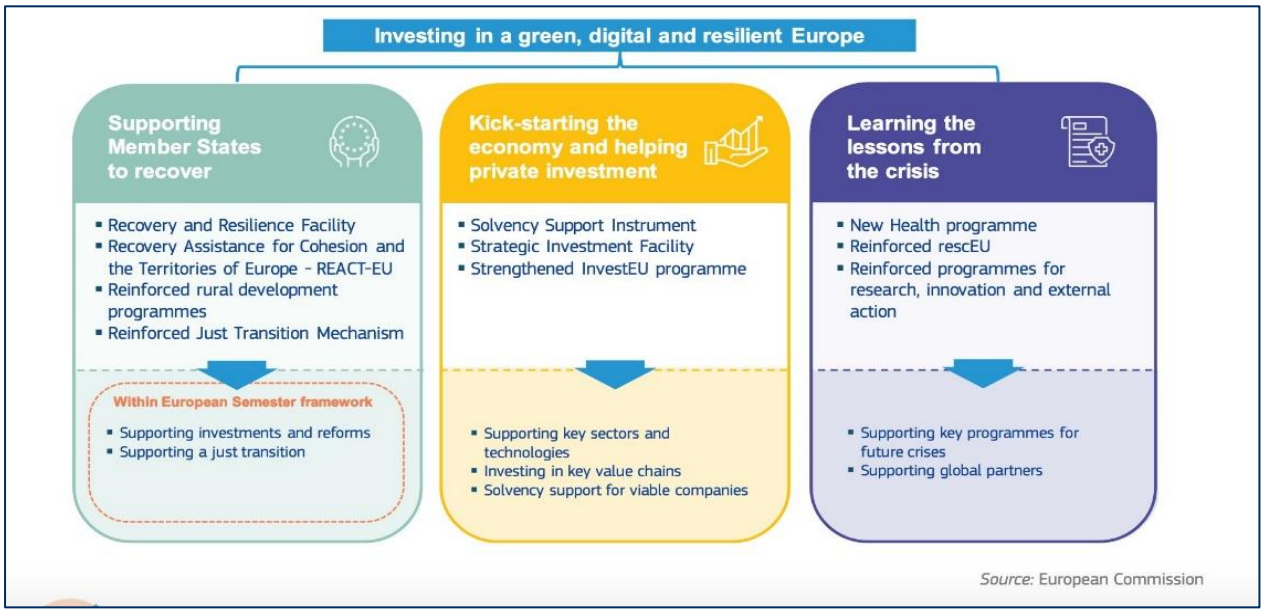
On 27 May 2020, the European Commission set out its proposals for a European recovery package focusing on support for Member States in recovering from the crisis, 'kick-starting' the economy and helping private investment, and 'learning the lessons' from the crisis with additional crisis-related measures and funds (see Figure 4). In funding terms, the Commission proposal involved:

- increased investment under the MFF 2021-27, with additional commitments of €11.5 bn compared to the MFF proposed in December 2019 under the Finnish Presidency Negotiating Box, mainly divided between Cohesion Policy (REACT-EU), the European Fund for Strategic Investment (Solvency Support Instrument), and the European Fund for Sustainable Development (external development aid);

- a European Recovery Instrument (Next Generation EU), comprising €750 bn which is not part of the core MFF and is expected to be raised through exceptional borrowing on financial markets through issue of bonds, for the Commission to distribute through grants and loans; and

- resources via the European Stability Mechanism, European Investment Bank and SURE, with €540 bn outside the EU budget.

Figure 4: Pillars of the European Recovery Package



With respect to Cohesion Policy, the **proposals do not significantly affect the allocations for ERDF, ESF or the Cohesion Fund**, but the '**Regional Development and Cohesion' subheading in the MFF makes provision of €50 billion for REACT-EU**. This is to be distributed between EU countries according to their level of prosperity and the socio-economic effects of the crisis. Member States would decide on geographical and sectoral targeting; there would be pre-financing of 50 percent, and scope to finance intervention entirely from the EU budget.

There has been a cautious welcome from Member States to the overall MFF proposals, although some net payer countries are clearly concerned at the significant increase in budget contributions implied. Regarding Cohesion Policy, Member States and programme authorities are currently clarifying how the new funding would work in practice.

The proposal for a new recovery instrument and the MFF for 2021-2027 will be the main item on the agenda for the European Council on 19 June 2020.

3.1.1 Planning for transition to 2021-27

At programme level, the delay in agreeing an MFF and the legislative package has been a major constraint with planning and programming of the 2021-27 period.

Plans for the preparation, submission and negotiation of the 2021-27 Cohesion Policy PA and OPs, as well as further strategic and operational programming are largely conditioned by the decision on the MFF. Delays in the negotiations lead to uncertainties with regards to:

- **budgetary issues** (e.g. HR, NL, NRW, Pom, PT, SK, Vla)

- **operational rules with financial impact** included in the Negotiating Box, including with regards to thematic concentration and funding conditions (co-financing rates, decommitment rule and pre-financing levels) (e.g. PT); and

- development of the **content of interventions**, strategic programming (e.g. HR, NL, NRW, PT, Pom, SK).

MFF delays thus have a direct impact on OP preparations in terms of budgetary planning (e.g. resource allocation per country, allocations to individual Policy Objectives, inter-regional resource distribution) and the application of the associated operational rules, which, in their turn, play an important role in defining the content of programmes and design of the detailed scope of support.

The combination of these issues is a concern for most programme managers. The delay in MFF and regulatory negotiations and the associated lack of clarity affects their ability to make plans for post-2020 preparations (e.g. AT, CZ, CZ IROP)[20] and for constructing detailed financial and substantive assumptions of the new programmes (e.g. Pom, W-M). Possible delays in the start of the programme period are seen as problematic, particularly if they continue for a long time (e.g. Vla), including as they may imply delays in the processes of applications, approvals and unblocking of funds (e.g. PT) and as the 2014-20 funding is running out (e.g. FI).

The Covid-19 outbreak adds to the uncertainty and is expected to lead to further delays in post-2020 preparations (e.g. AT, CZ, DK, HR, Pom, PT, W-M). The pandemic and its consequences for the socio-economic outlook, as well as for the MFF negotiations, including the new recovery plan, the associated funding and its consequences for Cohesion policy, require many programme authorities to be cautious in their planning (e.g. CZ, PT). The situation **may require updates to the schedules of preparing PAs, OPs as well as domestic strategic programmes** (e.g. regional development strategies) (e.g. Pom, W-M). It **may also require revision of the outputs of the already concluded strategic work and the underlying assumptions**, once there is more clarity with regards to its impacts, recovery options and their consequences for the new financial perspective (e.g. CZ, HR, PT, W-M).

In addition, the **adoption of the EU Green Deal is seen as having contributed to the uncertainty** (e.g. CZ, FI), and the evolution of the associated discussions might require further changes to the ongoing preparations.

Despite these uncertainties, **few programme authorities are making plans for a transition period**, and where these are being made, they are equally constrained by the wider contextual challenges. This is the case for instance in Portugal, where although there are some plans for a smooth transition between programming periods, namely through the development of an intermediate period, the Coronavirus outbreak and MFF negotiation delays require the focus to be more on short-term planning. In Finland, there appears to be more preparedness for this eventuality under the EAFRD, where the possible extension of the 2014-20 period has featured in discussions for some time and a decision has already been made to use 'new funding' during the likely extension.

In most cases, however, **no plans have been made so far for a transition/rollover period** (e.g. CZ, CZ IROP, DK, NL, Pom, Vla). For instance in South NL, the MA does not yet have such measures planned, still assuming a start of the programme on 1 January 2021, but expects that in case of delays some released resources / repayments from 2014-20 can be re-used, providing a bridge to the new period. Similarly, the West NL MA is not expecting to have a transition period, considering that if the MFF negotiations led to further delay, it would not be a problem to start the new OP in 2022.

3.2 Strategic programming

3.2.1 OP schedule

Over the last six months, **there has been a notable postponement of the expected schedules for OP drafting and submission**. While in autumn 2019 many programme authorities expected to reach agreement on the OPs by the middle of 2020 (e.g. CZ, DK, FR, NL, SE, Vla), in many cases this milestone has now shifted to the last quarter of 2020.

Table 2: Expected schedule for OP drafting and submission (examples)

	Jan-Apr 2020	May-Aug 2020	Sep-Dec 2020	1st half of 2021	2nd half of 2021	Other
AT			~~Final~~	Final		
BE (Vla)	~~Draft~~	Draft ~~(Final)~~	Final			
CZ		~~Final~~				Unknown (*)
DE (NRW)			Final			
DK	Initial plans presented	~~Final~~				
EL	Draft (Jan)		Final			
ES (Biz)						Unknown
FI	~~Draft~~	Draft	Final			
FR	Draft (Jan-Mar)	Final (Jul-Dec)				
HR		Draft (Jun -Jul)	Final (Dec)			
NL		Draft ~~(Final)~~	Final			
PL (Pom)		Start of joint ex-ante evaluation for i) Strategy 2030, and ii) ROP 2021-27	First draft	Public consultations, environmental procedures (Jan-Apr 2021)		
				ROP submitted to Ministry of Funds and Regional Policy (May-Aug 2021)		
PL (W-M)	Comments on initial proposal to demarcate interventions	Preparation of the PA draft (+consultations)	Preparation of draft OPs	Approval of national and regional OPs (Jan-Apr 2021)	Negotiations of the PA and OPs with EC	

	bw national level and regions (also in Q4 2019)				(Sep-Dec 2021)	
PT			Draft (**)			
SK			~~Draft~~			

(*) Draft of OPs ready, draft of PA ready
(**) Depending on the MFF negotiations (as well as decisions adopted in terms of the recovery plans).
(~~Draft / Final~~) – previously expected schedule (autumn 2019)

Source: IQ-Net research

Where delays in the MFF negotiations, Covid-19 outbreak and other wider contextual factors have affected programme preparations, three types of situations can be broadly identified:

- delays in the schedule for OP drafting and submission are considered likely, but there is lack of clarity on the exact timeframe;
- preparations are progressing according to the originally envisaged timeframe and no formal changes to the schedule have been introduced as yet, although it is recognised that due to the ongoing uncertainties delays are likely; and
- adjustments to the timetable have already been introduced, although in some cases, further delays are expected.

