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## **REPORT**

on absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU  
(2010/2305(INI))

Committee on Regional Development

Rapporteur: Michael Theurer

Rapporteur for the opinion (\*):  
Edit Bauer, Committee on Employment and Social Affairs

(\*) Associated committee – Rule 50 of the Rules of Procedure

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(\* ) Associated committee - Rule 50 of the Rules of Procedure

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **on absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU (2010/2305(INI))**

*The European Parliament,*

- having regard to the Treaty on the Functioning of the European Union, and in particular Articles 174 to 178 thereof,
- having regard to the Commission's Communication of 26 January 2011: 'Regional Policy Contributing to Sustainable Growth in Europe 2020' (COM(2011)0017),
- having regard to the Commission's Staff Working Document on Regional Policy contributing to sustainable growth in Europe 2020 (SEC(2011)0092),
- having regard to the Commission's Staff Working Paper of 25 October 2010: 'Cohesion Policy: Responding to the economic crisis, a review of the implementation of cohesion policy measures adopted in support of the European Economic Recovery Plan' (SEC(2010)1291),
- having regard to the Commission's Communication of 31 March 2010: 'Cohesion policy: Strategic Report 2010 on the implementation of the programmes 2007-2013' (COM(2010)0110),
- having regard to the Commission's Staff Working Document of 31 March 2010: 'Accompanying document to the Commission's Communication of 31 March 2010 – Cohesion policy: Strategic Report 2010 on the implementation of the programmes 2007-2013' (SEC(2010)0360),
- having regard to the Communication from the Commission on 'Europe 2020 – A strategy for smart, sustainable and inclusive growth' (COM(2010)2020),
- having regard to Regulation (EU) No 539/2010 of the European Parliament and of the Council of 16 June 2010 amending Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management<sup>1</sup>,
- having regard to Regulation (EU) No 437/2010 of the European Parliament and of the Council of 19 May 2010 amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of housing interventions in favour of marginalised communities<sup>2</sup>,
- having regard to Regulation (EC) No 397/2009 of the European Parliament and of the

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<sup>1</sup> OJ L 158, 24.6.2010, p. 1.

<sup>2</sup> OJ L 132, 29.5.2010, p. 1.

Council of 6 May 2009 amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of energy efficiency and renewable energy investments in housing<sup>1</sup>,

- having regard to Council Regulation (EC) No 284/2009 of 7 April 2009 amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management<sup>2</sup>,
- having regard to Council Regulation (EC) No 85/2009 of 19 January 2009 amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management<sup>3</sup>,
- having regard to Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund<sup>4</sup>,
- having regard to Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999<sup>5</sup>,
- having regard to Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999<sup>6</sup>,
- having regard to Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund<sup>7</sup>,
- having regard to the Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC)<sup>8</sup>,
- having regard to the Council conclusions on the Strategic Report of 2010 by the Commission on the Implementation of the Cohesion Policy Programmes adopted by the Foreign Affairs Council on 14 June 2010,
- having regard to the opinion of the European Economic and Social Committee of 14 July 2010: ‘How to foster efficient partnership in the management of cohesion policy

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<sup>1</sup> OJ L 126, 21.5.2009, p. 3.

<sup>2</sup> OJ L 94, 8.4.2009, p. 10.

<sup>3</sup> OJ L 25, 29.1.2009, p. 1.

<sup>4</sup> OJ L 210, 31.7.2006, p. 25.

<sup>5</sup> OJ L 210, 31.7.2006, p. 12.

<sup>6</sup> OJ L 210, 31.7.2006, p. 1.

<sup>7</sup> OJ L 371, 27.12.2006, p. 1.

<sup>8</sup> OJ L 291, 21.10.2006, p. 11.

programmes, based on good practices from the 2007-2013 cycle' (ECO/258),

- having regard to the opinion of the Committee of the Regions on 'Cohesion policy: strategic report 2010 on the implementation of the programmes 2007-2013' of 1-2 December 2010 (CdR 159/2010),
  - having regard to its resolution of 23 June 2011 on the Report 2010 on the implementation of the cohesion policy programmes for 2007-2013<sup>1</sup>,
  - having regard to its resolution of 14 December 2010 on achieving real territorial, social and economic cohesion within the EU – a sine qua non for global competitiveness?<sup>2</sup>,
  - having regard to its resolution of 24 March 2009 on the implementation of the Structural Funds Regulation 2007-2013: the results of the negotiations on the national cohesion strategies and the operational programmes<sup>3</sup>,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Regional Development and the opinion of the Committee on Employment and Social Affairs (A7-0287/2011),
- A. whereas absorption capacity is the extent to which a Member State and its regions are able to spend the financial resources allocated from the Structural and Cohesion Funds in an effective and efficient manner, and whereas this capacity is necessary for making a maximum contribution to economic, social and territorial cohesion with the resources available from the EU funds,
- B. whereas the EU's cohesion policy is crucial for promoting the harmonious development of the EU and whereas, despite the progress achieved in reducing inequalities in development between regions, there remain major differences in terms of their level of economic, social and regional development,
- C. whereas the most disadvantaged regions and microregions lack the financial and human resources and administrative support needed to make good use of the EU funds accessible to them,
- D. whereas EU regional policy is a vital instrument in promoting economic and social cohesion, and whereas it enables the EU to take measures to reduce regional disparities, promote real convergence and stimulate development, quality employment and social progress, and also benefits less developed regions,
- E. whereas absorption capacity is not a parameter but a variable and whereas it differs widely between and within the different Member States and regions, so that individual solutions are necessary to increase this capacity,
- F. whereas aiming at absorbing as much financial support as possible requires continuous

