



**European Committee  
of the Regions**

**Commission for  
Economic Policy**

**ECON**

# **Administrative capacity of local and regional authorities: Opportunities and challenges for structural reforms and a more effective European economic governance**



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# Abbreviations

CEF	Connecting Europe Facility
CEMR	Council of European Municipalities and Regions
CoC	Code of Conduct
CoR	European Committee of the Regions
CPMR	Conference of Peripheral Maritime Regions of Europe
CPR	Common Provisions Regulation
CR	Country Report
CSR	Country-specific Recommendations
DG	Directorate General
EC	European Commission
EAFRD	European Agricultural Fund for Rural development
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIF	European Investment Fund
EP	European Parliament
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ESF	European Social Fund
EU	European Union
LRA	Local and Regional Authorities
MA	Managing Authority
MFF	Multi-annual Financial Framework
MoU	Memorandum of Understanding
MS	Member State
MLG	Multi-level Governance
NRP	National Reform Programme
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
PPP	Public Private Partnership
RSP	Reform Support Programme
SRSP	Structural Reform Support Programme
SRSS	Structural Reform Support Service
TA	Technical Assistance
TO	Thematic Objective
ToR	Terms of Reference

# Executive Summary

This study concerns EU instruments for administrative capacity building as they relate to local and regional authorities (LRAs). It addresses challenges for LRAs in respect to administrative capacity with a focus on economic governance and, especially, structural reforms and investment, as well as opportunities in terms of financial and other support available to tackle their capacity-building needs.

These challenges and opportunities cluster around two central themes:

- The multi-faceted **administrative capacity needs of LRAs** relating to structures and processes, human resources, and systems and tools.
- The modalities and coordination of **EU-funded instruments and programmes** that can potentially address the above needs by supporting capacity-building.

The methodology of the study relied on desk research and interviews with European Commission services (SRSS, DG REGIO, DG EMPL) and experts from national and European LRA associations and think-tanks. It covered challenges and opportunities for the LRAs in respect to administrative capacity, EU-funding tools supporting capacity-building and examples of their use, an assessment of the likely impact of the proposals for the next MFF, and recommendations.

## ***Support for capacity-building under the current and the next MFF***

In the current **Multi-annual Financial Framework (MFF) of the EU for the 2014-2020** period there are several instruments and programmes from which support can be drawn for capacity-building:

- **Thematic objective 11 (TO11)** of ESI Funds, concerning the enhancement of institutional and administrative capacity of public authorities and stakeholders<sup>1</sup>.
- **Technical assistance** under the ESI Funds, at the initiative of the **Member States**.
- **Technical assistance** under the ESI Funds, at the initiative of the **European Commission**.

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<sup>1</sup> Often complemented by actions under Thematic objective 2 (*enhancing access to, and use and quality of, ICT*).



- **Structural Reform Support Programme (SRSP)**, established in 2017, concerning support to Member States for institutional, administrative and growth-sustaining structural reforms.
- **Other EU instruments and programmes** supporting inter alia capacity-building (e.g. Connecting Europe Facility, Horizon2020).

In this landscape of potential support, technical assistance under the ESI Funds includes capacity-building for the delivery of the funds, while TO11 concerns the overall quality of public administration. Support under the SRSP focuses on capacity-building associated with particular reforms, and capacity-building supported by other EU instruments and programmes tends to be sector-specific and ad hoc. LRAs are direct beneficiaries only under TO11 and under technical assistance at the initiative of Member States (and occasionally under some of the other EU tools). However, in practice this happens to a very limited extent, e.g. only 13% of TO11 funding has gone to LRAs, so far in the 2014-2020 period.

The proposals published by the European Commission for the **next MFF for the period 2021-2027** involve a number of changes regarding potential support for capacity-building. The main changes under the **Cohesion policy funds** can be summarised as follows:

- The thematic objective TO11 is discontinued.
- Technical assistance at the initiative of the Member States or of the Commission continues with few changes, mostly a reduction in the financial envelope for the former.
- There are new opportunities for additional technical assistance under the proposed Common Provisions Regulation (CPR) and capacity-building support under the proposed ERDF/CF regulation.

A new **Reform Support Programme (RSP)** is proposed, including a ‘Technical Support Instrument’ that represents a continuation of the SRSP but with an expanded financial envelope. The strand of RSP with the, by far, largest financial envelope is a new ‘Reform Delivery Tool’ which, however, is not primarily aimed at capacity-building.

Capacity-building support under various other EU instruments and programmes is expected to continue broadly as in the current MFF.

The main characteristics of the above EU-funded instruments and programmes have been distilled in the following table:

**Table 1. Overview of Funding Possibilities for Capacity-building 2021-2027**

	Cohesion Policy					Reform Support Programme		Other instruments & programmes
	TO11	MS TA	Additional MS TA	Capacity Building	COM TA	Reform Delivery Tool	Technical Support	
	Old CPR Art 9	CPR Art 30-31	CPR Art 32	ERDF/CF Art 2	CPR Art 29			
Management mode	Shared	Shared	Shared	Shared	Central	Central	Central	Central
General Scope	General public administration (Market/impl of Funds)	Managt and implem. of the Funds	Managt and implem. of the Funds	Managt and implem. of the Funds	Managt and implem. of the Funds	General public administration	General public administration	Specific public administration
Support to reform	YES (High)	NO	NO (YES indirectly?)	YES (incentivise reforms in supported sectors)	NO (YES indirectly - Low)	YES (High)	YES (High)	NO (YES specific aspects)
Support to programme(s)	YES (Low)	YES (High)	YES	YES	YES (High)	NO	NO	NO
Capacity building	YES (High)	YES (Low)	YES (Unknown)	YES (Unknown)	YES (Medium)	YES (Unknown)	YES (High)	YES (Low-Medium)
Programming	Driven by strategies/programs	Driven by strategies/programmes	Driven by strategies/programmes	Driven by strategies/programmes	Driven by strategies/projects	Driven by MS project requests	Driven by MS project requests	Driven by MS project requests
Funding envelope	€ 4.2 bn	2.5% ERDF/CF, 4% ESF+ [€ 10 bn*]	Part of OP budget, not defined	Part of OP budget, not defined	0.35% [€ 0.8 bn*]	[**]	€ 0.8 bn	Various amounts
Form of financing	Based on real costs	Flat rate	Based on results	Based on real costs or results	Based on real costs	Based on results	Based on real costs	Based on real costs
Targeted level	MS auths, beneficiaries, relevant partners	Progr. auths, implem. bodies, beneficiaries	MS auths, beneficiaries, relevant partners	Progr. auths, implem. Bodies	COM services, progr. auths, implem. bodies	Main focus on national level	Main focus on national level	Various
LRAs: Beneficiaries	YES (Low-Medium)	YES (Low-Medium)	YES (Low?)	YES (Low?)	NO	NO	NO	YES (Low)
LRAs: Stakeholders (potential indirect beneficiaries)	YES (Medium)	YES (Low-Medium)	YES (Low-Medium?)	YES (Low-Medium?)	YES (Low-Medium)	YES (Low?)	YES (Low-Medium)	YES (Low-Medium)
	<b>Discontinued!</b>		<b>NEW!</b>	<b>NEW!</b>		<b>NEW!</b>		

\* Provisional estimate \*\* The financial envelope of EUR 22 bn is unrelated to capacity-building. 'High', 'Medium', 'Low' indicate the extent of an instrument's relevance.

### **Assessment of current and future measures from the perspective of the LRAs**

The analysis of the currently available EU-funded tools for capacity-building and the changes envisaged in the proposals for the next MFF paint a rather unsatisfactory picture, as far as the LRAs are concerned.

In terms of **scope**, there are currently only two instruments (TO11 and SRSP) with a clear focus on reforms and capacity-building. Considering their **modalities**, the LRAs can participate as direct beneficiaries only under TO11 and, in practice, LRAs are the beneficiaries of a small percentage of TO11 funding. Under SRSP, the LRAs are treated as stakeholders and may benefit only indirectly from support requested and obtained by or through national

authorities. TO11 will not be continued in the next MFF and, therefore, the LRAs will have no direct access to reform focused capacity-building support.

In terms of total **financial resources**, it should be recognised that there is gradually less money available for capacity-building of direct relevance to LRAs. There is a drop of support for public administration going to LRAs from 28% under ESF in 2007-2013 to 13% under TO11 in 2014-2020, and this will be down to zero in 2021-2027 in the next MFF. Moreover, some predefined ceilings for technical assistance (e.g. under ERDF/CF) will be lowered in percentage terms in the next MFF and even those that will be maintained (e.g. under ESF+) will be against a lower Cohesion policy total in the 2021-2027 period. Therefore, the total funding available for technical assistance will be lower in absolute terms.

The challenges associated with **coordination and complementarity** remain. The proposals mark an overall trend of centralisation combined with simplification. The latter makes instruments like the SRSP (and, as anticipated, RSP) popular with national authorities, at least partly due to simple procedures and speedy decisions, as evidenced by the fact that requests for support from Member States have exceeded significantly the available funding. However, this procedure has a fundamental weakness as it makes no provision for LRA participation.

This process of centralisation-cum-simplification creates a fertile ground for ad hoc short-term actions which are replacing or seek to co-exist with the strategy/programme driven approach, based on partnership/MLG principles, familiar under Cohesion policy. This represents a double challenge: first, in reconciling conceptually the ‘two different logics’ followed by different EU tools for the same or similar purposes; and, second, in the practicalities of operational coordination (for instance, the Commission is making project-level decisions on support under SRSP/RSP when it is lacking project-level information from Cohesion policy programmes).

The uncertainties as to whether such ad hoc actions are resulting in **sustainable improvements to capacity** also stand out. The tendency to switch to results-based funding in some instruments in the next MFF (e.g. Reform Delivery Tool and ‘other opportunities’ under Cohesion policy) could be consolidating such a ‘hit-and-miss’ approach, in the absence of relevant studies, baselines and targets. Indeed, some of the technical support requested and offered may be alleviating immediate capacity weaknesses (for instance, through short-term external expertise) without raising capacities in a sustainable way in the long term.

## *Conclusions and recommendations*

The analysis of the characteristics of EU instruments and programmes that can support capacity-building leads to two **key conclusions**:

- In the current MFF, the existing EU-funded tools are only marginally addressing capacity-building of relevance to the LRAs and many of the opportunities remain under-exploited.
- The next MFF, as currently proposed, will accentuate both challenges and opportunities, but overall it will make it even more difficult for LRAs to access financial support for capacity-building.

The CoR could consider developing and putting forward a number of **recommendations** proposing improvements to the next MFF in order to address some fundamental weaknesses in the EU capacity-building tools, as outlined below.

**Recommendation 1** aims to facilitate greater coherence and effective coordination between EU funding tools and processes, as well as safeguarding the role of LRAs in the European Semester. Its focus is on turning the National Reform Programmes (NRP) into a strategic coordination tool - the ‘missing link’ between Semester/CSR<sup>2</sup>, ESIF and RSP – that will offer a systematic and structured perspective of structural reforms and responses, including capacity-building for the LRAs. Specific recommendations could include:

- Revised **guidance on NRPs from the Secretariat-General of the Commission**, in line with the above, and confirming the place of LRAs as partners in the Semester process in line with the Code of Conduct proposed by the CoR<sup>3</sup>.
- Complementary **changes to the wording of the RSP regulation** (cf Art. 11(2) and 14) to strengthen the references to the role of NRPs.
- A **single set of guidelines** to be issued by the Commission for all strands of EU-funded capacity-building measures reflecting the suggestions made by the CoR<sup>4</sup>.

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<sup>2</sup> Country-specific Recommendations.

<sup>3</sup> CoR Opinion, 123rd plenary session, 11-12 May 2017.