Thus, further progress largely depends on the MFF negotiations, the approval of regulatory and financial frameworks at EU level, and more clarity with regards to the recovery plans, so the **exact timeframe for OP preparation cannot be yet defined** (e.g. Biz, CZ, PT). In the context of Covid-19 and its unpredictable impacts, further delays to the schedules for OP drafting and submission are considered likely (e.g. AT, DK, HR, Pom, W-M). For example in the Czech Republic, the previous plan was to submit finalised OPs and PA proposals for Government approval in March 2020 as a closer step to negotiating the documents with the Commission, but due to the EU-level delays in approving the regulatory and financial frameworks, these documents were not submitted and the schedule is now unknown. While the draft of the new CZ IPOR is ready, it contains only an indicative financial plan at this stage. In Denmark, the MA roadmap foresaw delivery of OPs in Q3 of 2020, but due to the ongoing pandemic, it still does not have a government mandate and it is uncertain when the final OPs will be submitted.

In some cases, **the originally envisaged timetable was still being pursued** (e.g. FR), **but** at the same time the ongoing uncertainty was recognised and **delays were expected** (e.g. HR, NL). For example the Dutch MAs were planning 'in theory' for a start on 1 January 2021 and expected to have drafts of the new programmes by the summer, although this timeframe seemed increasingly unlikely. In Croatia, the programming process remained a top priority for the Ministry of Regional Development and EU funds, who was fulfilling all the tasks in accordance with the scheduled timeframe to the extent possible, although it was recognised that the OP drafting and submission schedule was likely to change. Although no formal amendments at the national level have been made, the pandemic was expected to delay the whole OP preparation schedule also in Pom and W-M.

Changes to the original schedule were already **introduced** in some cases (e.g. NL East, NL West, NRW, Vla), **although further delays** were **considered likely**. For instance in NRW, the expected schedule for OP drafting has been delayed and could be postponed again. In Vlaanderen, the expected schedule has already changed and further delays are likely until after the summer. The West MA in the Netherlands has equally adjusted its planning for OP drafting (now aiming for a 60 percent version by summer, whereas this was first planned for 31 March), although this could be postponed again if the decisions on the MFF and national priorities are taken after summer.

Apart from EU-level delays, **pending domestic developments** also affect strategic decisions and the schedule for OP drafting and submission in some cases, e.g. discussions with and between regional authorities (e.g. NL, Vla) or national elections (e.g. SK).

In the context of the ongoing uncertainty, some programme authorities have been undertaking active advance preparations e.g. in order to raise awareness of the new OP (where it is available) and prepare as much as possible for a smoother start to implementation. For instance the CZ IROP MA has been working intensively on communication to relevant stakeholders in order to prepare them for the official start of the new period, e.g. by organising a roadshow to present the new OP and stimulate potential project applicants to prepare their proposals in advance. This approach intends to minimise risks connected to the re-introduced N+2 rule and a sharp start of the programming period.

In the UK, there is still little information available on **future funding to replace Structural Funds beyond 2014-20**. Government attention and resources have been diverted to addressing the Covid-19 crisis, and the budget, allocation methodology or governance of the UK Government's proposed Shared Prosperity Fund (SPF) are not known. Given the impact of the crisis, the planned priorities of the SPF could potentially change to give an increased focus to business support and recovery. In the meantime, **MAs in Scotland and Wales have been leading discussions on what shape future funding** might take. Scottish Government established a Future Funding team in September 2019 to examine the issue of post-ESIF funding, specifically how the SPF might work in Scotland. The Future Funding team led a consultation to gather stakeholders' views, and 155 written submissions were received from a wide range of stakeholders, with almost 200 people taking part in a series of eight workshops held across Scotland. In Wales, a consultation on the future Framework for Regional Investment in Wales was launched in February 2020. The deadline was extended from 22 May to 10 June due to Covid-19. Consultation exercises have moved online, and Welsh Government has held four consultation webinars, each focusing on a different region of Wales and ending in a Q&A session.

3.2.2 PA programming

Preparations are ongoing with regards to PA programming, although with varying progress across IQ-Net countries.

In some cases, the basis for negotiation is not yet in place, as e.g. in Denmark, where the PA will be developed in cooperation with the MA for the EMFF once the focus of the OPs has been decided, or the process has not yet started (e.g. FI).

National level **guidance** for the design of the PA has been made available in some cases, as in Greece, where the released reference document contains the economic, regulatory and institutional framework on which the programming for 2021-27 is expected to be based, although changes to the document are expected.

Consultations with Cohesion Policy stakeholders on the preparation of the 2021-27 PA have started or are ongoing in some cases. For instance stakeholders consultations aimed at identifying and shaping the national priorities were held between March and October 2019 in Slovakia, the National Development Conference for the new programming period held in January 2020 heralded the start of the PA-related consultations in Greece, and a first consultation with other funds and the Ministries was held in the Netherlands.

Drafts of the PA have already been prepared in a limited number of cases (e.g. CZ, HR) and will be subject to further development. For instance in CZ, the draft of PA is ready and it was under commenting review from the MAs and the EC, although there is as yet no clarity on the next steps. In Croatia, the first draft of the PA has been partly prepared, including: (i) selection of policy objectives with justification and (ii) policy choices and the main results expected, coordination and complementarity.[21] The draft will be developed further within the working groups.

At the same time, while important preparatory (e.g. strategic) work has been done, **further decisions and progress have often been put on hold**. It is expected that **some of the domestic strategic work will probably need to be amended due to the new realities of MFF negotiations and the pandemic**. For instance, in recent months, Portugal almost concluded the first stage of the informal dialogue with the EC regarding the lessons learnt from 2014-20, while a proposal for a long-term strategy for socio-economic development was finished at the end of 2019/early 2020, alongside a proposal for a Government resolution establishing some principles for the 2021-27 period. These will probably need to be revised, especially as recovery plans and instruments emerge.

As per Council proposals, PAs are optional in 2021-27 for Member States with fewer than three programmes or a total allocation below €2.5 billion, so **not all IQ-Net partners plan to prepare PAs**. For instance the MA in Vlaanderen supports the proposal of not having a national Partnership Agreement in Belgium, having a single PA not being viewed as justified due to the different socio-economic conditions of the three federal regions. On the other hand, Austria is planning to have its own PA, although the ongoing drafting process is very scaled down compared to 2014-20.

3.2.3 New material to inform programme development

New material produced over the last six months, ranging from external or internal evaluations to domestic and EU-level strategic developments, is expected to further inform programme development.

Recently finalised, ongoing or upcoming **evaluations** on the following issues are expected to be of particular relevance (for more information on evaluations, see Section 2.7.).

- **Territorial approach/instruments**, e.g. the evaluation report of the territorial dimension in Austria, evaluation of the operationalisation of the territorial approach in Portugal, study on the role of LAGs/FLAGs in local development and evaluations of local revitalisation projects in Warmińsko-Mazurskie.

- **RIS3**. e.g. the study of regional partnerships as part of the Higher Education for Smart Specialisation (HESS) project, in which North NL featured as case study region, informed the MA on the position of knowledge institutions in valorising innovation as well as the role of human capital and SMEs. In Portugal, the evaluation of the implementation of the national and regional RIS3 has produced a range of important recommendations, including on management mechanisms, governance models, and definition of priority domains and mobilisation of specific policy instruments to strengthen regional innovation systems.[22] Further RIS3 assessments are also planned (e.g. FI, NL). The West NL MA works on establishing a continuous review of its RIS3, wherein an important internal study is the assessment of the new RIS3s focusing on the different specialisations per province, using a novel methodology based on patent data.[23]

- **Indicators**, e.g. the ongoing thematic evaluation on indicators synthesising experiences from ERDF and ESF projects will inform programme development in Denmark.

- **Low-carbon**, e.g. an internal review of the low-carbon priority in West NL, and the ongoing evaluation of the implementation of measures to strengthen the transition to a low-carbon economy in Portugal.

- **Social infrastructure**, e.g. the evaluation providing a diagnosis and assessment of the state of social services and infrastructure, including development opportunities, is considered particularly useful in the context of post-2020 programming in Pomorskie.

- **Simplification**, e.g. an audit mission commissioned by the Ministry of Territorial Cohesion on simplifying implementation procedures and practices in France.

- **Quantitative effects of Cohesion Policy**, e.g. a recent study on the quantitative effects of Cohesion Policy in Austria since the country's EU accession in 1995.

Mid-term evaluations of the Partnership Agreement are also expected to inform programme development, e.g. in Croatia, where conclusions and recommendations made for each evaluation question will serve as a basis for programming.

Other processes that have had or are expected to have an impact on the preparation of the 2021-27 period include domestic and EU-level strategic developments, including

domestic processes affected by the interaction with the EU level (e.g. dialogue with the European Commission).

Domestic strategic developments with an impact upon post-2020 programme development include the preparation of **new government programmes, RIS3 strategies, thematic strategic documents and regional development strategies**, among others. For instance, in Spain, the programme of the new government that entered office in January 2020 will shape the programming of all OPs as new sectoral strategies/plans are announced and developed throughout 2020. Similarly, formation of the new Government after the February general elections in Slovakia is leading to a major transformation of programming and implementation architecture (including shift to a single OP), based on the newly produced analytical and legislative material. All MAs in the Netherlands indicate that the new RIS3 (spring 2020) will inform the content of the Innovation priority of the new programme. The new Flemish ERDF OP will be largely informed by the domestic strategic documents on innovation and climate (*'visienota's'*). The regional development strategy Warmińsko-Mazurskie 2030, adopted in February 2020, serves as the basis for the development of the ROP for 2021-27.[24] The National Reform Programmes for 2020 are also expected to influence the 2021-27 PAs and OPs (e.g. EL).

In this context, **work developed within relevant domestic fora and formats** (e.g. workshops, working groups, task forces) and **employing various analytical methods** (e.g. surveys, interviews) is important for supporting such strategic efforts. For example, preparations for the Pomorskie 2030 Strategy have included (i) over 60 face-to-face interviews with key experts covering all main thematic issues (gathered in one report), (ii) four reports of Subregional Task Forces, giving insight into local development challenges and key undertakings, as well as (iii) reports summarising activities undertaken in regional strategic programmes (RSPs). These are also crucial for the ROP 2021-27, as the region's strategic framework aims for optimum cohesion/coordination between the Strategy–RSPs–ROP. In NRW, regular meetings of the monitoring committee working group as well as additional workshops contribute to the 2021-27 OP preparatory work by aiming to come to a common understanding concerning strategic orientation, thematic focus and eligibility criteria. In Denmark, a series of workshops has been organised, where perspectives on implementation challenges in 2014-20 will feed in to the development of the 2021-27 programmes.

Domestic thinking and preparation for post-2020 programming has also been affected by **EU-level strategic and regulatory developments** as well as **interactions with EU institutions** and within EU fora. Among other things, the introduction of the JTF proposal (e.g. FI), Annex D (e.g. SK, Vla), an informal dialogue with the EC regarding lessons learnt from the implementation of 2014-20 programmes and the self-assessment work on enabling conditions, including informal articulation with the EC (e.g. PT) have been highlighted by IQ-Net programme authorities.