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<sup>1</sup> Texts Adopted, P7\_TA(2011)0283.

<sup>2</sup> Texts Adopted, P7\_TA(2010)0473.

<sup>3</sup> OJ C117E, 6.5.2010, p. 79.

efforts by the Member States and management authorities and the involvement of the local and regional levels of administration at every stage of the process, as well as appropriate capacity within institutional structures and efficient management and control systems,

- G. whereas administrative capacity, especially in terms of project planning and implementation, is a key issue for absorption capacity and needs to be strengthened, with particular emphasis on those Member States lagging behind and that have low absorption rates,
- H. whereas the rules relating to Structural and Cohesion Funds are, by their very nature, complex and therefore difficult to transpose properly into national law and to comply with, and are liable to lead to errors, so that Member States and regions spend a disproportionate amount of time trying to manage and control these errors, and therefore these rules need to remain stable over time in order to promote a better sense of ownership; whereas, however, simplification of the implementation of financial instruments should be encouraged,
- I. whereas, in spite of a reduction in the number of errors and in the misappropriation of structural funding, the measures taken by the Member States need to be reinforced to reduce the misappropriation of funding and recover sums unduly paid,
- J. whereas the Member States that joined the EU in the current programming period in particular are facing substantial difficulties as regards absorption resulting from the significant increase in the amount of funds available in comparison with the pre-accession funds and the shortcomings of the administrative structures for setting up, supporting and evaluating projects,
- K. whereas the lack of visibility regarding the levels of uptake of short- and medium-term funds is an obstacle to absorption capacity and whereas better transparency is needed at all levels of governance,
- L. whereas the European Social Fund (ESF) provides vital support for labour market policies and plays an important role in promoting social inclusion, and whereas its funding needs to be considerably stepped up,
1. Points to the efforts made to ensure an acceleration in absorption capacities and budgetary implementation of cohesion policy during 2010, despite the aforementioned problems, and acknowledges the positive effect of the cohesion-policy-related interventions by the European Economic Recovery Plan in speeding up implementation of programmes and accelerating provision of financing to beneficiaries; asks the Commission to continue these interventions in the period 2014-2020;
  2. Points out that absorption problems have been caused by the following main factors:
    - difficulties with completing the compliance assessment procedures concerning the new management and control system, that generally fall at the beginning of the programming period;

- global economic recession, which has a direct effect in the form of the budgetary restraint measures applied to public budgets and difficulties in obtaining internal financing;
  - insufficient resources to co-finance projects;
  - delays in the establishment and introduction of EU and national rules or related guidance, and incomplete or unclear rules;
  - delays in the translation of the guidance notes and in obtaining clarification from the Commission, and inconsistency of Commission guidance;
  - over-complicated and over-strict national procedures, and frequent changes therein;
  - the need to establish new institutions to implement programmes, which can delay their launch and running;
  - insufficient separation between the authorities in the Member States, hierarchy problems between the institutions and internal difficulties over the allocation of tasks and responsibilities;
  - insufficient involvement of the regional and local level in the establishment of the operational programmes;
  - limited staff numbers, inadequately trained staff at national and regional level, and difficulties with staff retention;
  - difficulties with establishing information technology systems;
  - disproportion between the degree of control and the scale of the project;
  - insufficient initial preparation for implementation of projects, and missing project pipeline;
  - politically motivated changes in investment priorities;
3. Considers that many of the problems identified could be avoided by involving, right from the start of the programming stage, all the relevant players at national, regional and local level, in order to match the proposals in future framework documents and operational programmes as closely as possible to their needs, hence enabling a greater and clearer contribution to be made to meeting EU objectives;
4. Reiterates the need for simplification and flexibility of rules and procedures at both EU and national level in order to facilitate access to EU funds for project organisers and to promote sound management of those funds by the administrative services, without creating major difficulties for the beneficiaries; believes that simplification will contribute to the speedy allocation of funds, higher absorption rates, increased efficiency and transparency, fewer implementation errors and reduced payment periods; considers that a balance needs to be struck between simplification and the stability of rules,

procedures and controls; notes that, in any case, providing potential applicants and beneficiaries with sufficient information is a necessary precondition for successful implementation;