<sup>4</sup> CoR Opinions relating to SRSP, 117th plenary session, 7-8 April 2016 & 128th plenary session, 22-23 March 2018.

**Recommendation 2** focuses on ensuring that in the next MFF there are suitable EU-funded tools with an explicit remit of supporting capacity-building and that these can be directly accessed by LRAs, as beneficiaries. Specific **amendments to the published regulations** could include:

- A proposal to amend Technical Support Instrument provisions of the RSP (cf Art. 19) to create a window for LRAs to be able to submit requests for support in line with NRPs.
- An amendment to CPR Art 32 or rewording of ERDF/CF Art 2, to envisage TO11-type actions in all operational programmes, which address CSRs and other reforms, including complementary investment in equipment.

**Recommendation 3** seeks to promote better monitoring and learning, with a view to capacity-building achieving lasting effects. It envisages that the European Commission should **establish appropriate tools** for benchmarking, monitoring progress and assessing results in capacity-building, such as:

- Benchmarking or guidance on capacity standards (e.g. as an extension of the EU's Quality of Public Administration Toolbox).
- Road maps, baselines, capacity needs assessment and action plans for inclusion in the NRPs.
- Annual capacity-building progress report, to be considered in Country Reports and included in the NRPs.

# 1 Introduction

## 1.1 Background

The quality of public administration is a central concern in the European Union (EU) as shown in the high proportion of Country-specific Recommendations (CSR) issued in the context of the European Semester which relate directly or indirectly to public administration<sup>5</sup>. This concern applies to different levels of government in EU Member States, including the local and regional authorities (LRAs), reflecting the actual division of powers and institutional architecture.

LRA administrative capacity issues relate to the important role the sub-national level of government plays in both short- and long-term processes in the EU. The former is now established around the European Semester in which the LRAs can play a potentially significant role as demonstrated by the growing proportion of territory-related CSR, which in 2018 reached 84%<sup>6</sup>. In the longer-term processes, such as those associated with the Europe 2020 strategy and Cohesion policy objectives, the LRAs occupy a central place due to their pivotal role in the management and implementation of ESIF programmes and their responsibility for the majority of public investments.

In the current Multi-annual Financial Framework (MFF) of the EU for the 2014-2020 period there are several important challenges and opportunities regarding the administrative capacity of LRAs: challenges emanating from structural reforms and the requirements of effective economic governance, and various opportunities of relevance to LRAs in terms of financial and other resources available to address their capacity-building needs.

The outline of the next MFF for the period 2021-2027 has now become clear with the publication of the European Commission's proposals in May 2018, regarding the overall budgetary framework<sup>7</sup> and key components of it, including the Cohesion policy funds<sup>8</sup>, Reform Support Programme (RSP)<sup>9</sup> and InvestEU<sup>10</sup>. There are potentially new challenges and opportunities stemming from these proposals regarding the administrative capacity of LRAs.

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<sup>5</sup> Consistently over 50% in the 2016-2018 period (CoR, Territorial Analysis of CSR, 2018).

<sup>6</sup> 78% addressed directly or indirectly to LRAs (CoR, Territorial Analysis of CSR, 2018).

<sup>7</sup> COM(2018) 321 final.

<sup>8</sup> COM(2018) 375 final.

<sup>9</sup> [http://europa.eu/rapid/press-release\\_IP-18-3972\\_en.htm](http://europa.eu/rapid/press-release_IP-18-3972_en.htm)

<sup>10</sup> [https://ec.europa.eu/commission/publications/investeu-programme\\_en](https://ec.europa.eu/commission/publications/investeu-programme_en)

## 1.2 Objectives and scope of the report

In the above context, the main objective of this assignment is to provide a background document to help the CoR ECON Secretariat to support the preparation of the planned CoR opinions on the draft legislative texts implementing two key funding instruments under the new MFF for 2021-2027, namely, the Reform Support Programme and InvestEU programme.

The assignment focuses on capacity-building in connection with the main fields of structural reforms addressed in the context of the European Semester, including reforms aimed at boosting investment.

It will also seek to help more broadly by providing background information and analysis which could be used in the preparation of other related CoR opinions, resolutions and political documents in this field, as part of the process of the development and finalisation of the next MFF.

## 1.3 Methodology and main activities

The overall approach of the study has been guided by the ToR and has been refined and confirmed in the **Inception Report**.

To achieve the above stated objectives a set of activities have been carried out:

- The first activity aimed to describe the current opportunities and challenges for the LRAs in respect to administrative capacity, with a focus on economic governance and, more specifically, structural reforms and investment.
- The second activity sought to draw a picture of the available EU-funded capacity-building instruments under the current MFF.
- The third activity attempted to quantify the total amount of resources involved in the instruments reviewed in the previous activity.
- The fourth activity aimed to assess the likely impact of the European Commission's proposals for the next MFF on EU-funded capacity-building activities.

- The fifth activity involved the formulation of recommendations on the role that EU-funded instruments for capacity building and other policy tools should play in addressing the above challenges in the next MFF.
- A further activity conducted entailed identifying and presenting examples of implementation of territory-related CSRs or other structural reforms and aspects related to investment, which address challenges or opportunities in administrative capacity-building and related issues.

The main sources of information used in the above activities are:

- CoR resolutions, opinions and studies; official EU documents including those relating to current and next MFFs; and various research studies, think-tank reports and position papers by LRA associations - see Annex I;
- Interviews with ‘insiders’ (Commission officials, representatives of LRA associations and experts from academia/think-tanks) involving physical meetings mostly during July 2018 – see Annex II.

A detailed **Interim Report** was submitted on 24 August 2018 and was accepted by the CoR. Its main findings and recommendations were presented and discussed on 21 September 2018 at CoR’s **Stakeholder Consultation**<sup>11</sup> on the Commission’s proposals concerning the Reform Support Programme. A **Draft Final Report** was submitted on 27 September 2018 and was commented upon by the CoR prior the finalisation of the present report.