Some of the **main messages from the new material** that is expected to inform programme development include, among others:

- **Need for more flexibility in PA/OPs programming**. The annual review with the Commission/regional authorities in Biz has flagged the need for more flexibility with regards to: (i) thematic concentration, which needs to take account of regional needs; (ii) PA/OP content, ensuring that it does not prevent/close off eligibility of interventions aligned with the general strategy and objectives; (iii) a more strategic approach avoiding detailed description of measures in OPs; (iv) flexibility in reprogramming; (v) performance reserve, which was rigid and, while it has been discontinued in 2021-27, it is important to ensure that it is not introduced through the 'back door' in another form.

- **Need for simplification**. For example the East NL MA highlights that there are areas for improvement regarding the administrative burden and standardisation of the IT system.

- **Positive effects of CP interventions**. A recent study on the quantitative effects of Cohesion Policy in Austria found a positive and significant correlation between ESIF expenditure and the development of the regions supported, as well as noticeable effects on gross value added.[25] In the Netherlands, the evaluations overall have been positive, showing that projects are generally delivering good results.

Certain reservations however exist with regards to drawing definitive *ex post* conclusions from the finalised evaluations, including due to the pace of programme implementation and a limited number of finished projects in some cases.

3.2.4 Programme architecture

Decisions on programme architecture in 2021-27 are often pending (e.g. Biz, HR, Pom, PT, W-M, Vla). The current **lack of regulatory and financial certainty** is limiting the progress of work on detailed financial and architectural elements of the new Programme in W-M. Pending decisions regarding the scope of typologies funded in each kind of OPs as well as financial allocations, which, matched with the challenges and necessities coming from the **diagnosis of the region**/theme/subject and the funds available, are also impeding decisions regarding programme architecture in Portugal. The absence of final regulations is also affecting decisions in Pomorskie. The number and content of the programmes for the new financial period are **pending political approval** in Croatia, as are the OP architecture and governance structure (particularly around the provincial ITIs and the Limburg province) in Vlaanderen. Thus, it has not yet been formally decided whether the Flemish MA will draw up two different OPs or one OP that has earmarked funding and/or separate calls per province, the issue being subject to political debate within the new government.

A large degree of **continuity is expected in a number of cases** (e.g. AT, DK, FI), although often **subject to further analysis or wider decisions** (e.g. NRW, PT, Vla), e.g. on scope of typologies, financial allocations etc. Thus in Austria, where no changes are expected, there will be one ERDF, ESF, EAFRD and EMFF OP each. In Finland, there will be continuation of a single national multi-fund OP (ERDF/ESF) and of a separate OP in the island of Åland. Unless the final budget highly differs from the May 2018 proposals, the Netherlands will continue having four ERDF OPs. In line with the Commission's recommendations, Vlaanderen intends to continue with a single programme after 2020, to avoid duplication and a higher administrative burden, although no decision has yet been taken. Similarly in Portugal, even though there are no decisions as yet,

there is currently no signal that the historically existing programme architecture, comprising both regional and national/thematic OPs, will change. While no major changes to OP architecture are envisaged in NRW, currently it is being analysed where and how efficiency gains could be achieved.

Where changes are foreseen, in most cases they appear to be relatively limited. Thus in the Czech Republic, while a low number of OPs will be maintained, Prague region will no longer have its own OP due to the eligibility rules for regions. The new status of Limburg (Belgium) as a transition region and thus a separate programme element for the province are expected to have an influence on the budget and potentially on the OP priorities in Vlaanderen, although a formal decision has not yet been taken. In addition, continuation of the provincial ITI structure remains an open question, given that they were analysed as having a low added-value to the wider Flemish programme. Furthermore, given that the current ESF:ERDF ratio (70:30) in Vlaanderen is found too high, a different delineation is currently under discussion. In the Netherlands, the MAs will largely continue with the programme structures of 2014-20, although this will be decided at the national level. Some limited changes relate to e.g.: (i) discontinuing cooperation with ESF as part of the urban ITIs (West); (ii) increasing focus on large innovation-oriented investment projects (West); (iii) the new OP largely becoming the 'implementation programme' of the RIS3, aligning its regional objectives with ERDF objectives (North).

The **introduction of the JTF is also expected to have an impact** on programme architecture. Previously mono-Fund OPs could become, at least technically, multi-Fund OPs. At the same time decisions e.g. on whether JTF will be programmed within an existing programme or as a new stand-alone OP are pending in some cases (see more on the JTF in Section 3.4).

More fundamental changes in both programme and institutional architecture are expected in France, notably a major reduction in the number of OPs from 41 to 22, facilitated by the merger of regions in 2016, and transfer of the expenditure certifying function to the regions.[26] Slovakia is also substantially changing its programme architecture based on a single national OP for post-2020 ESIF. In Poland, there is discussion of a new supra-regional OP dedicated to economically and socially deprived areas that would be managed at the national level. This could have an impact on the balance of funding and management responsibilities between central and regional levels.[27]

3.2.5 Citizen engagement

Most IQ-Net programme authorities do not foresee major changes related to the objective of increasing citizen engagement in the post-2020 period. In many cases, this is largely due to the fact that a **good level of engagement already exists or has been (or will be) ensured** in the preparation of 2021-27, including by relying on previous experience (e.g. AT, DK, EL, FI, HR, NRW, PT, Vla, W-M) – although focus is often on wider stakeholder engagement rather than direct involvement of citizens. As was the case in the past, **strategic**

preparation for 2021-27 has followed or is expected to follow the partnership principle, and effective involvement of partners is already visible. Examples include the following.

- Portugal: engagement is evident in the internal assessment of the enabling conditions, participation in the workshops about lessons learned, and drafting of the Strategy for 2030, wherein the Government promoted civil society hearings.

- Austria: a major kick-off event of programme preparation was held in November 2019,[28] and there will also be a public consultation as in the past.

- Denmark: in the programming phase, citizens have the opportunity as in previous periods to join hearings across the country, and the MA has promoted the Open Doors concept.

- Pomorskie: a wide range of partners were involved in the preparations of the Strategy 2030 (e.g. through at least five months of public consultations), and broad public consultations on the ROP are planned.

Stakeholder and citizen engagement builds on past good practices also in Vlaanderen (where engagement has grown in importance during 2014-20 and will remain prominent in the new OP), W-M (where, as in 2014-20, a working group supports the 2021-27 ROP preparation, including participation in public consultations) and Greece.

In Finland, no specific changes in terms of increasing citizen engagement in the future period are foreseen, and individual regions will keep employing their different ways of implementing citizen engagement following the partnership principle. At national level, a dedicated website for enhancing dialogue with citizens is an important element in this process (see the previous IQ-Net Thematic Paper for more information).[29]

Changes considered or planned in the approach to citizen and stakeholder engagement in 2021-27, include:

- **Widening public consultations and extending the partnership format**. In the Czech Republic, a tool for public consultation on draft programme documents might be widened in the 2021-27 period. In Croatia, it is planned to extend the partnership format based on a well-established structure for the National Development Strategy 2030, set up in 2018 with over 800 stakeholders already involved in strategic planning processes.[30]

- **Integrating new forms of cooperation within RIS3**. The new national innovation policy and RIS3 in NL South provide for the involvement of citizens and new forms of cooperation, while in NL North changes introduced as part of the operationalisation of the 2021-27 RIS3 include the introduction of consultations with civic organisations on the implementation, use of mission-oriented (thematic) pilots, instruments used and governance.

- **Including citizen engagement among selection criteria**. In NL West, citizen engagement, along with creating social acceptance, is expected to be part of the OP selection criteria, although the associated weighing is yet to be determined.

- **Stronger focus on communication**. In Vlaanderen, the programme did not explicitly promote itself to individual citizens thus far, and the MA intends to intensify its engagement efforts in the next period, by pursuing a stronger deployment of citizen-oriented communication (e.g. through social media).[31]

At the same time, some **reservations with regards to a greater citizen involvement** or the **associated challenges** have also been highlighted by IQ-Net programme managers. They relate, among others, to the following issues:

- **Confinement of citizens' role to strategic planning.** For instance OP managers in the Czech Republic are sceptical of any greater involvement of citizens in programme preparation/implementation and feel their role should be limited to the phase of strategic planning for a concrete sector/region.

- **Publicity as main engagement method**. Publicity actions are perceived to be much more important than direct involvement of citizens e.g. in project selection (CZ). Similarly, the involvement of citizens in ESIF implementation is mainly considered as part of the communication task of the MA in Denmark.

- **Challenges of targeting individual citizens**. According to the MA in Finland, besides the involvement of stakeholder groups, it is difficult to reach out and communicate to individual citizens on Structural Funds programmes.

- **Citizen consultation changing the OP drafting logic.** In NL West, citizen consultation was considered as part of the OP drafting, but the MA expected this would make the new OP too supply-driven.

- **Challenge of engaging new stakeholders**. It is challenging to involve others than the stakeholders that are proven to have the means, willingness and capacity to contribute over longer periods, particularly in the context of a focus on larger investment projects. For this reason, the open consultation in the context of the new OP in Vlaanderen, despite being a novelty compared to 2014-20, is not expected to lead to a high civic response or input from stakeholders outside the 'usual suspects'.

- **Challenge of managing expectations**. It might be important to control expectations when consulting stakeholders / citizens, including as too wide-ranging opinions risk not leading to consensus and delaying preparations and projects (Vla).

3.3 Strategic content

3.3.1 Investment priorities

Domestic progress and further discussion regarding the future investment priorities has been largely affected by MFF negotiation delays and Covid-19 outbreak, and questions remain on whether modifications will be required to the already defined priority areas and their distribution.

Whereas OP content in terms of investment priorities has been largely defined in some cases (e.g. Pom, Vla), work on the new programme development including discussions on future investment priorities is often limited by the **(non)availability of wider regulatory and financial frameworks**, **impeding further progress**. Thus despite Portugal's substantial progress in terms of post-2020 strategic development and dialogue with the EC over the last months, delays in MFF negotiation affect further discussion on investment priorities and associated matters. Further progress under CZ IROP is similarly limited.

The current uncertainty about post-Covid-19 recovery and the availability of funding is expected to affect future investment priorities (e.g. CZ, HR, PT). For instance whereas a national consensus on the priorities was achieved in the Czech Republic as a result of intensive discussions over the last three years, questions arise as to whether they will have to be modified as a result of the pandemic. Revisions may also be required in Portugal once clear results of the ongoing MFF debates and recovery plans and instruments emerge.