5. Stresses that increasing the absorption rates can only lead to effective results if the Community regulatory framework is adhered to;
6. Takes the view that special emphasis should be placed on aspects relating to delivery of results and achievement of objectives, without detracting from the constant attention that should be awarded to checking inputs; believes, in line with existing provisions on the implementation, control and payment systems, that a better balance should be found between, on the one hand, the rules and procedures required for ensuring the legality and regularity of EU expenditure and, on the other, making cohesion policy more performance-oriented and cost-efficient;
7. Calls for programming, monitoring and evaluation of cohesion policy to be streamlined with a view to improving the advisory role of the Commission and decreasing the administrative burden related to control and audit;
8. Takes the view that a stronger focus should be placed on punishing fraud rather than formal irregularities; calls for a more flexible and differentiated approach depending on the seriousness of the irregularity identified;
9. Stresses that application of the proportionality principle to control procedures determined by the scale of the project should be strengthened by simplifying the requirements governing information to be supplied and monitoring when implementing small-scale projects and programmes; points out, however, that simplified rules must not have a negative impact on transparency and responsibility; calls for the coordination of audit activity to be reinforced and improved, for redundant controls to be removed in Member States which have an adequate fund management system and for the single audit principle to be adopted in the next programming period and that, as with the 'contract of confidence' principle, it should be implemented as often as possible;
10. Stresses the paramount importance of timely adoption of the multiannual financial framework and of clear and definitive rules and guidance for the Member States, in order to avoid start-up difficulties and delays related to the drawing up of national rules and the implementation of the ex-ante conditionalities by the Member States at the beginning of the next programming period; considers it necessary for the Commission to provide technical support to ensure that these are also well understood at Member State level; stresses that the duration of the multiannual financial framework (MFF) is a key issue for cohesion policy and for absorption capacity, because an MFF that is too short creates obstacles for those projects that both run for a longer duration and are the most substantial from the development point of view;
11. Calls on the Member States to transpose Community legislation more rapidly into national law; stresses the importance of mobilising trained personnel in sufficient numbers to address challenges on the ground more effectively;
12. Stresses the benefits of and the need for greater synergy and complementarity between all



the shared management funds (ERDF, ESF, Cohesion Fund, EAFRD and EFF) and the EDF in the case of certain European regions which neighbour ACP countries; takes the view that flexibility between the ERDF and the ESF should be encouraged so as to facilitate the financing of integrated projects, while taking into account the specific nature and objectives of each of these funds; stresses that harmonisation of rules and procedures would lead to simplified delivery systems and encourage participation by potential beneficiaries in EU co-funded programmes; recalls in this context the potential of cross-financing, which is not yet being fully exploited;

13. Calls on the Commission and the Member States to ensure that the ESF is used in a more efficient way today, to respond to the ongoing socio-economic challenges brought about by the financial recession, at all levels and in all Member States, and to ensure that the future ESF makes a meaningful, targeted contribution to implementation of the Europe 2020 strategy in the fields of employment and social inclusion as a visible, transparent, efficient, flexible, simple and user-friendly instrument that is brought to bear to develop human capital, while reflecting the specificities and needs of Member States and regions;
14. Stresses that efforts need to be concentrated on a limited number of priorities – the most urgent among them being reducing record levels of unemployment in the internal market, with special reference to jobs for young people and women – in order to ensure that EU-wide projects are implemented more efficiently and that the impact and potential of the ESF are maximised, thus supporting the Europe 2020 strategy, while emphasising that the different situations in the Member States need to be taken into account and, moreover, that there is a need to strengthen ESF financial autonomy and to foster its flexibility in order to address current employment challenges;
15. Calls on the Member States to encourage and maintain an extensive dialogue with all stakeholders at national, regional and local level in order better to identify the needs of the labour market, improve the employability of socially disadvantaged groups and, at the same time, take adequate account, in relation to formulating policy goals in connection with cohesion policy, of regional and local needs and ensure that they are reflected in the ESF's objectives; calls for special attention to be paid to the training and education of people in low-skilled jobs, in order to improve the employability of this group;
16. Calls on the Member States to improve awareness and accessibility of the ESF and to update project-building capacities in order to contribute to the creation of new, decent jobs and more effective social inclusion;
17. Calls on the Commission and the Member States to give priority to the integrated approach for local and regional development projects, encouraging the development of bottom-up local initiatives for the ESF and making it possible to combine several sources of financing: operational programmes, national programmes and private resources at the individual project level;
18. Regrets that owing to lengthy administrative procedures and complicated rules, especially in some Member States, implementation of the ESF is slower than foreseen and that this discourages many potential beneficiaries from applying for funding; calls for the ESF objectives to be brought into line with the real requirements of a labour market that is in need of investment in upgrading vocational training and in measures to protect craft

trades;