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<sup>11</sup> Stakeholder Consultation in view of a CoR Opinion on the EC proposals of regulations establishing the Reform Support Programme (COM(2018) 391 final) and a European Investment Stabilization Function (COM(2018) 387 final).





## 2 Opportunities and challenges for LRAs in respect of administrative and institutional capacity

### 2.1 The concepts of ‘administrative and institutional capacity’, ‘capacity-building’ and ‘technical assistance/support’

The term ‘**administrative capacity**’ and the related term ‘**institutional capacity**’ are used extensively in an EU context (and more broadly) without being defined and operationalised in a consistent way<sup>12</sup>. They are often used interchangeably or combined as ‘**administrative and institutional capacity**’. Other expressions are also in use, with similar scope, such as ‘quality of public administration’ and ‘government capacity and performance’<sup>13</sup>.

In a broader context, institutional capacity is often considered as a vague and fuzzy concept, and there are various definitions and attempts to systematise it. A general definition accepted by the OECD<sup>14</sup> is “*the ability to perform functions, solve problems and set and achieve objectives*”. This approach emphasises that “*capacity is systemic, so, in some sense, all dimensions of institutional capacity deserve attention. Increasing the level of human resources or strengthening organisations, while it may be necessary, may not be sufficient to increase capacity. The way individuals and organisations interact both in the public sector and within society as a whole may be more relevant to the overall level of capacity*”.

This signposts to a distinction between the ‘internal’ (within an organisation) and ‘external’ (i.e. interorganisational and other interaction) aspects of ‘capacity’. In turn this would suggest a distinction between ‘administrative capacity’ as a narrower concept than ‘institutional capacity’, relating mainly to internal capacity aspects of particular organisations. However, different exercises at systematisation of the ‘administrative capacity’ concept tend to accept a rather broad scope, including interorganisational and multi-level aspects, making it almost indistinguishable from ‘institutional capacity’, as illustrated in the following three cases:

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<sup>12</sup> [http://personal.lse.ac.uk/addisonh/Papers/AC\\_Concept.pdf](http://personal.lse.ac.uk/addisonh/Papers/AC_Concept.pdf)

<sup>13</sup> A comparative overview of public administration characteristics and performance in EU28, EUPACK Project, 2017, Chapter 5.

<sup>14</sup> <http://www.oecd.org/env/cc/21018790.pdf>

First, from a European comparative perspective the researchers from the COCOPS project<sup>15</sup>, under the EU 7<sup>th</sup> Framework Programme, constructed an Administrative Management Capacity Index, which operationalised ‘administrative capacity’ in six dimensions, one of which is ‘Coordination – quality of inter-organisational and multi-level collaboration’<sup>16</sup>.

Second, in the context of ESI Funds (2014-2020), Thematic Objective 11 (TO11)<sup>17</sup> on “*Enhancing institutional capacity of public authorities and stakeholders and efficient public administration*” seems to combine the two concepts.

Third, looking forward to administrative capacity requirements in the post-2020 programming period of the Cohesion policy funds, the Commission (DG REGIO) has recently launched a pilot action<sup>18</sup> which takes a broad view of administrative capacity as covering: human resources, organisational structure, systems and tools, and governance (legal, institutional, and procedural arrangements).

As in the case of ‘capacity’, ‘**capacity-building**’ is a notion used frequently without much systematisation.

In generic terms, it is often used interchangeably with ‘capacity development’ as “*the process by which individuals and organisations obtain, improve, and retain the skills, knowledge, tools, equipment and other resources needed to do their jobs competently or to a greater capacity*”<sup>19</sup>. As ‘institutional capacity-building’ goes beyond the provision of expertise or training of professionals and includes improvements to institutional arrangements.

Although the EU has no specific competences in the administrative sphere, it still has a strong indirect impact on the administrative practice in Member States through the administrative standards set in the *acquis*, the transfer of best practices with EU financial instruments, the promotion of management practices of its own institutions, etc. Therefore, EU instruments have been supporting administrative and institutional capacity-building (see Section 3).

Specific definitions used recently in an EU context, include the Structural Reform Support Programme (SRSP) Regulation, adopted in 2017, which refers to “*support [...] aimed at reforming and strengthening institutions, governance,*

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<sup>15</sup> Coordinating for Cohesion in the Public Sector of the Future, <http://www.cocops.eu/>

<sup>16</sup> <http://www.eprc-eiburs.eu/files/2014/11/EIBURS-WP1.pdf>

<sup>17</sup> Common Provisions Regulation (CPR) 1303/2013, Art. 9.

<sup>18</sup> [http://ec.europa.eu/regional\\_policy/sources/tender/pdf/expression/administrative\\_capacity\\_building.pdf](http://ec.europa.eu/regional_policy/sources/tender/pdf/expression/administrative_capacity_building.pdf)

<sup>19</sup> [https://en.wikipedia.org/wiki/Capacity\\_building](https://en.wikipedia.org/wiki/Capacity_building)

*public administration, and economic and social sectors in response to economic and social challenges ...” (Art. 4) and to “institutional, administrative or sectoral capacity-building and related supporting actions at all governance levels, also contributing to the empowerment of civil society, ...” (Art 6c)<sup>20</sup>. This is further specified along a list of ten different types of support actions.*

In the specific context of ESI Funds, the Commission has recently used a definition of ‘administrative capacity-building’ as covering three key strands: structures and processes, human resources, and systems and tools<sup>21</sup>.

According to an EP research paper<sup>22</sup> the term ‘**technical assistance**’ “*has been widely used by international organisations such as the World Bank and the International Monetary Fund in a sense that has been summarised as: the transfer or adaptation of ideas, knowledge, practices, technologies, or skills to foster economic development*”.

This term and the term ‘**technical support**’ are used widely and seemingly interchangeably in different EU contexts (see Section 3), although some study consultations have sought to distinguish by alighting ‘technical assistance’ specifically to ESI Funds and suggesting that ‘technical support’ refers to a broader reform-related context, such as support under the SRSP.