Programme authorities have highlighted specific developments and issues with regards to the future themes:

- **PO1 Smarter Europe**. In Denmark, since autumn 2019, the requested allocation of a share of the PO1 funds for tourism development has been informally presented to the EC. In the Netherlands, the focus of ERDF in the four regions in the coming period is expected to be placed on innovation and competitiveness, the (large) majority of their budgets targeting innovation projects. In this context, the relatively small size of the overall ERDF budget led the Dutch MAs to align their programmes with domestic innovation policies. In Finland, one of the key questions is how to include digitalisation into the programme so that it remains relevant also at the end of the seven-year programme period.

- **PO2 Greener, carbon-free Europe**. Discussions in the last months have centred on the inclusion of PO2 in the Netherlands. Thus in West NL, debates are ongoing on whether it is feasible to pursue low carbon as a separate priority or as part of a larger investment in RIS3 and innovation related to the carbon-neutral economy, while East NL increasingly considers a stronger link to the Green Deal in the new programme, possibly as separate priority. Denmark's discussions with the Commission concerning PO2 have not yet yielded clarity on how much of the funds should be earmarked for this priority. At the same time, the Ministry of Industry, Business and Financial Affairs has expressed an interest in introducing an FI to promote energy efficiency projects in SMEs. In NRW, discussions are ongoing whether to integrate green infrastructure, lacking in Annex D, into the OP, and stakeholders also expressed strong demands for continued investment in green infrastructure at a strategic conference in August 2019.

- **Distribution of specific objectives and priorities within OPs**. In Finland, discussions are ongoing on the architecture of investment priorities and policy objectives within the OPs. At present, the plan is to introduce one ERDF priority with two specific objectives. However, at the time of writing, it was unclear whether PO2 specific objectives would be included alongside the PO1 specific objectives (as illustrated in Figure 5) or whether they should be separated as promoted by the Ministry of the Environment (and possibly also by the EC as part of the Green Deal activities). For ESF, the plan is similarly to have two priorities (Figure 6).

Figure 5: Proposed priority structure of the 2021-27 OP in Finland (ERDF priorities)

Source: Ministry of Economic Affairs and Employment of Finland

Figure 6: Proposed priority structure of the 2021-27 OP in Finland (ESF priorities)

Source: Ministry of Economic Affairs and Employment of Finland

Some of the **other issues** that are **affecting** (or expected to have an impact on) **the post-2020 strategic content**, including future investment priorities, relate to the following.

- **Budgetary decisions**, including decisions on resource allocation per and within Member State. More clarity on these issues is needed, as uncertainty might impede preparation of 2021-27 programmes. For instance in Vlaanderen, the exact size of the ERDF budget as well as the ratio between ERDF and ESF+ is the primary issue for post-2020 preparations, including in terms of IPs definition. The distribution of ERDF funding within Germany between its regions is a key issue, pending on decisions on the overall national envelopes in the MFF.

- **Thematic concentration** (along with other operational rules with financial impact included in the Negotiating Box). For example the decision on the final Policy Objectives remains an issue in Vlaanderen, largely pending on decisions relating to thematic concentration.

- **Decisions on regional categories.** It is expected that the definitive decision on transition regions in NL might affect the programmes in the North (Friesland and Drenthe provinces), South (Zeeland) and West (Flevoland), including in terms of investment priorities. The new status of Belgian Limburg as a transition region is expected to have an influence on the budget and potentially the programme's priorities in Vlaanderen.

Other issues that need to be considered in order to proceed with programming and define the strategic content, including in terms of future investment priorities, include the following.

- **EC comments on draft documents**. For example the EC has raised comments on the submitted Czech drafts of OPs and PA that included also strategic issues that need to be addressed (e.g. overlaps in the thematic focus of OPs due to responsibilities of particular sectoral ministries, i.e. MAs).

- **Pending domestic political decisions**. For instance further strategic developments in Vlaanderen are pending on political approval of the governance structure, particularly around the provincial ITIs and the Limburg province.

- **Regulatory clarity** on issues such as enabling conditions, mid-term review, State aid and public procurement, technical assistance budget, as well as decisions e.g. on how to implement simplification, ensure coordination with other funds, include municipalities in OP implementation (NRW), or organise project selection (NRW, Vla).

3.3.2 Territorial instruments

There is considerable variation across IQ-Net programmes with regards to the maturity and detail of plans and decisions on the use of territorial instruments in 2021-27. **Absence of a finalised regulatory framework** and the associated decisions on resources and operational rules with financial impact **contribute to the challenges of planning**. For instance, a number of questions on the operationalisation of PO5 more generally, including with regards to the issues of eligibilities and thematic concentration,[32] have not yet been resolved, as their resolution is largely anchored in the MFF discussions.

Box 11: Questions over the implications of regulatory changes for territorial instruments

The preparations for implementation of territorial instruments in 2021-27 are being conditioned by the regulatory context. The proposals are potentially valuable, but IQ-Net partners have identified areas where further consideration and clarification from the Commission is important.

- There are issues with specific ISUD and ITI proposals. Some partners have noted the challenge of integrating ERDF and ESF at project level. For instance, the development of integrated projects in West (NL) is likely to be influenced by the likely withdrawal of ESF contributions to the ITI in the next period. Would giving ESF a more explicit role in integrated territorial investments alongside ERDF in the regulation make a difference? Is the proposed raising of the threshold for ISUD urban 'earmarking' to 6 percent ambitious enough? The European Parliament has noted that the current allocation by MS is currently around 8 percent and has argued for a 10 percent threshold.[33]
- A more general concern across IQ-Net partners is the lack of 'fit' between the suggested regulations for territorial instruments and the direction of travel indicated in broader CP proposals. Notably, the CP principle of thematic

concentration implemented in 2014-20 will continue to require that MS focus CP spending on issues considered to have high added value. Under this, the majority of ERDF would be concentrated on innovation (PO1) and the low-carbon economy (PO2). This could constrain the integration of key themes in some ISUD strategies, for instance where urban infrastructure investment remains a priority. There is still uncertainty about the allocation of 'earmarked' ISUD funds across Policy Objectives, especially under PO5, and the implications of this for thematic concentration. Further clarification and advice from the Commission is important in this respect.

Source: IQ-Net research

While more guidelines and possibilities for the implementation of territorial instruments from the Commission would be welcomed (see Box 11), specific aspects of the post-2020 territorial approach as proposed in the draft CPR are viewed positively by some IQ-Net authorities. For instance, a more comprehensive and flexible approach, addressing some of the weaknesses of the 2014-20 territorial instruments, as seen e.g. in the introduction of PO5 or a relaxed role to be played by urban authorities, is overall welcomed by Portugal. Yet a **need for a more detailed analysis of the regulatory proposals and various strategic and implementation options** has also been highlighted. In this context, studies and assessments have been launched which will contribute to informing the territorial approach for 2021-27. These range from more transversal (e.g. a paper on the territorial approach for 2021-27 programmes, based on the lessons learnt from 2014-20 and a territorial diagnosis in Portugal) to more targeted (e.g. analysis of absorption capacities in order to set the allocation for SUD and CLLD, and ensure compliance with ring-fencing requirements within OPs, prepared by all ITIs authorities and LAGs in Czech Republic).

With regards to plans for supporting SUD and CLLD interventions more specifically, the following can be highlighted.

i Sustainable Urban Development

Decisions regarding the implementation of sustainable urban development have not been yet taken in a number of cases (e.g. DK, NRW, Pom, PT). At the same time, a significant degree of **continuity with the 2014-20 is expected** by several IQ-Net programmes (e.g. AT, NRW, Pom, W-M). In others, the **balance between continuity and change is still being considered**. For example in Vlaanderen, a likely option would be to support SUD through a continuation of Priority 4 of the current OP. At the same time, uncertainty has increased about the possible use of SUD funds and through which ERDF 'channel' this would happen, so other options include setting up a separate SUD priority, allocating the priority as part of PO5, or designing a specific urban tool.

Where **changes to the current SUD approach are expected**, they relate, among others, to aspects such as:

- **Revision of eligible territories, particularly increasing the number of ITIs/SUD strategies or broadening their geographical coverage**. For instance in Finland, in contrast to 2014-

20, it is planned to have several ITIs implementing SUD, including all University cities. A total of 11 ITIs are currently being considered, compared to current single ITI covering the country's six main cities. In Croatia, it is anticipated to broaden the ITI geographical area by extending the opportunity to use EU funds under the ITI mechanism to all cities that, in accordance with the Act on Regional Development, fulfil the criteria for a 'large urban area'[34] (as opposed to the current coverage of only seven urban areas). In Slovakia the pool of SUD-eligible municipalities is also expected to expand. In Czech Republic, although delineation of ITI-eligible territories has been recently finalised, some cities are not satisfied with the final demarcation. In Austria, there are currently considerations about whether measures similar to the existing ones (but smaller in scale) will also be implemented in other regions such as the Länder Carinthia and Lower Austria, which have also showed interest.

- **Ceasing the ESF funding strand.** Compared to 2014-20, ESF will no longer be contributing to the ITI structure in West NL. The new SUD approach is likely to slightly modify and will use ERDF and domestic funds.

- **Broadening the application of the 'Smart cities' mechanism**. In Croatia, the regional ITI approach in 2021-27 will be complemented with the implementation of the smart cities mechanism, which is to be broadened.[35]

Some other SUD **issues** currently **under consideration** or discussion in IQ-Net regions and countries relate, among others, to the following.

- **Simplification**. In Denmark, the intention is to simplify the administrative setup for the SUD, by not establishing a separate nominating committee or requiring that beneficiaries deliver a separate strategy in order to be able to get a grant. Simplification of procedures is also among the main SUD issues under discussion in Spain for 2021-27.

- **Coordination/synergies and a more integrated approach**. It is expected that the 2021-27 approach to territorial development in Croatia will allow for more coordination and joint activities between national, regional and local level, as well as for a more integrated and multi-fund approach. Strengthening coordination and synergies in national and regional urban strategies, as well as promoting an integrated and participative approach in the design and implementation of the strategies for 2021-27 is among the main SUD issues discussed in Spain.

- **Re-thinking the role of territorial actors / IBs** (administration vs territorial animation / strategic steering). For instance in the Czech IROP, it is expected that the holders of ITI and CLLD strategies will be released from the administrative burden, by no longer being in charge of appraisal of project applications, thus having more time for strategic coordination in territories. Similarly in Portugal, it is considered important to analyse and possibly redefine the model of competences delegation and role of territorial actors, including the IBs. For example, (subject to further analysis) it might be found pertinent to promote a more flexible framework for territorial agents to pursue broader territorial animation and stakeholder mobilisation, as opposed to performing more administrative / bureaucratic duties (delegated management functions e.g. such as decisions on project applications).