19. Calls on the Commission to review the level of co-financing to reflect better the level of development, EU added value, types of action, beneficiaries, their absorption capacities and development opportunities; calls, to this end, for an adequate Community budget to be allocated to cohesion policy at a time when national and local contributions are being hampered by national budgetary austerity policies; regrets the fact that a proportion of the ESF money available is not being used, while noting that in some Member States there is significant progress; calls, therefore, on the Member States to create mechanisms for helping the small beneficiaries (typically grassroots NGOs and SMEs) to prepare successful applications and mentoring them during the implementation period, thereby ensuring a more efficient process;
20. Calls on the Member States, on the basis of clear rules, to use to a greater extent the possibility of advance payments to ESF beneficiaries;
21. Stresses the need for a continuous, strong and dedicated focus on the actual outcomes and results of the ESF-financed development programmes through improvements to evaluation, monitoring and indicator systems at Community, national, regional and local level, which should cover not only spending levels but also the quality of the policies pursued; calls on the Commission to take account of the uncertainty factors affecting long-term return-to-work projects;
22. Emphasises the importance that certain reforms can have in some Member States in increasing the absorption capacity and therefore the need for them to be negotiated between the Commission and the Member States concerned when defining the development and investment partnership contract, so as to make them a binding condition for the states; points out, in particular, the importance of decentralisation and of empowerment of regional and local authorities;
23. Supports the view that the regulatory architecture of cohesion policy should allow greater flexibility in organising operational programmes in order to better reflect the nature and geography of development processes; suggests that Member States and regions be given enough flexibility to select a number of their own priorities and draw up appropriate policy mixes;
24. Calls on the Member States to pay more attention to project preparation and to draw up a project pipeline so that the risk of cost overrun can be minimised and a high absorption rate attained;
25. Notes that the institutional capacity of the public sector at national, regional and local level and the technical and administrative capacity of the participating public authorities and beneficiaries are key to the successful development, implementation and monitoring of the policies needed to reach Europe 2020 targets;
26. Calls on the Member States, supported by the Commission and in coordination with local and regional authorities, to pay attention to better management of human resources by making further efforts to attract and retain qualified staff to manage EU funds, by promoting high-quality training for them, and by avoiding any replacement of staff unless

this is strictly necessary and guided by the sole aim of improving their effectiveness and consequently the absorption capacity; recalls in this regard the possibilities for using funds from the ESF and technical assistance for building capacity necessary for programme implementation and follow-up; stresses the importance of one-stop shops at decentralised level to assist the partners in the programme; calls on the Member States to create 'European One-Stop Shops' as close as possible to the citizens with a view to helping with Cohesion Fund applications, both for local authorities and EU citizens;

27. Notes that a high degree of continuity in management and control systems and capacity is necessary in order to build on acquired management experience and knowledge and calls therefore on the Member States to take measures to avoid fluctuations in the administrative staff dealing with the management of funds;
28. Calls on the Commission to enhance its assistance to those Member States whose absorption rates, being under the EU's average, show a lack in terms of absorption capacity; believes that such enhanced assistance and close cooperation should continue at least until the countries concerned reach a level of expertise sufficient to produce results without external special aid;
29. Invites the Member States to establish exchange fora or networks among their implementation structures with a view to discussing experiences and difficulties and exchanging best practices; invites the Member States also to help beneficiaries address more demanding control requirements by providing them with support, in particular by using technical assistance loans to train and support those economic and social actors that are eligible to benefit from these funds; proposes that a percentage of the amounts allocated for the technical assistance operational programmes be used for such actions; calls on the Member States to devise and organise training courses for potential fund beneficiaries;
30. Points out the importance of inter-regional cooperation programmes and of programmes such as INTERACT and URBACT in identifying and disseminating best practices and in training the political and administrative actors in the optimum use of the funds; calls for actions promoting regional planning and effective use of funds to be eligible for appropriations under the 'inter-regional cooperation' part of the Territorial Cooperation Objective;
31. Calls on the Commission to establish an EU-wide cooperation programme based on experience with the twinning programme in order to improve cooperation between regions with high absorption and regions with low absorption and to facilitate the dissemination of best practices;
32. Suggests that an Internet-based platform be established for beneficiaries, local and regional stakeholders and government institutions to exchange best-practices and information on obstacles, problems and their possible solutions;
33. Calls on the Commission to explore the introduction of harmonised information and communication systems, bearing in mind the differences between the management and control systems of the Member States and calls, to that end, for the implementation of uniform software to monitor the use of funds in the context of the territorial cooperation

programmes;