To sum up, there are no strict definitions of the key concepts of this study and those available tend to take a broad view of ‘capacity’ and ‘capacity-building’. Therefore, it is appropriate to use ‘capacity’ to represent broadly ‘administrative and institutional capacity’, and when referring for brevity to ‘administrative capacity’ the study does not address only internal organisational aspects.

Finally, as regards ‘technical assistance’ and ‘technical support’ it is justified to be treated as interchangeable, while respecting the formal usage adopted in particular EU and other policy instruments. Thus, ‘capacity-building’ will mean ‘strengthening administrative and institutional capacity by means of technical support or technical assistance’.

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<sup>20</sup> Regulation (EU) 2017/825.

<sup>21</sup> DG REGIO Study on the use of technical assistance for administrative capacity-building during the 2014-2020 period, Call for Tenders N° 2017CE16BAT088, Tender Specifications.

<sup>22</sup> EP Research for REGI Committee: Technical Assistance at the Initiative of the Commission, In-depth Analysis, 2016.

## **2.2 Current opportunities and challenges for LRAs in respect of administrative and institutional capacity**

### **2.2.1 Overview**

The aim of this section is to describe the main challenges and opportunities for LRAs in the current MFF period, in respect of administrative capacity.

The following sub-sections consider the main capacity weaknesses and other shortcomings affecting the LRAs role in economic governance and specifically in the implementation of structural reforms and in boosting public and private investment. They conclude with a distillation of the main capacity-building needs of LRAs.

The final sub-section looks into opportunities in connection with EU funding, processes and relevant experience and expertise.

### **2.2.2 Challenges related to structural reforms**

In the current MFF of the EU there are several important challenges for the LRAs, stemming from the nature of the structural reforms, as well as the role the LRAs play in economic governance, both in terms of content and procedures.

A CoR study on improving the European Semester by involving the LRAs<sup>23</sup> established that, overall, the LRAs play a relevant role in the European Semester, falling short from being involved as full partners in a visible way. The Semester cycle comprises a large number of steps in which LRAs are potential participants, as summarised in the table below.

In some cases, their involvement is ‘for information’ and their role is viewed as one of ‘implementer’ of policy measures, while in other cases they are involved ‘for contribution’ and are recognised as partners. An involvement ‘for endorsement’ or ‘co-decision’ is rare and is typically the case in federal states.

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<sup>23</sup> <https://cor.europa.eu/en/engage/studies/Documents/Improving-European-Semester/european-semester-Good-Practices.pdf>

**Table 2. European Semester stages and potential LRA involvement**

1. Standing partnership arrangements regarding LRA involvement
2. LRAs participate in consultations with COM
3. LRAs have role in reviewing CR
4. LRAs have role in preparation of NRP
5. LRAs have role in responding to CSRs
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets
8. Evidence of significant LRA involvement / contribution to CSR implementation, reform policies & EU2020 targets

Source: CoR report on *Improving the European Semester by involving LRAs: Overview of good practices*.

On several occasions the CoR has made a case for a fuller involvement of LRAs in order to strengthen the ownership of the reforms and to help improve the effectiveness of the Semester. To this end it has proposed the introduction of a Code of Conduct (CoC)<sup>24 25</sup>.

A first challenge in putting such a CoC into practice is for the LRAs to be established as a **‘full partner’**, rather than a mere stakeholder or nominal partner as is often the case at present. This means that they: a) are explicitly recognised as a partner; b) can contribute throughout the Semester cycle; and c) can do so in depth<sup>26</sup> commensurate with the degree of local/regional autonomy of each Member State and in a wide range of policy areas.

A second key challenge is ensuring that the LRAs are in a position to make substantive contributions to the content of the Semester and are able to play effectively the role of full partner. It crucially means addressing multiple aspects of **administrative capacity** and overcoming the frequently occurring **misalignment of competencies and financial resources** of the LRAs.

Regarding administrative capacity for an active LRA role in economic governance and structural reforms, the study highlighted the importance of different aspects of ‘capacity’<sup>27</sup>:

*“To start with, LRAs at large face well-known challenges in terms of skills/knowledge but also in terms of financial means commensurate with their competencies. Less well understood and acknowledged are the limitations of some national associations to play a fuller role in the Semester process, even*

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<sup>24</sup> CoR Opinion, *Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities*, 11-12 May 2017.

<sup>25</sup> <http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

<sup>26</sup> For instance, being invited and making written contributions on CR assessments from a territorial perspective, as well as on the development of policy measures in response to CSRs.

<sup>27</sup> <https://cor.europa.eu/en/engage/studies/Documents/Improving-European-Semester/european-semester-Good-Practices.pdf>

*where the consultation arrangements offer them such opportunities (e.g. to make considered and detailed submissions in the preparation of the NRP). This could be the result of human resource constraints, e.g. no policy officer dedicated to the Semester or technical support unit. However, there could also be other, more general, constraints that could prevent an association from making substantive contributions, such as a narrow remit for its professional team limiting its role to a secretariat function, a big diversity in political views among its elected members or a dependency on central government.*

*Lastly, boosting the role of the political LRA level is of crucial importance for achieving the necessary degree of ownership on the ground that has so far largely eluded the European Semester. The Semester process is currently dominated by the professionals (civil servants / experts), from the Commission, all the way down to the national and sub-national levels. National and sub-national level politicians tend to be rather superficially involved, suggesting that the format and timing of the Semester are not coherent with the country-level policy processes and debates. A stronger role for the elected politicians of the LRAs should therefore be factored in in any CoC inspired arrangement, especially in countries where formal opportunities are lacking for the LRA voice to be heard, e.g. through regional parliaments”.*

Regarding the content of the European Semester and the nature of the structural reforms emanating from it, particular attention has been paid, from an LRA perspective, to the ‘territoriality’ of the reforms and the policy areas covered.

The territorial analyses of the CSRs that have been carried out over a number of years have highlighted the considerable extent of territory-related CSRs and their direct relevance to the LRAs.