Other issues under discussion relate to a greater integration of **climate adaptation** considerations in SUD implementation (DK), continued focus on the **most disadvantaged urban areas** (NL West), use of dedicated instruments to support **territories with specific geographical**

challenges, identification of needs in **functional areas**, the need to reinforce cities' **capacity** in managing the strategies, and a greater focus on the **depopulation** challenge (ES).

ii Community-Led Local Development

There are **no plans to use CLLD** to deliver parts of ESIF funding in a number of IQ-Net programmes in 2021-27 (e.g. Biz, DK, FI, SK, Vla). In Finland, the topic has undergone several rounds of discussions, but the CLLD model, including the lead Fund opportunity, appeared too heavy and bureaucratic, so it was decided to continue with the current model in which ESF funds locally-led development in urban areas. Conversely, Austria plans to **continue its approach to implementing CLLD** (i.e. only in the Land Tyrol), with EAFRD acting as lead Fund.

No decisions on the use of CLLD have yet been taken in some cases (e.g. PT). Both Pomorskie and W-M are analysing the possibility of **implementing CLLD for the first time**, including by relying on the practice of other Polish regions. Pomorskie is considering introducing CLLD mainly in ESF, possibly as a lead Fund, while in W-M a study is being prepared that will explore the role and potential of regional LAGs/FLAGs in the context of possible CLLD use in the future ROP and the scope of support for this instrument.

Where CLLD is planned to be implemented, some of the following **changes are foreseen**:

- **Expanding the use of CLLD across OPs**. For instance in the Czech Republic, it is planned to employ the CLLD approach also in OPs other than the IROP.
- **Expanding geographical coverage.** In West NL, the MA intends to make more room for CLLD options in the new programme, which was currently piloted in one neighbourhood in The Hague.
- **Widening the spectrum of themes / including new eligibilities**. Under the Czech IROP, a wider spectrum of themes under CLLD is prepared for project applicants, including those that will not be covered by individual projects. In addition, CLLD might be newly included also in the OP targeting support to entrepreneurship with the aim to improve support of entrepreneurs in rural areas.
- **Re-thinking the role of LAGs**. In the Czech Republic, a debate platform with the aim to simplify involvement of LAGs in implementation has been introduced. It is being considered whether in 2021-27 the role of LAGs should be more focused on animating activities in territories rather than direct involvement in administrative and implementation issues as in the 2014-20 period. Similar questions have been raised in the 'Evaluation of the operationalisation of the territorial approach of Portugal 2020', where the difficulty in managing the competence-delegated activities with those of animation in the territory and mobilisation of local stakeholders and projects has been highlighted. Under the Czech IROP it is expected that CLLD strategies holders will be released from administrative burden by ceasing to be responsible for the appraisal of project applications, which would leave more time for strategic coordination in territories.

3.3.3 Financial instruments

Wider use of FIs in 2021-27 is foreseen in some IQ-Net programmes e.g. in DK, HR, Pom, SK, W-M. Where FIs are planned to be used, **ex ante assessments** have already been carried out in several cases (e.g. CZ[36], W-M). In some cases, the timing is yet to be determined (e.g. HR, NL-West, Pom). In Denmark, the MA expects that they will produce a new ex-ante assessment, but might update the existing report If possible. In NL West, the assessment will be carried out if necessary, but is expected to be simplified. In NRW, a new ex-ante assessment would be required if a decision to use FIs in 2021-27 were to be taken, as FIs would likely be used in a new thematic area.

A general preference towards continuity in the use of FIs has been observed, particularly as the creation and launch of new instruments tends to be complex and generate significant implementation delays (e.g. PT). In NL-West, 40 percent of the 2014-20 programme was delivered through FIs and this is likely to stay at the same level or slightly decrease.

Several IQ-Net programmes **do not plan to use FIs** in 2021-27 (e.g. Biz, CZ IROP, FI, NL South, Vla) or do not plan to increase their use compared to the current period (e.g. AT, CZ). Reasons include:

- **Small OP size** not justifying the use of FIs (e.g. NL South).
- **Competition from other sources**, e.g. existence of non-ESIF FIs in the region (e.g. NL South).
- **Limited added value**. For instance in Czech Republic, although the NCA hoped to increase the use of FIs, the MAs are reluctant to employ this tool due to limited proven added value so far.

Decisions have not yet been made in some programmes (e.g. NL North, NL East, NRW, PT), where future use of FIs will be dependent on the outcomes of further analytical work (e.g. ex-ante analysis or targeted studies) (e.g. CZ, SK) and internal discussions, while in some instances the preparatory work is already ongoing (e.g. PT). Different options are under discussion, both formally (e.g. NRW) and informally (e.g. in DK on opportunities to establish an FI under the ESF), but no decisions have yet been made in most cases.

Table 3: Planned use of FIs and repayable assistance in 2021-27 in IQ-Net programmes (examples)

	Yes, more than in 2014-20	Yes, about the same as in 2014-20	Yes, but less than in 2014-20	Do not plan to use	Do not know yet
Do you plan to use FIs?	DK, HR, Pom, SK, W-M	AT, CZ, NL West		Biz, CZ IROP, FI, NL South, Vla	NL North, NL East, NRW, PT
Do you plan to use repayable	Pom			AT, Biz, CZ, FI, HR, NL South, W-M	PT

assistance (repayable grants)?					

Source: IQ-Net research

With regards to the **planned use of repayable assistance** (repayable grants), Pomorskie is considering the possibility of introducing this option for the first time. At the same time, there appear to be some fundamental questions on the rules regarding the application of this form of support in 2021-27, which is affecting the ability of some IQ-Net authorities to take relevant decisions. Thus provisions of the new CPR remained a critical and unresolved issue for Portugal due to the proposed limitation of the period for the reuse of the amounts under this form of grant (see Box 12).

Box 12: Use of repayable assistance in Portugal

For several programming periods, the Portuguese authorities have used repayable assistance to support companies (SMEs), meaning, grants that had to be returned according to a repayment schedule (usually eight years, without interest, with a two-year grace period).

For 2021-30, Portugal foresees changes in the use of repayable assistance ('grants under conditions'). As the current CPR proposal stands (it is still an open issue),[37] Article 51a foresees the possibility of granting reimbursable support as long as the returned amounts are reapplied (for the same purposes) until the end of 2030 (that is, one year after the final expenditure eligibility date). This is not compatible with the schemes implemented in Portugal using this form of financing and, should this be the final reading of the regulation, would imply significant changes in the form of implementing incentive schemes for business support.[38]

It is also considered that this form of support cannot be replaced only by the products of financial instruments (loans). The preparation and launching of FI has been, across the programming periods, quite time consuming and complex. This is not compatible with the needs and expectations of Portuguese enterprises, i.e. SMEs, at the beginning of new programming periods. It is also considered that it is a much more efficient way to deliver ESIF (as opposed to grants).

Source: IQ-Net research

The majority of IQ-Net programme managers are not planning to **participate in InvestEU** (Table 4), with small programme size (NL South) or limited demand (NL West) being among the reasons given. At the same time, many IQ-Net authorities have no clarity on the issue as yet, as either the subject has not yet been discussed (e.g. W-M) or no final decisions have yet been taken (e.g. NRW, PT, SK), although some associated analytical or preparatory work has been developed. For instance in CZ, an analysis of using this instrument is currently being undertaken and the issue is being discussed with a bank in terms of potential implementation. Similarly, in Portugal, work has been done at the level of the Financial Development Institution related to securing its future role as a national promotional bank in the framework of InvestEU, but no decisions have so far been taken. In NRW, current discussions seem to point to using either InvestEU or FIs but probably not both, while in CZ the instrument is viewed as having too many unknown aspects for the NCA or MAs to be definitely open to it.

At the time of the fieldwork, Finland appeared to be the only IQ-Net partner having a significant degree of detail on its plans for participation in InvestEU, in that a total of 8 percent of ERDF and 20 percent of ESF was expected to be earmarked for national activities, of which 4 percent (8 percent of ERDF) and 3 percent of (2 percent of ESF) planned to be earmarked for InvestEU.

Table 4: Planned participation in InvestEU (examples)

	Yes	No	Do not know yet
Are you planning to participate in InvestEU?	FI	AT, Biz, DK, HR, NL, Pom	CZ, NRW, PT, SK, W-M

3.3.4 State aid

In 2019, the Commission launched a comprehensive policy evaluation in the area of State aid rules, to assess whether to further prolong them or possibly update them in the future. As part of the process, it launched the targeted review of the GBER which extends the GBER to national funds, including EU shared management funds, combined with EU programmes managed centrally by the Commission in the three areas:

- Financing and investment operations supported by the InvestEU Fund;
- RD&I projects that have received a Seal of Excellence under Horizon2020 or Horizon Europe as well as co-funded projects and team association actions under Horizon 2020 or the Horizon Europe programme;
- European territorial cooperation projects.

Relevant contributions, including on definitions applicable to aid for RD&I, aid to costs incurred by companies participating in ETC projects and conditions applicable to aid included in financial products supported by InvestEU were provided,[39] although no more specific information on the matter could be reported at this stage by most IQ-Net managers.

Whereas GBER in its current form is regarded as generally fit for purpose by some programme managers (e.g. DK), some of the changes IQ-Net authorities wish to see introduced relate to the following.

- **Simplification**. State aid procedures should be simplified, as even *de minimis* is considered complex for project beneficiaries (e.g. NRW).
- **Harmonisation of rules applicable to ESIF programmes and EU-level instruments** (e.g. NRW, PT, Vla). The fact that projects under centrally managed programmes like Horizon 2020 are exempt from State aid requirements while Cohesion policy is not creates different implementation environments and favours the EU-level tools, potentially making ESIF less attractive than other funding sources to project applicants (e.g. NRW). The difference in regulations between directly-managed funds and GBER is often obscure to beneficiaries, and a more coherent approach to ex-post treatment of GBER from the EU-level would be welcome (Vla).

- **Ensuring legal certainty, including by avoiding different interpretations of rules or clarifying/reviewing definitions** (e.g. NL, NRW, SK). For instance, a more detailed definition of initial investment in the meaning of the GBER (SK OP Integrated Infrastructure),[40] or a clarification of the environmental directives mentioned in the GBER, which are currently open to multiple interpretations and seen as not user-friendly (NL South), would be welcomed by some programme managers. In addition, ensuring coherence and clarification of some terms used in GBER and Commission Regulation (EU) No 1407/2013 ('de minimis Regulation'), e.g. by providing examples of processing and marketing of agricultural products (GBER) and including the definition of 'primary production' ('*de minimis*') would be welcome (SK OP Integrated Infrastructure). Furthermore, revision of specific definitions is seen desirable – for instance changing the definition of a 'large company' (W-M)[41] or widening the definition of a 'stimulating effect' (Art.6) (NL West).