34. Calls on the Commission to use the information and communication systems to develop an early warning system on the absorption of the funds and to deliver at least an annual report containing information on the absorption of Regional and Structural Funds for each region, enabling the European Parliament and the Council to monitor the implementation of Cohesion Policy;
35. Calls on the Commission to cooperate actively with the EIB, in particular on setting up Community initiatives aimed at improving the efficiency and effectiveness of cohesion policy and strengthening the impact of the Structural Funds by guaranteeing funding to support the financing of SMEs;
36. Believes that, owing to their greater flexibility, 'public-private partnerships at regional and local level' prepared well in advance and in line with the Europe 2020 strategy, will contribute to increasing absorption capacity and to resolving difficulties with co-financing; recommends that the Member States clarify and simplify their national legislation to facilitate such partnerships; emphasises that democratic control over public-private partnerships must be guaranteed;
37. Calls on the Commission to verify the existence and examine the efficiency of the legislative bases for the implementation of PPP projects and, where appropriate, to recommend to those Member States which have not adopted such legislative measures that they prepare and adopt as soon as possible, with a view to permitting the mobilisation of resources from the Structural Funds and the Cohesion Fund for PPP projects in the next programming period, procedures for efficient implementation of these projects at regional and local level;
38. Points out that most SMEs, and especially small and micro enterprises, cannot access Structural Funds on their own due to current administrative and financial constraints and that they need support and advice from their representative organisations at regional and national level; considers that a simplification of the rules and procedures is essential to ensuring their access to Structural Funds; calls for the Small Business Act, its 'think small first' and 'only once' principles and the proportionality principle to be applied at all levels of decision-making to define investment priorities and the design of management, audit and control procedures in order to ensure better absorption of the funds;
39. Stresses the importance of partners as defined in Article 11 of Council Regulation (EC) No 1083/2006 for the capacity to absorb funds; calls on the Member States fully to inform and provide support to citizens, representatives of civil society, associations and non-governmental organisations, and regional and local authorities about financing possibilities, eligibility for co-financing from the Structural and Cohesion Funds, the co-financing rules, the rules on reimbursement, and where to find calls for proposals, and to promote their commitment to exploiting funding opportunities;
40. Stresses the positive effects of using financial instruments provided by the European Investment Bank, such as Jessica, in order to expand the overall financial resources without increasing direct public funding;

41. Reiterates that the mechanisms of multi-level governance and the partnership principle are key elements in the effectiveness of operational programmes and in high absorption capacity; calls on the Member States, in line with the principles of subsidiarity and of their institutional autonomy, to reinforce consistently the partnership and transparency principle while establishing and implementing the operational programmes, and to involve therefore the regional and local levels and civil society from the outset, in a binding, comprehensive and sustainable manner, in defining and designing investment priorities, in all phases of the establishment of operational programmes as well as in their implementation and evaluation phases;
42. Calls on the Commission to have a more open debate on the measures envisaged for accelerating the absorption of the Structural and Cohesion funds; suggests, in this regard, that the Committee of the Regions might be invited to give a yearly opinion on the absorption capacity in all the Member States;
43. Calls on the Commission to ensure that, while supporting the implementation of the Europe 2020 strategy in all Member States, cohesion policy reduces disparities between regions and micro-regions, takes due account of the specific needs of the outermost regions and promotes harmonious development in the EU, including by bringing additional targeted instruments and measures to bear in areas which still fall far short of European standards;
44. Instructs its President to forward this resolution to the Council, the Commission and the Member States.

## EXPLANATORY STATEMENT

### Introduction

Since the late 1990s, absorption of structural and cohesion funds has been recognised as a main concern in relation to the implementation of the EU cohesion policy. Many Member States have faced difficulties in absorbing the structural and cohesion funds from the EU budget, especially during the early post-accession years. Thus, this Report looks at the problems, reasons behind and good practices during the current programming period (2007-2013) and draws lessons for the future EU cohesion policy.

### General background

Absorption capacity is understood by the Rapporteur as the extent to which a Member State is able to spend the financial resources allocated from the Structural and Cohesion Funds in an effective and efficient manner. This capacity is necessary for making a maximum contribution to economic and social cohesion with the resources available from the EU funds. The absorption capacity on demand side means the actual ability by project applicants to generate acceptable projects. On the supply side absorption capacity can be determined by three main factors:

- Macro-economic absorption capacity defined and measured in terms of GDP;
- Financial absorption capacity defined as the ability to co-finance the programs and projects supported by the EU, to plan and guarantee these national contributions in multi-annual budgets, and to collect contributions from the partners involved in various programs and projects;
- Administrative capacity defined as the ability and qualifications of central and local authorities to prepare programs and appropriate and timely projects, to decide on them, to ensure coordination of partners involved, to comply with administrative and reporting requirements, to fund and monitor the implementation of programs and projects and to avoid irregularities.
- The absorption capacity is not a parameter but a variable. It differs widely in the different Member States therefore individual solutions are necessary.

Aiming at absorbing as much financial support as possible in this context requires continuous efforts by the Member States and the involvement of the local and regional level of administration in every stage of the process.

### Reasons behind the absorption problems

- **Initial problems at the beginning of the programming period**

Member States experienced difficulties over completing the compliance assessment procedures concerning the new management and control system stipulated by the Council Regulation (EC) No 1083/2006 of 11 July 2006, laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund. This led to delays in payments as the approval of the system by the Commission was a

precondition to the first interim payments. Furthermore the parallel implementation of two programming periods (2000-2006 and 2007-2013) is also considered a significant burden causing delays at the beginning of the current period.