The most recent analysis (of the 2018 CSRs<sup>28</sup>) shows that:

- Implementation of 36% of all CSRs address/involve directly the LRAs, up from 24% in 2017.
- Capacity-building, also of local and regional authorities, is the main aim of 36% of all CSRs – and indirectly, as part of a sectoral objective, of another 22% of them.
- Overall, 83% of all CSRs are territory-related; an increasing share of all recommendations in respect to the previous years.

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<sup>28</sup> CoR Territorial Analysis of the CSRs (2018).

In terms of the main policy areas in which the CSRs are concentrated, these analyses show that the CSRs are mostly in the fields of labour market, education and social policies, public administration and business environment<sup>29</sup>. The box below provides a number of specific examples from the 2018 cycle of the Semester.

***Box 1. Examples of territory-related challenges concerning administrative capacity-building***

**Public Finances & Taxation**

**Estonia:** The recent local government reform is expected to improve the provision of public services and outcomes hampered by the persistent mismatch between fiscal capacity and responsibilities. Online public services have been widespread in Estonia for quite a few years now (99% of the public services are available online 24/7) making it possibly the most "connected" government in the world. This has brought efficiency gains in tax administration and tax compliance; according to 'Paying taxes 2018' report, it took 50 hours a year (2016) for a business to comply with its tax obligations – EU's most efficient outcome.

**Financial Sector**

**Sweden:** Home ownership is strongly incentivised by the Swedish tax system; yet, adjusting fiscal incentives could benefit job creation and income equality. Reducing mortgage interest deductibility and abolishing the ceiling on annual property taxes would have a progressive distributional impact and ease the tax burden on labour. Budgetary support and streamlined planning processes have targeted structural bottlenecks in construction investment. A government plan is also set to foster competition and lower costs in construction industry, by increasing foreign firms' participation.

**Labour Market, Education & Social Policies**

**Czech Republic:** The Labour Office was reorganised in 2012, but there were no fundamental changes in providing better support for vulnerable groups. The Commission's report suggests that partnerships with municipalities and NGOs through territorial pacts could provide more personalised services for the long-term unemployed. A mobility allowance measure has been recently piloted in a few regions to boost regional labour mobility.

**Structural Policies**

**Malta:** The National Transport Strategy (adopted in 2016) mainly focuses on reducing the economic costs of traffic congestion, but it lacks a clear target on reducing greenhouse gas emissions generated by transport. Malta aims to increase green public procurement; measures already taken include green procurement checklists, training sessions and exact targets for specific product categories, which were partially met for the 2012-2014 period (which is the most recent period for which data are available).

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<sup>29</sup> CoR Territorial Analysis of the CSRs (2017)



## Public Administration & Business Environment

**Lithuania:** Public procurement is improving, especially at the central level, as a result of a problem detection mechanism and other activities regarding the aggregation of purchases and risk assessments. Challenges in adequate procurement planning, transparency and in-house procurement persist. At local level, municipalities often modify their procurement plans within the planned period. A recent legislative change prohibits in-house procurement for state-owned enterprises, but not for municipality-owned companies. The business perception of corruption with regard to public procurement has improved and legislative measures were taken regarding lobbying activities.

Source: 2018 European Semester Country Reports.

A recently published Commission study<sup>30</sup> on ESIF support to the implementation of CSRs has highlighted various aspects of the role of institutional capacity in the implementation of structural reforms<sup>31</sup>, based on a broader mapping out of “*structural reform needs in the EU*” going beyond the CSRs. This included breaking the CSRs down into sub-recommendations and including “*challenges additional to those captured by CSRs, such as those issued to ‘programme countries’ through a Memorandum of Understanding (MoU)*”<sup>32</sup>.

The study estimated the financial resources allocated to CSRs or other structural challenges in the Member States by policy area and the ratio of the resources allocated to CSRs/structural challenges to the total resources allocated to the policy areas which have received recommendations or in which there are structural challenges. This has provided an indicator of the actual ‘effort’ of the Member States in using the ESI Funds to contribute to implement CSRs/structural challenges in a certain policy area. The study found that out of 21 policy areas “*The policy areas for which almost all countries received CSRs were RTDI, energy, access to employment and institutional capacity. In these policy areas, the financial resources allocated directly to CSRs/structural challenges were respectively 90%, 82%, 96%, and 70% of the total allocations*”<sup>33</sup>.

This study has also identified the types of action taken within ESIF OPs to improve institutional capacity in response to CSRs/structural challenges. The categories of actions are shown in the figure below. Approximately one third of

<sup>30</sup> <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8108&furtherPubs=yes>

<sup>31</sup> *Ibid*, p. 76.

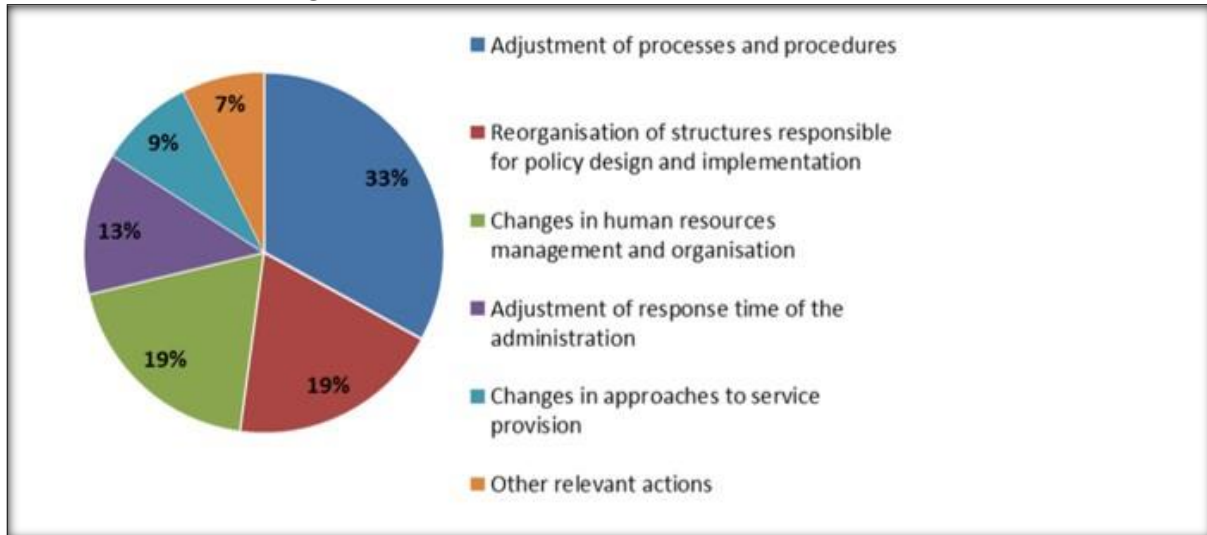
<sup>32</sup> i.e. Greece in 2012, 2013, 2014 and 2015; Cyprus in 2013, 2014 and 2015; Ireland in 2012 and 2013; Portugal in 2012 and 2013; Romania in 2012.