Some of the more specific changes considered relevant in the context of the GBER review include:

- **Reviewing Art. 21** (Risk finance aid) and **Art. 26** (Investment aid for research infrastructures), allowing private (co-)investors to obtain benefits from financial investment they make in an enterprise/group of enterprises/project. Such an advantage could take a form of priority over public investors in case of returns or limited exposure to losses in case of insufficient results of the underlying transaction compared to public investors (Pomorskie).

- Increasing the **financing level for micro and medium enterprises** and introducing **additional level of aid for mid-caps** (Pomorskie).

- Including **more flexible provisions for SMEs** (DK).

- Ensuring a wider variety of options for **cooperation between research and businesses** (FI).

- Other changes e.g. to aid awards to clustered beneficiaries (Art. 27); capping at a project level rather than at the level of individual beneficiaries (Art. 25); determining the difference with 'conventional sustainability measures' (Art. 40), preferably using the maximum eligible amount as a basis instead (NL West).

Some of the other issues raised with regards to the State aid / GBER review relate to:

- **Timing**: e.g. according to Austria, the GBER comes two years too late and it is therefore not possible anymore to consider it in ESIF programming.

- **Seal of Excellence**: the fact that Seal of Excellence will be changed so that it allows use of the higher co-funding rates of Horizon 2020 in an ESIF context is considered an interesting development compared to the current situation (Austria).

3.4 Just Transition Fund

As part of the European Green Deal Initiative, the Commission has proposed the creation of a Just Transition Fund (JTF).[42] Accessing **JTF funds will require a re-allocation of funding from national ERDF and ESF+ envelopes**. Projects must be directly co-financed according to cohesion rules. To access the JTF, Member States must submit 'territorial just-transition plans'.

The Commission has identified eligible regions within the Member States, as well as priority investment areas, outlined in Annex D to the 2020 European Semester Country Reports.[43]

On 28 May 2020, **amended proposals were put forward by the Commission for additional JTF resources** (not requiring complementary funding from ERDF or ESF+) from the European Recovery Instrument with a view to financing "recovery and resilience measures" under the JTF to "address the unprecedented impact of the Covid-19 crisis". [44]

At the time of the IQ-Net fieldwork, the **maturity of decisions** related to the implementation of JTF **and assessments** of its impact upon budgetary planning, programming and implementation arrangements across IQ-Net programmes was overall relatively **limited**, particularly as the negotiations of the JTF regulation were still ongoing.

In this regard, IQ-Net authorities have indicated a range of **uncertainties** related to the effects of the JTF on the programmes. At the same time, many programme authorities have **started the associated preparatory works**, although are at different stages of this process. Progress varies, for instance, from starting the thinking on the strategic framework for the territorial plans (e.g. HR[45]), launching detailed analyses of the additional territories that could be eligible for the JTF (PT) and budgetary discussions among regions (AT) to finalising the set-up of the institutional framework for the programming exercise (EL) and actual drafting of territorial just-transition plans (EL).

A number of programme authorities have identified the need to perform prior **analysis of the added-value** of JTF resources as well as **synergies and complementarities** with the existing resources in order to inform relevant choices and proceed with programming (e.g. NRW, SK, Vla). For instance, the three districts designated as eligible for JTF support in NRW already benefit from a federal programme for restructuring, whereas Belgium already invested heavily in the closure of coal mines in the past and Vlaanderen currently has industrial strategies in place aiming at the energy transition and reduction of carbon emissions. Policy overlaps and redundancy thus should be avoided and the added value of JTF demonstrated.

The **Commission has not identified any eligible areas for some of the regional IQ-Net programmes** (e.g. Biz, Pom, Vla, W-M). The MAs of such OPs do not expect any effects of the current JTF proposal on their budgetary planning, programming or implementation arrangements. Others, however, anticipate potential consequences, e.g. due to the requirement to complement the JTF from the ERDF and ESF+ funds from the national part, which might lead to a reduced allocation for regions not benefitting from the JTF support (e.g. Pom). Given that the designation of eligible regions will only be final after negotiations between the Commission and the Member State, Vlaanderen, although not currently pursuing concrete planning for JTF budget allocations and implementation arrangements, awaits the results of this negotiation and of the domestic debates on the issue.

Some of the more general criticisms regarding the JTF proposal relate, among other things, to its **timing** (e.g. according to the CZ IROP, it came late, when strategic debates on key priorities have already been closed and OP drafts ready) or **lack of flexibility in the EC approach** (CZ IROP).

With regards to the anticipated effects of the JTF proposals upon budgetary planning, programming and implementation arrangements, the following issues have been highlighted.

a. Budgetary planning

At the time of the IQ-Net fieldwork, clarity was lacking on a number of elements crucial for a comprehensive assessment of the impact of the JTF proposals on budgetary planning. The negotiation of the JTF regulation, including the proposal on the allocation of resources per Member State, was still ongoing. In addition, the ESIF contribution coefficient to the JTF has not been finalised. Furthermore, policy decisions and forecasts were often pending on the outcomes of the relevant domestic debates (e.g. budgetary discussions between regions or decisions on the distribution of the JTF-related financial burden).

Although clarity or detail is often lacking with regards to budgetary planning, **preliminary planning has started** in some cases (e.g. EL), e.g. identifying potential funding sources to complement the JTF allocation (e.g. ERDF/ESF+, InvestEU, EIB, EAFRD, EU competitive programmes, national resources, tax/development incentives). This exercise is however considered extremely complex not least due to the need to pursue synergies across various policy measures.

Whereas a generally significant impact upon budgetary planning is expected in some cases (e.g. CZ), particularly due to the requirement to allocate funding from ERDF and ESF envelopes, **questions remain on the ratio of contributions from the national / regional budgets**. Thus, the MAs in the Netherlands are unsure how much of the total JTF amount will be paid from the national ERDF envelope and thus what the size of their regional budgets will be, although the regional budget in North NL is likely to increase. Similarly, in Croatia, it is still not clear whether the financial burden will be transferred down to the regional budget or covered at the Member State level.

In some cases, this raises concerns of **potential negative budgetary effects for the regions not benefitting from the JTF support**. Thus Pomorskie, although unlikely to be supported by the JTF, may suffer negative consequences (reduced scale of intervention) of implementing this instrument in Poland, due to the requirement to complement the JTF from the ERDF and ESF+ funds from the national part. Another potentially negative effect is seen in the **reduction of the available resources for other priority axes** in cases where an additional priority axis would need to be integrated into the OP to implement JTF. In NRW, such reduction would be particularly problematic under PO5, where the envisaged budget is already limited but demand is high. On the other hand, concerns regarding **regional absorption capacity** have been raised. For

instance a major concern of Austria's ÖROK is how the two small regions designated for JTF support would be able to absorb the provided funding.

In order to avoid negative budgetary consequences, a number of countries have called for the JTF funding to come on top of the Commission's proposal and not be made at the expense of Cohesion Policy and CAP, in order to **leverage additional funds** (e.g. CZ, EL, PL, PT).[46] Also, there have been calls for a **revision of the JTF allocation methodology**. For instance in the framework of the negotiation for the JTF regulation in the Council, Greece asked for a more objective approach as regards the allocation methodology (see Box 13).

Box 13: Greek proposals for the approach to the JTF allocation methodology

Greek proposals for a more objective approach as regards the allocation methodology in the framework of the negotiation for the JTF regulation in the Council include:

a) The criteria based on which the resources are allocated should take into account the degree on which the entire economies in the coal and lignite mining regions are dependent on lignite. In particular, employment in coal and lignite mining as a percentage of the total employment in industry (excluding construction) in the coal and lignite mining regions should be taken into account in the allocation criteria (with a weight of 25 percent). The absolute number of employees in the coal and lignite mining industries referred to in the regulation proposal does not reflect the influence the gradual withdrawal of relevant activities will have on unemployment rates. This depends on the share of coal/lignite mining in the total industrial workforce in the mining regions.

b) In addition, the per capita production of coal and lignite in all the coal/lignite mining regions of the member state should be taken into account (with a weight of 10 percent). This criterion is also an indication of the extent of dependence of local economies on lignite/coal mining activity.

c) The allocation criteria should also take into account the timetable of the just transition process for which each Member State is committed. Member states which will implement a 'frontloaded' system should be given priority support by receiving additional financial resources. In particular, the percentage of reduction of greenhouse gas (GHG) emissions from burning coal and lignite should also be taken into account (with a weight of 10 percent). This criterion quantifies the emergency character of the transition process by defining that more funding should be made available to Member States that are committed to implementing earlier ambitious transition plans from coal and lignite.

b. Programming

Programming options so far emerging for implementing the JTF include:

- **Separate OP**. Given that Just Transition covers a large spectrum of public policies, Greece has decided to draft a single Operational Programme of Just Development Transition, which will incorporate all the Territorial Just Transition Plans foreseen and provide reference to all investments expected to be implemented through all JTF means and tools.

- **Separate priority axis in the OP**. This option, where an additional priority axis would be integrated into the OP, is so far foreseen to be used in e.g. Austria, Finland and under consideration in NRW.

The decision on programming is pending in HR. Delineation between the JTF and other OPs is seen as an additional complication for the programming phase (e.g. CZ).

In pursuing the programming exercise, a **strong emphasis** is expected to be placed **on ensuring complementarities and synergies of measures**, including through pursuing adequate **strategic and institutional coordination**. For example in Portugal, in developing the analysis of potentially eligible territories, coherence will be ensured with other relevant strategic planning processes and instruments (particularly regional RIS3 and sub-regional strategies). In Greece, ensuring synergies and complementarities with various available means and implementation tools for the policies involved is a key element in the OP planning, including in terms of synergies between co-financed and non-cofinanced actions. Institutional coordination is seen as crucial for ensuring that synergies are pursued in programming (see Box 14). At strategic level, in preparing the PA 2021-27, complementarity is sought to be ensured between the JTF and ESIF, as well as with other relevant strategies (e.g. National Energy and Climate Plan, regional RIS3 etc).

Box 14: Institutional coordination for pursuit of synergies in JTF programming in Greece

In Greece, the drafting of the Plan of Just Development Transition is seen challenging in terms of coordination, particularly due to the wide array of public policies involved in the transition process as well as complexity caused by the intense synergies and complementarities with several available means and implementation tools for the policies involved. The following bodies have been established in order to strengthen coordination:

- Government Committee responsible for: (i) approval and monitoring of the implementation of the Just Development Transition Plan, (ii) coordination of public consultation with local public bodies, socio-economic partners and local communities, (iii) coordination of exploitation of available sources of funding (public national and EU, as well as private).
- Coordination Committee responsible for drafting and implementing the Just Development Transition Plan, under the oversight of the Government Committee which it advises.
- Technical Secretariat responsible for supporting the Coordination Committee work.
- Policy Planning Group, which operates informally and supports the Coordination Committee to meet the requirements of the PA 2021-27 planning as regards the JTF (description and prioritisation of the main strategic choices of the JTF etc).