- **Financial problems**

The impact of the global economic recession caused difficulties in many Member States as regards utilisation of the funds. Consequences were problems in delivery of results, changes in expected demands and growing restrictions in national or local public financing. It became even more difficult to find sufficient resources to co-finance projects.

- **Regulatory requirements**

The 2007-2013 regulatory framework generally improved clarity compared to the previous version, however further efforts are required. Member States' difficulties with the regulatory requirements have been caused inter alia by incompatibility issues as in some cases EC requirements were not compatible with existing national arrangements, which had to be revised.

Further problems were caused by delays with the establishment and introduction of EU and national rules or with related guidance and gaps in the rules or unclear rules. Some regulatory requirements should be further adapted to take account of implementation experience. In addition the definition of eligibility rules has caused difficulties. Some of the Territorial Cooperation OPs experienced difficulties over national eligibility rules since depending on the number of Member States involved, there are a number of different sets of national rules.

Significant delays could be observed in the translation of the guidance notes and in obtaining clarification from the Commission as regards e.g. environmental impact assessments and eligibility of costs. Further difficulties were caused by frequent changes of national requirements and inconsistency in EC guidance as EU institutions changed their interpretation of the regulations during the financial perspective.

- **Organisational requirements**

Member States' difficulties with the organisational requirements have been caused by the need to establish new institutions, insufficient separation between the authorities, hierarchy problems between the institutions and difficulties over the allocation of tasks and responsibilities. In some cases too many organisations were created and functions were duplicated.

- **Human resources**

The general regulation does not establish any specific requirements as to the quality and quantity of staff necessary to comply with management and control requirements. In the light of more demanding control requirements, limited staff numbers and insufficient staff qualifications at national and regional level are an important concern. Difficulties were experienced as regards staff retention. Crisis-motivated restrictions on public sector

employment imply that there is an increase in outsourced controls. Staff rotation in the Commission might cause changes in the interpretation of certain rules during OP implementation.

- **Information technology systems**

Important delays could be observed due to difficulties over the establishment of information technology systems, insufficiently clear or late Commission guidance on communication and information systems, the quality and timeliness of national guidance on communication and information systems.

- **Control requirements**

Strengthened control requirements provided for improved clarity, however, there is a lack of equilibrium between control and content. The 2007-2013 regulatory requirements are inclined towards control issues, and thus deflect attention from content. Beneficiaries are deterred by control requirements, and managers dedicate more time to assessing compliance with control requirements than to the achievement of OP objectives. In addition national control requirements often go beyond the EU regulation.

### **Proposals for improving absorption capacity**

The rules relating to Structural and Cohesion Funds are complex and therefore difficult to comply with, what causes errors. Member States therefore spend a disproportionate amount of time trying to manage and control these errors. The Rapporteur takes the view that rules and procedures should be simplified in order to reach higher absorption rates, reduce errors and increase efficiency. At the same time a right balance should be found between simplification and stability of rules and procedures.

Emphasis should be put on payments for delivery of results rather than checking inputs. It could be considered whether a stronger focus could be possible on fraud rather than on formal irregularities and on a more differentiated treatment of irregularities, allowing for flexibility depending on the seriousness of the identified irregularity. Even a reflection on the margin of error in project expenditures may be necessary. Furthermore the coordination of audit activity should be enhanced, applying the single audit principle. The Rapporteur highlights that proportionality between the volume of support and control requirements should be strengthened.

A better balance should be found, on the one hand, between the rules and procedures required for ensuring the legality and regularity of EU expenditure and on the other hand making cohesion policy more performance oriented and cost-efficient. The Commission should propose how to better focus on the achievement of objectives without derogating from the key rule as regards sound financial management.

The Rapporteur stresses that timely adoption of multiannual financial framework and of clear and definitive rules and guidance to the Member States is of utmost importance.

He also believes that there is considerable scope for closer alignment of programming and



implementation systems. Harmonisation of rules and procedures may lead to simplified delivery systems and may encourage participation of potential beneficiaries in EU co-funded programmes. The possibility of increasing the flexibility to support ESF-type of actions in ERDF programmes and vice versa could be considered.

In the Rapporteur's opinion Member States should pay more attention to project preparation and project pipelines in order to be successful in managing of structural and cohesion funds. Furthermore they must make efforts to attract and maintain qualified staff at every level of managing and implementing EU funds.

The Rapporteur draws attention to the big differences in the absorption capacity of the Member States. He proposes therefore establishment of a cooperation program among the Member States with the aim of exchange of best practices. Finally, he reiterates the importance of multi-level governance and partnership principle in the management of structural and cohesion funds.