<sup>33</sup> Table 8 - Estimation of the EU financial resources allocated to 2012-2015 CSRs/structural challenges by policy area (2014-2020 programming).

<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8108&furtherPubs=yes>

the respondents highlighted that the initiatives require an adjustment and improvement of internal processes and procedures.

**Figure 1. Specific actions taken to improve institutional capacity in response to CSR/structural challenges**



Source: DG EMPL, *Support of ESI Funds to the implementation of the Country Specific Recommendations and to structural reforms in Member States*, Fig 16.

### 2.2.3 Challenges related to investment

Both from an EU and a broader perspective, there is a second strand of challenges relating to boosting private investment and improving performance on public investment.

According to the OECD,<sup>34</sup> “the improvement of governance capacities for public investment should be an objective for all countries and types of regions and not only for lagging ones. The OECD has defined five goals for improvement:

- Designing an investment portfolio that encourages regional development
- Ensuring adequate resources
- Ensuring accountability for public resources
- Promoting results and learning
- Supporting all stages of the investment cycle

These five goals cover the whole investment cycle. In general, there is no one-size-fits-all arrangement for all local and regional authorities. Key capacities should be available if needed in some cases but local and regional authorities do not always have to maintain certain capacities on their own in terms of

<sup>34</sup> Investing together. Working effectively across levels of government: [http://www.keepeek.com/Digital-Asset-Management/oecd/governance/investing-together\\_9789264197022-en#.Wo7A-2cUmUk](http://www.keepeek.com/Digital-Asset-Management/oecd/governance/investing-together_9789264197022-en#.Wo7A-2cUmUk)

efficiency. Hence, shared capacities across a level of governance or the creation of special units at central government level could be a solution.

The CoR study on Obstacles to investment at local and regional level<sup>35</sup> has established a typology of territory-related obstacles to investment, which covers the following categories:

- Governance and public administration
- Accessing and managing investment funds
- Public procurement and Public Private Partnerships (PPP)
- Business environment
- Essential pre-conditions

Based on this typology, the 2018 analysis of CSRs<sup>36</sup> has highlighted a number of examples of country-specific cases of territory-related obstacles to investment – see box below – which represent challenges with an administrative capacity dimension.

***Box 2. Country-specific cases of territory-related obstacles to investment***

**Public Governance & Administration / Public Procurement & PPPs**

**Germany:** In June 2017, the Basic Law was amended to allocate more efficiently the financial responsibilities between the state and the federal level, and to increase investment possibilities at municipal level. Federal states and municipalities have limited revenue autonomy and there exists a mismatch between the availability of funding at the different levels of government and their investment responsibilities. These factors have narrowed the scope for public investment at municipal level. The *Centre of Excellence* for innovative public procurement, established in 2013, has recorded only limited progress towards encouraging innovation through public procurement at federal and regional level. A potential obstacle to innovation is the prevailing contract awarding method; 67 % of contracts are still awarded solely on the basis of the lowest price.

**Business Environment**

**Spain:** Progress with reforms to the business environment has stalled over the past three years. The regions and central government have committed to mutual cooperation on implementing *the law on market unity*, yet few tangible results have been recorded so far. Restrictive business regulations and disparities across regions are the main barriers to investment and business growth. The rationalisation of membership of a professional association is expected to facilitate free movement and efficient cross-regional allocation of professional services. In the accommodation sector, restrictive national and regional regulations on transport and accommodation services hamper competition and the activities of collaborative economy platforms.

<sup>35</sup><https://portal.cor.europa.eu/europe2020/Documents/publi-file/2016-study-obstacles/obstacles-to-investments.pdf>

<sup>36</sup> CoR, Territorial Analysis of CSR, 2018

**Portugal:** Portuguese SMEs are highly dependent on bank credit and venture capital has not recovered to the pre-crisis level. Efforts to improve access to capital include the *Capitalizar* programme introduced in 2017 to provide firms with new financial instruments, a *Business Gateway* website that is expected to centralise information related to financial support, and the recently approved programme *Internacionalizar*, which will also support SMEs with alternative sources of finance and foster exports. Improving access to capital is conducive to boosting both survival rates and competitiveness of new firms.

### **Essential Pre-Conditions**

**Ireland:** The persistent infrastructure gap between regions creates investment bottlenecks and impedes balanced growth. Infrastructure challenges relate to land transport, sea ports, water distribution and broadband infrastructure. These have been identified by the National Competitiveness Council as an ‘immediate challenge’. Regionally balanced growth points to improvements in waste water treatment and water distribution besides the maintenance, upgrade and expansion of existing transport networks. Ensuring that port infrastructure facilitates international trade is of the utmost importance, as Irish trade also relies on UK infrastructure and logistics. Infrastructure adequacy would help alleviate the impact of Brexit on Irish trade.