Geographical coverage of the JTF measures is another area of intense debate and analytical work. Several countries have indicated that on top of the regions identified by the Commission (Table 5 and Figure 7), other areas might need to be included, the proposed territorial coverage being considered limited. The associated domestic discussions and analytical work, in cooperation with the relevant stakeholders, is ongoing. For instance:

- In Finland, although there is as yet no political line on which geographical areas the JTF will be focused on, the EC proposal benefits only East and North Finland, whereas,

according to the IQ-Net partners, there are also other major 'peat' areas outside these regions.

- **Internal domestic discussions** on eligible territories are also ongoing e.g. in Denmark, NRW and Vlaanderen. Thus in Denmark, there may be regions other than North Jutland, recommended by the Commission, where the needs of the Fund are found to be more pressing, as seen from the perspective of national stakeholders. In NRW, it is seen as challenging that only three districts have been identified as eligible as they cover only a very small territory of the overall OP intervention area, while the needs for funding the transition are not necessarily concentrated in these areas. Although no Flemish regions have been proposed as eligible in Annex D, the industrial port of Ghent and the chemistry cluster in Antwerp could classify as carbon-intensive industries, and the MA has put these areas forward in the JTF-related negotiations within Belgium.

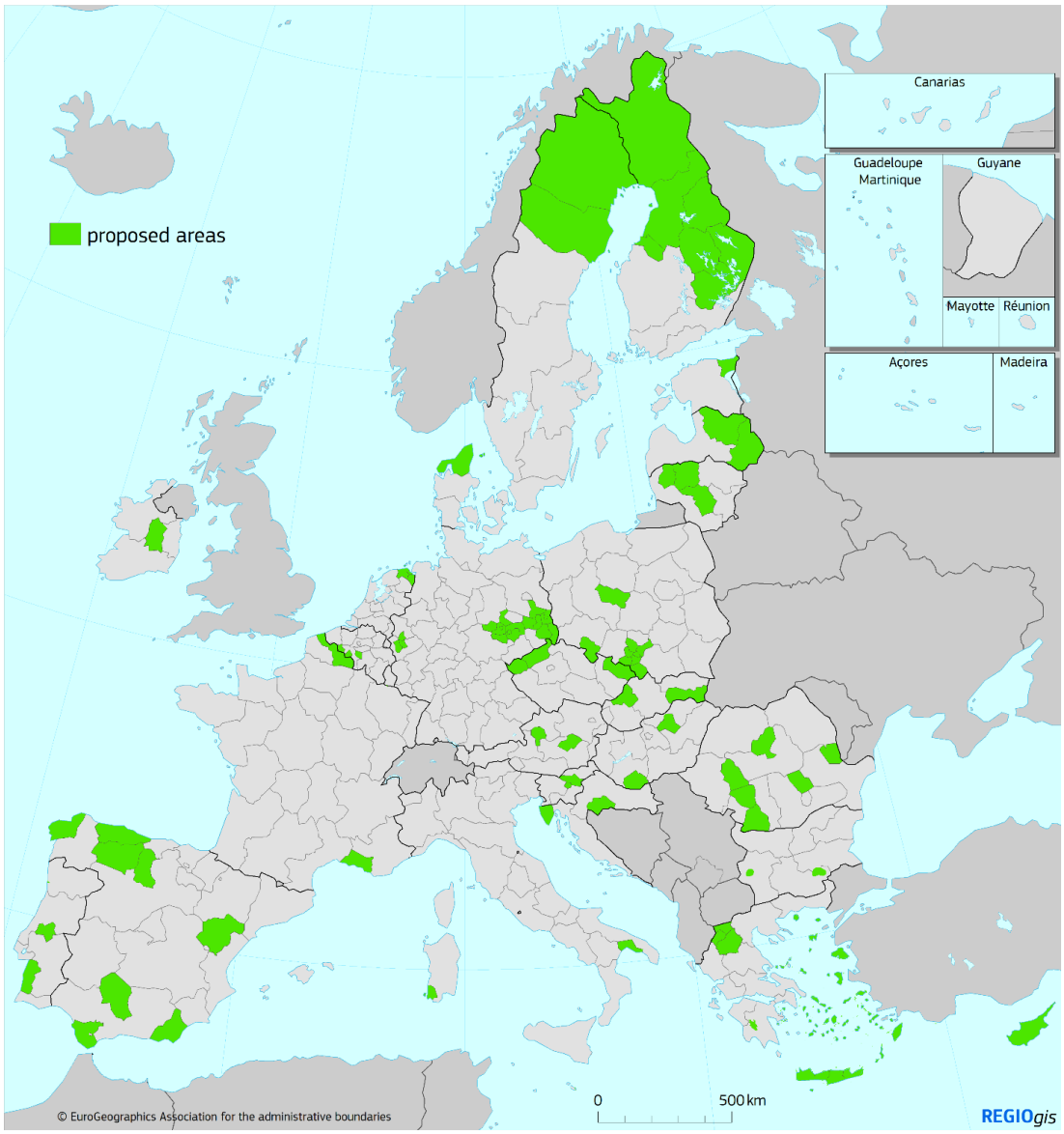
- Portugal has launched a more **detailed analysis** of the territories that could be eligible for the JTF, on top of those proposed in Annex D. At the moment, it is identifying territories that are more carbon consuming and where the change of economic profile is needed to promote a climate transition, aligned with NPEC 2030, so producing more problematic socio-economic transition. This in-depth diagnosis phase should be followed by the strategic development for the territories and the identification of priorities, for which Portugal applied for the support of the Structural Reform Support Programme.

Table 5: Just Transition Fund territorial eligibility – Preliminary Commission analysis. Summary table of JTF Annex Ds (Summary of regions covered by IQ-Net countries only)

	Name of regions/areas covered
AT	Östliche Obersteiermark, Traunviertel
BE	Tournai, Mons, Charleroi
CZ	Moravskolezsky, Ustecky, Karlovarsky
DE	Elbe-Elster, Oberspreewald-Lausitz, Dahme-Spreewald, Spree-Neiße, Cottbus, Bautzen, Görlitz, Leipzig, the City of Leipzig, Nordsachsen, Burgenlandkreis, Saalekreis, the City of Halle, Mansfeld-Südharz, Anhalt-Bitterfeld, Düren, Rhein-Kreis Neuss, Rhein-Erft-Kreis
DK	Northern Jutland
ES	Asturias, León, Palencia, Cádiz, A Coruña, Córdoba, Almería, and Teruel
EL	Kozani, Kastoria, Florina (Western Macedonia), Megalopolis, Heraklion, Lasithi, Rethimno, Chania (Crete) and Aegean Islands (Lesvos, Samos, Chios, Rhodes, Mykonos)
FI	Etelä-Savo, Pohjois-Savo, Pohjois-Karjala, Kainuu, Keski-Pohjanmaa, Pohjois-Pohjanmaa, Lappi
FR	Nord, Bouches-du-Rhône
HR	Sisak-Moslavina, Istria
NL	East Groningen, Delfzijl, surrondings and rest of Groningen
PL	Katowice, Bielsko–Biała, Tychy, Rybnik, Gliwice, Bytom, Sosnowiec, Konin, Wałbrzych
PT	Alentejo Litoral, Medio Tejo, "Concelho" of Matosinhos
SK	Trencin, Kosice

Source: European Commission (2020) European Semester 2020. Overview of Investment Guidance on the Just Transition Fund 2021-27 per Member State (Annex D)

Figure 7: Just Transition Fund territorial eligibility – Preliminary Commission analysis



Source: European Commission (2020) European Semester 2020. Overview of Investment Guidance on the Just Transition Fund 2021-27 per Member State (Annex D)

c. Implementation arrangements

There is relatively less degree of detail and maturity of decisions with regards to the specific implementation arrangements for JTF across IQ-Net programmes.

In most cases, **no** relevant **decisions have yet been taken** and implementation arrangements are still to be determined (e.g. CZ, EL, DK, HR, NL, NRW, Pom, PT). In Croatia, implementation arrangements largely depend on the format and scope of the territorial plan, while in Portugal both budgetary planning and implementation arrangements are similarly dependent on the associated strategic development which has started. At the same time, the outcomes of the analysis of the different options for implementation arrangements will largely depend on the

final version of JTF proposal from the EC (including with regards to allocation of funding) (e.g. CZ, DK, EL).

While the implementation arrangements are expected to follow the same procedures as 'normal' ESF and ERDF funding in some cases (e.g. Finland), the proposed implementation logic is not considered appropriate for the Czech environment (CZ IROP).[47]

Notes

[1] European Court of Auditors (2020) Opinion No 3/2020 on the proposal 2020/0054(COD) for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 as regards specific measures to provide exceptional flexibility for the use of European Structural and Investments Funds in response to the COVID-19 outbreak; Available from: https://www.eca.europa.eu/Lists/ECADocuments/OP20_03/OP20_03_EN.pdf

[2] *fi-compass* (2020) Responding to the COVID-19 crisis through financial instruments in the framework of the Coronavirus Response Investment Initiative (May 2020) https://www.fi-compass.eu/sites/default/files/publications/Responding%20to%20the%20COVID-19%20crisis%20through%20financial%20instruments_0.pdf

[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2020_091_I_0001

[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888818/Reopening_High_Streets_Safely_Fund_-_Guidance_-_Final_v2.pdf

[5] https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2020/03/coronavirus-Covid-19-european-structural-and-investment-funds/documents/european-structural-and-investment-funds-partner-guidance/european-structural-and-investment-funds-partner-guidance/govscot%3Adocument/COVID-19%2BQA%2Bfor%2BLead%2BPartners%2B-%2BESIF%2B2014-2020%2Bprogrammes.pdf

[6] Information on the financial implementation of the ESIF programmes is available on the Commission's Open Data Portal. The Portal provides access to a 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 latest data cover the period up to 31 December 2019. More up-to-date information is available at programme level, but currently the Open Data Portal data provides the best available EU-level picture of implementation progress. 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.

[7] data downloaded 2 June 2020.

[8] Gal F (2019) Speeding Up Spending: Taking Steps Towards Faster Project Implementation. IQ-Net Review Paper 45(1), European Policies Research Centre Delft. p.7.

[9] https://strukturnifondovi.hr/dokumenti/?doc_id=578&fondovi=esi_fondovi

[10] Dozhdeva V and Gal F (2019) Time to learn? Drawing lessons for Cohesion policy post-2020. *IQ-Net Review Paper 44(1)*, European Policies Research Centre Delft.