21.6.2011

## **OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS**

for the Committee on Regional Development

on absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU  
(2010/2305(INI))

Rapporteur: Edit Bauer

(\* ) Associated committee – Rule 50 of the Rules of Procedure

### **SUGGESTIONS**

The Committee on Employment and Social Affairs calls on the Committee on Regional Development, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the EU's economic, regional and social policies are interlinked, and their effectiveness depends on solving problems linked to fund absorption, while the problems of absorption capacity of different funds in Member States are often similar; whereas, however, they differ from region to region on account of the specific social and cultural features of each, resulting in disparities as regards access to, and use and uptake of, EU funding, which need to be taken into consideration,
- B. whereas the most disadvantaged regions and microregions lack the financial and human resources and administrative support needed to make good use of the EU funds accessible to them,
- C. whereas EU regional policy is a vital instrument in promoting economic and social cohesion, and whereas it enables the EU to take measures to reduce regional disparities, promote real convergence and stimulate development, quality employment and social progress, and also benefits less developed regions,
- D. whereas the European Social Fund (ESF) provides vital support for labour market policies and plays an important role in promoting social inclusion, and whereas its funding needs to be considerably stepped up,

1. Calls on the Commission and the Member States to ensure that the ESF is used in a more efficient way today, to respond to the present socio-economic challenges brought about by the financial recession, at all levels and in all Member States, and to ensure that the future ESF makes a meaningful, targeted contribution to the implementation of the Europe 2020 Strategy in the fields of employment and social inclusion as a visible, transparent, efficient, flexible, simple and user-friendly instrument that is brought to bear to develop human capital, while reflecting the specificities and needs of Member States and regions;
2. Calls on the Commission to ensure that cooperation between the various Structural and Cohesion Funds is strengthened and coordinated, taking into consideration the creation of greater synergy between the various funds, as well as common implementation rules;
3. Calls on all the EU institutions and Member States to facilitate speedier conclusion of key documents, such as the multiannual financial framework and regulations, with a view to overcoming the start-up difficulties that might arise at the beginning of the next programming period, as they did at the beginning of the 2007-2013 programming period;
4. Encourages the Commission and the Member States to strengthen multi-level governance, which should include not only the implementation of policies and management of the ESF, but also the development of the EU 2020 Strategy as such;
5. Stresses that there is a need to concentrate efforts on a limited number of priorities – the most urgent among them being reducing record levels of unemployment in the internal market, with special reference to jobs for young people and women – in order to ensure that EU-wide projects are implemented more efficiently and that the impact and potential of the ESF are maximised, thus supporting the Europe 2020 Strategy, while emphasising that the different situations in the Member States need to be taken into account and, moreover, that there is a need to strengthen ESF financial autonomy and to foster its flexibility in order to address current employment challenges;
6. Calls on the Member States to encourage and maintain an extensive dialogue with all stakeholders at national, regional and local level in order better to identify the needs of the labour market, improve the employability of socially disadvantaged groups and, at the same time, take adequate account, in relation to the formulating of policy goals in connection with cohesion policy, of regional and local needs and ensure that they are reflected in the ESF's objectives; calls for special attention to be paid to the training and education of people in low-skilled jobs, in order to improve the employability of this group;
7. Calls on the Member States to improve awareness and accessibility of the ESF and to update project-building capacities in order to contribute to the creation of new, decent jobs and more effective social inclusion;
8. Calls on the Commission and the Member States to give priority to the integrated approach for local and regional development projects, encouraging the development of bottom-up local initiatives for the ESF and making it possible to combine several sources of financing: operational programmes, national programmes and private resources at the individual project level;

9. Supports the view that the regulatory architecture of cohesion policy should allow greater flexibility in organising operational programmes in order to better reflect the nature and geography of development processes; suggests that Member States and regions be given enough flexibility to select priorities and draw up appropriate policy mixes;
10. Calls on the Commission to ensure that while supporting the implementation of the Europe 2020 Strategy in all Member States, cohesion policy reduces disparities between regions and micro-regions, takes due account of the specific needs of the outermost regions and promotes harmonious development in the EU, including by bringing additional targeted instruments and measures to bear in areas which still fall far short of European standards;
11. Regrets that owing to lengthy administrative procedures and complicated rules, especially in some Member States, the implementation of the ESF is slower than foreseen and that this discourages many potential beneficiaries from applying for funding; stresses the need for simplification as regards eligibility of expenditure, management and evaluation using clear, common and easy-to-use indicators; insists that each region's audit and control systems should meet high standards; calls for closer coordination among the different control levels (regional, national and EU) in terms of dates, recommendations and results; takes the view that regionalisation of OPs does not necessarily entail more controls; recommends that the frequency of controls be based to a greater extent on the amounts of subsidies and any irregularities which occur, in accordance with the principle of proportionality; calls for the ESF objectives to be brought into line with the real requirements of a labour market that is in need of investment in upgrading vocational training and in measures to protect craft trades;
12. Calls on the Member States to transpose Community legislation more rapidly into national law; stresses the importance of mobilising trained personnel in sufficient numbers to address challenges on the ground more effectively;
13. Calls on the Commission to review the level of co-financing to reflect better the level of development, EU added value, types of action, beneficiaries, their absorption capacities and development opportunities; calls, to this end, for an adequate Community budget to be allocated to cohesion policy at a time when national and local contributions are being hampered by national budgetary austerity policies; regrets the fact that a proportion of the ESF money available is not being used, while noting that in some Member States there is significant progress; calls, therefore, on the Member States to create mechanisms for helping the small beneficiaries (typically grassroot NGOs and SMEs) to prepare successful applications and mentoring them during the period of implementation, thereby ensuring a more efficient process;
14. Calls on the Member States to create 'European One-Stop Shops' as close as possible to the citizens with a view to helping with cohesion fund applications, both for local authorities and EU citizens;
15. Stresses that management, reporting and control procedures must be proportionate to the scale of the projects, because it is difficult for small institutions and small local authorities to implement projects under the present conditions, and that special provisions must therefore be designed for small-scale EU grants in the next programming period;

16. Considers that, given the serious economic and financial crisis affecting a number of Member States and their regions, the co-financing rate applicable to national institutions and associations in respect of projects supported by Community funding should not exceed 10 % for all the structural funds, with a view to enabling greater uptake of cohesion funding;
17. Calls on the Member States to devise and organise training courses for potential fund beneficiaries;
18. Calls on the Member States, on the basis of clear rules, to use the possibility of advance payments to ESF beneficiaries to a greater extent;
19. Calls for streamlining of programming, monitoring and evaluation of cohesion policy with a view to improving the advisory role of the Commission and decreasing the administrative burden related to control and audit;
20. Stresses the need for continuous, strong and dedicated focus on the actual outcomes and results of the ESF-financed development programmes by the improvement of evaluation, monitoring and indicator systems at Community, national, regional and local level, which should cover not only spending levels but also the quality of the policies pursued; calls on the Commission to take account of the uncertainty factors affecting long-term return-to-work projects;
21. Notes that the institutional capacity of the public sector at national, regional and local level, and the technical and administrative capacity of the participating public authorities and beneficiaries are key to successful development, implementation and monitoring of the policies needed to reach Europe 2020 targets;
22. Notes that a high degree of continuity in management and control systems and capacity is necessary in order to build upon acquired management experience and knowledge, and therefore calls on the Member States to take measures to avoid fluctuations in the administrative staff dealing with the management of funds;

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	16.6.2011
<b>Result of final vote</b>	+:               39 -:               1 0:                2
<b>Members present for the final vote</b>	Regina Bastos, Edit Bauer, Heinz K. Becker, Jean-Luc Bennahmias, Mara Bizzotto, Philippe Boulland, Milan Cabrnock, David Casa, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Tadeusz Cymański, Frédéric Daerden, Proinsias De Rossa, Frank Engel, Sari Essayah, Ilda Figueiredo, Marian Harkin, Nadja Hirsch, Danuta Jazłowiecka, Martin Kastler, Jean Lambert, Patrick Le Hyaric, Veronica Lope Fontagné, Elizabeth Lynne, Elisabeth Morin-Chartier, Csaba Őry, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Elisabeth Schroedter, Joanna Katarzyna Skrzydlewska, Jutta Steinruck, Traian Ungureanu
<b>Substitute(s) present for the final vote</b>	Vilija Blinkevičiūtė, Julie Girling, Kinga Göncz, Sergio Gutiérrez Prieto, Richard Howitt, Filiz Hakaeva Hyusmenova, Jan Kozłowski, Evelyn Regner, Dirk Sterckx

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	12.7.2011
<b>Result of final vote</b>	+: 43 -: 2 0: 1
<b>Members present for the final vote</b>	François Alfonsi, Luís Paulo Alves, Charalampos Angourakis, Catherine Bearder, Victor Boștinaru, Zuzana Brzobohatá, John Bufton, Alain Cadec, Francesco De Angelis, Tamás Deutsch, Rosa Estaràs Ferragut, Elie Hoarau, Brice Hortefeux, Danuta Maria Hübner, Juozas Imbrasas, María Irigoyen Pérez, Seán Kelly, Mojca Kleva, Petru Constantin Luhan, Riikka Manner, Iosif Matula, Erminia Mazzoni, Miroslav Mikolášik, Franz Obermayr, Jan Olbrycht, Markus Pieper, Monika Smolková, Georgios Stavrakakis, Nuno Teixeira, Michael Theurer, Michail Tremopoulos, Lambert van Nistelrooij, Oldřich Vlasák, Kerstin Westphal, Hermann Winkler, Joachim Zeller, Elżbieta Katarzyna Łukacijewska
<b>Substitute(s) present for the final vote</b>	Andrea Cozzolino, Karima Delli, Ivars Godmanis, Karin Kadenbach, Marek Henryk Migalski, Vilja Savisaar-Toomast, Elisabeth Schroedter, Derek Vaughan
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Norica Nicolai