[11] https://pfr.pomorskie.eu/

[12] Avaliação da operacionalização da abordagem territorial do Portugal 2020 no contexto da convergência e coesão territorial. https://www.portugal2020.pt/content/avaliacao

[13] Ecorys (2019) *Evaluatie Geïntegreerde Territoriale Investering*, evaluation carried out for Dutch Ministry of Social Affairs and Employment.

[14] Urban Development Network (2016) Integrated Sustainable Urban Development Strategies, peer Review Report, Gothenburg (Sweden).

[15] EGO (2018) Ewaluacja systemu realizacji instrumentu ZIT w perspektywie finansowej UE na lata 2014-2020, evaluation carried out for Polish Ministry of Investment and Development.

[16] GovernEUR (2020), Eindrapportage CLLD Scheveningen. Rotterdam, 26 February: https://www.kansenvoorwest2.nl/files/eindrapportage-clld.pdf.

[17] https://erhvervsfremmebestyrelsen.dk/sites/default/files/2020-03/Temaevaluering%20-%20Klynger%20i%20erhvervsfremme.pdf (accessed on 23 April 2020)

[18] Evaluations finalised at the end of 2019 in PT include: Evaluation of the implementation of the National and Regional Research Strategy for Smart Specialisation (RIS3): Network, Outputs and Expected results; Evaluation of the operationalisation of the territorial approach of Portugal 2020 in the

context of convergence and territorial cohesion; and Evaluation of the implementation of the Incentive Schemes of Portugal 2020.

[19] Conclusions of the President of the European Council following the video conference of the members of the European Council, 23 April 2020.

[20] The inability to progress with post-2020 preparations due to the EU-level delays is perceived particularly negatively by the IQ-Net authorities that have achieved significant progress in OP preparation. For instance Czech Republic has developed all OPs and financial plan according to the available information, for the very first time having finalised all strategic discussions and drafts of programming documents one year before the start of the new period. However, any further steps are undermined by the pending regulatory and financial frameworks at EU level.

[21] The first draft of the PA was prepared by the Ministry of Regional Development and EU Funds, in cooperation with the competent authorities. The following documents served as the analytical basis for drafting the PA: the National Development Strategy 2030 draft (NDS), Chapeau – an umbrella analytical report produced by the World Bank, Country Report Croatia 2019, Council recommendations 2019/2020, as well as Investment needs that were collected from the relevant public administration bodies, along with information on enabling conditions and preparatory activities regarding the programming of the new financial perspective. The draft PA sets out the selection of policy objectives along with the (indicative) justification for choosing the policy objectives, a summary of the policy choices and the main results expected for each of the Funds, as well as coordination and complementarity. The comments on the PA that were received from the relevant state administration bodies were systematised, analysed, assessed and, if founded relevant, are expected to be applied to the text of the PA draft.

[22] https://www.adcoesao.pt/sites/default/files/ava_ris3_sumario_executivo_25112019.pdf and https://www.adcoesao.pt/content/resultados-das-avaliacoes-do-portugal-2020

[23] The new RIS3 can be reviewed and modified year-by-year. The internal assessment of the RIS3 focuses on the different specialisations per province, identifying which choices lead to actual specialisation (involving adequate key technologies and knowledge-creation per sector). Using the yearly review and the ongoing modelling of innovation data, the RIS3 and provincial priority areas can be adjusted following developments in international competitiveness. (*Source*: *Balland, P-A. & Boschma, R. (2020) Ontwikkelingspotenties in West-Nederland. Utrecht, 9 March 2020*). Other MAs have also used these 'Development Potential' assessments as part of their approach to the regional RIS3, which will largely inform the Innovation priority of the OPs. In North NL, a similar approach to identifying complex and risk-bearing technologies has given the MA 'leads' to find specialisations and additionality of the ERDF programme. (*Source*: *Boschma, R. & Balland, P-A. (2019) Ontwikkelingspotenties in Noord-Nederland. Assen, 29 November*).

[24] The *Warmińsko-Mazuskie 2030* Strategy ("Warmińsko-Mazuskie 2030: Strategy for the socio-economic development of the Warmińsko-Mazurskie Voivodship") is the basic tool of regional policy pursued by the regional self-government. It takes into account the region's past experience, already achieved goals and at the same time proposes reformulating the "centre of strategy". In 2020-30 the focus of the strategy will shift from addressing peripherality to the region's residents. Regional and local self-governments will focus their activities on increasing the quality of human capital and social capital of the region, which are necessary both in the context of investment attractiveness and quality of life. The development vision has three key priorities: society, economy and relations. The *Warmińsko-Mazurskie 2030* Strategy is more synthesised than the preceding strategy, links closely with the regions' Spatial Development Plan, and develops smart specialisation issues, shaped by the process of entrepreneurial discovery.

[25] WIFO (2020) *Quantitative Wirkungen der EU-Struktur- und Kohäsionspolitik in Österreich – ein Beitrag zu 25 Jahre Österreich in der EU*, ÖROK Schriftenreihe Nr. 207, Wien, https://www.oerok.gv.at/fileadmin/user_upload/publikationen/Schriftenreihe/207/OEROK-SR_207_web.pdf

[26] In January 2020, central state authorities met with representatives of the regions to decide on the new implementation architecture and responding to the findings of the evaluations in France. The main points/decisions include:

- a large reduction in the number of OPs from 41 to 22 programmes, facilitated by the 2016 merger of French regions;

- Regional councils will remain in charge as MAs of all ERDF allocations;
- there is no final decision on the distribution of responsibilities concerning ESF allocations; the National Agency for Territorial Cohesion ANCT (former CGET) remains as national coordination body for the ERDF and will be MA of a national TA OP;
- TA allocations will be shared between ANCT and the regions;
- there is agreement to simplify implementing procedures as much as possible.

A working group between state authorities and Regions has been set up, to: facilitate the steps to be taken by project promoters; shorten the deadlines for granting and paying aid; limit the number of supporting documents required; and stabilise the rules in force throughout the life of a project.

[27] although no further details are available as yet.

[28] https://www.efre.gv.at/allgemeines/veranstaltungen/zwischenbilanz_2014_2020_und_perspektiven_2021_2027

[29] Vironen H and Dozhdeva V (2019) Preparing for 2021-27: Programming, Projects & Stakeholders. *IQ-Net Thematic Paper 45(2),* European Policies Research Centre Delft.

[30] The process of preparing the NDS is highly participatory and consultative. It consists of stakeholder meetings, development forums, round tables, visioning and strategy workshops, citizens survey, engagement of school children through the arts and youth/student conference. Through the four phases of NDS development process, 186 events were held (167 meetings and working groups expert meetings, 7 participative workshops, 6 meetings of leadership groups, 4 development forums and 2 international conferences). In discussions held in the development process, 1,575 participants were engaged. Through the online surveys on development issues for the strategy drafting, 2,010 citizens participated. In creating art and literary works "Croatia as I want it", 3,402 pupils participated.

[31] E.g. a full project database has been added to the website, in which all projects are presented as 'entrepreneurial stories'. The target groups of these measures are new beneficiaries and citizens.

[32] E.g. whether the funds for urban development can be delivered through PO5 and/or can also count towards the earmarked allocation to PO1/PO2; questions regarding ITIs integrating both urban and rural components (e.g. whether a full ITI, containing both urban and rural areas, counts towards ring-fencing of PO2 or not? Whether it counts towards the 6% SUD threshold or not? Whether there is a division of the ITI in the urban and non-urban components?); whether PO5 can mobilise eligibilities of all POs foreseen in the Regulation or only those included in a specific OP, etc.

[33] Korthals Altes, WK & Haffner, MEA, 2019, Research for REGI Committee – Urban Agenda: Assessment from the European Parliament's Perspective, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

[34] In accordance with provisions of Article 14 of the Act on Regional Development of the Republic of Croatia (Official Gazette 147/14, 123/17), large urban areas are defined as cities that at the level of self-government units have more than 35,000 inhabitants and are not included in urban agglomerations.

[35] Potential investment areas through which it is aimed to develop smart cities in the Republic of Croatia are in line with the recommendation of the European Parliament and relate to smart governance, smart economy, smart mobility, smart environment and smart living and are based on the World Bank analysis, i.e. they are in line with the existing characteristics and development challenges and opportunities of Croatian cities, based on their territorial capital and in line with global and EU trends in the development of 'smart cities'.

[36] The ex-ante assessment was done within the ex-ante assessment of the whole OP.

[37] The initial proposal of COM was in the sense of not considering repayable support as a possible form of support (i.e. essentially eliminating it). In the course of negotiations, the proposal has evolved, seeking to achieve some sort of compromise, but it nevertheless does not meet the Portuguese expectations.

[38] In Portugal, repayments, based on a contract concluded with beneficiaries (including the repayment schedule) take place in the years following the investment period, which normally go beyond the programming period; e.g. at the moment, repayment schedules of the contracts concluded under the NSRF are being accompanied, wherein the funds can be re-used for the same goals, in the same

regions. Overall, this COM proposal is viewed as a considerable limitation and not compatible with the Portuguese practice. If this were a final version to be approved, Portugal would be forced to reconsider the form of implementing its Incentive Schemes for business support, and try to find alternatives.

[39] https://ec.europa.eu/competition/consultations/2019_gber/index_en.html

[40] E.g. the definition of fundamental change in the overall production process is needed; possibility to change the type of initial investment; it is not clear how to verify that establishment would have closed had it not been purchased, etc.

[41] A company with 250 employees should not be treated in the same way as a big corporation with thousands of workers. There is a need to change this division.

[42] https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/629213/IPOL_BRI(2020)629213_EN.pdf

[43] See Commission overview including list of regions and map here: https://ec.europa.eu/info/publications/2020-european-semester-overview-investment-guidance-just-transition-fund-2021-2027-member-state-annex-d_en and country reports here: https://ec.europa.eu/info/publications/2020-european-semester-country-reports_en

[44] Amended proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund Brussels, 28.5.2020 COM(2020) 460 final.

[45] For example whether territorial plans will be part of broader territorial strategies or stand-alone territorial plans (e.g. HR)

[46] Friends of Cohesion (2020) Joint Declaration on the Multiannual Financial Framework 2021-2027, Beja, 1 February 2020

[47] E.g. incentives for ecological transport were absent; reskilling of unemployed was not needed as in the transition regions unemployment is low and expected closure of large power stations is planned for 2028, i.e. after the 2021-27 period; whereas the JTF funds are expected to be allocated to cardinal investments projects of global nature, the regions do not have the capacities/capabilities to compile such projects.