*Source: 2018 European Semester, Country Reports.*

A specific analysis of the role of LRAs in the implementation of the European Fund for Strategic Investments (EFSI) identified two types of obstacles that dampen the participation of LRAs in EFSI projects. These are the limited attractiveness of EFSI at regional and local level for LRAs and SMEs, and structural bottlenecks within LRAs. The latter concern different aspects of administrative capacity and are listed in the box below. As a result of these obstacles the LRAs are only involved in 23% of EFSI projects financed and signed by the European Investment Bank (EIB) and just 4% of EFSI projects financed by the European Investment Fund (EIF).

### ***Box 3. Key challenges for LRAs involved in EFSI projects***

#### **Cultural attitude:**

- Local authorities find that financial instruments are complex (including ESIF).
- Riskier projects may not be desirable for regional authorities.

#### **Skills and technical capacity:**

- Even well-structured authorities do not always have the necessary knowledge of legal and financial requisites and enough specific expertise to apply for the EFSI programme.

### **Intrinsic complexity of managing EFSI financing:**

- The implementation process for the application and contract drafting can be complex, with high administrative efforts and costs. In addition, detailed and regular reporting implies considerable administrative effort and ICT investment.
- Eligibility rules in some contexts (environment) could be too strict.
- Complex procedures for public authorities responsible for fund management can cause problems. The process of selecting the fund manager could be very challenging.

### **Context conditions:**

- Complex national regulations can make planning and implementing projects more difficult and challenging.

*Source: CoR report on “The role of the local and regional authorities in the implementation of the EFSI: opportunities and challenges”, 2017.*

## **2.2.4 Links between different strands of challenges**

To a large extent the challenges that emanate from economic governance, structural reforms and boosting investment dovetail. The main challenges and capacity needs of all the strands fall into three broad categories, notwithstanding that significant regional variations – between and within countries – remain<sup>37</sup>:

- **Structures and processes**, such as internal organisational arrangements and inter-organisational relationships.
- **Human resources**, such as skills and specialist expertise.
- **Systems and tools**, such as manuals, templates, platforms, IT.

This is illustrated in the following table which shows the main challenges and related capacity needs identified in four studies that have been referred to in the preceding sections.

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<sup>37</sup> For instance, as revealed in the European Quality of Government Index 2017 [http://ec.europa.eu/regional\\_policy/en/information/maps/quality\\_of\\_governance](http://ec.europa.eu/regional_policy/en/information/maps/quality_of_governance) (EP Briefing, Regional governance in the EU, October 2018).

**Table 3. Main capacity challenges / capacity-building needs**

Category	Economic governance / structural reforms	Investment obstacles
<b>Structures &amp; processes</b>	Adjustment of processes & procedures (ESIF/CSR)	Better MLG in strategic investment planning (OtI)
	Reorganisation of structures responsible for policy design & implementation (ESIF/CSR)	Institutional arrangements to engage/facilitate private investment (OtI)
	Misalignment of competences & financial resources (ES/LRA)	
	Limitations in LRA associations contributing to the Semester (ES/LRA)	
<b>Human resources</b>	Changes in HR management & organisation (ESIF/CSR)	Specialist expertise (in financial instruments, regulation, etc) (OtI)
	Skills & knowledge (ES/LRA)	Cultural attitude (LRA/ESFI)
		Skills & technical capacity (LRA/ESFI)
<b>Systems &amp; tools</b>		Organisational strengthening in operational systems, eprocurement platforms, etc (OtI)
		Complexity of managing EFSI & context conditions (national regulations etc) (LRA/EFSI)

*ESIF/CSR: Support of ESIF to the Implementation of CSRs (DG EMPL, 2018).*

*ES/LRA: Improving the European Semester by involving local and regional authorities (CoR, 2017).*

*LRA/ESFI: The role of the LRAs in the implementation of the EFSI (CoR, 2017).*

*OtI: Obstacles to investment at local and regional level (CoR, 2016).*

This dovetailing is underscored by the responses of different policy tools to the challenges. For instance, the findings of the DG EMPL study on Support of ESIF to the Implementation of CSRs revealed that “87% of CSR require investment and regulatory changes”.

The same study found that CSRs/structural challenges have been taken up in the strategic choices set out in ESI Funds programmes, but linkages can be strengthened. “On average 63% of ESI Funds relevant CSR sub-parts and structural challenges which concern institutional capacity in specific policy areas have mobilised ESI Funds by introducing Specific Objectives in line with the challenges”<sup>38</sup>.

Linkages between OPs’ strategic choices and CSRs/structural challenges tend to be stronger in countries and regions that are in greater need of structural reforms, where ESI Funds are relatively more important. For instance, “In countries using TO11, ESI Funds have a role as they contribute to address

<sup>38</sup> DG EMPL study on Support of ESIF to the Implementation of CSRs, p. 88.

*fragmentation and coordination issues as well as, in general, to improve institutional capacity. In Portugal, both the ERDF and the ESF have a long history of support to administrative capacity at the level of municipalities, but also in other regional and sub-regional administrations – such as the inter-municipal communities and the regional bodies of the central administration. In Greece ESI Funds have been used for implementing administrative reforms suggested by the OECD in the previous programming period and cohesion funds are used to launch the necessary studies for investigating and specifying how the recommendations can be best implemented”<sup>39</sup>.*

In terms of policy fields, the study findings show that *“The linkages between ESI Funds and CSRs are well developed in relation to active labour market policy and network industries, less in other policy areas”*.

Further linkages have also existed in the recognition of challenges (and in the available responses) in the current MFF, in the form of the Ex-ante Conditionality within the ESI Funds framework<sup>40</sup>. Ex-ante conditionalities are preconditions for the use of ESI Funds and were introduced to reinforce OPs implementation. Those requiring explicit changes in strategy, new policy developments or legal changes (e.g. new laws and regulations) have proved an important leverage to stimulate structural reforms<sup>41</sup>.

The different strands of challenges have been brought together in the EU’s Quality of Public Administration Toolbox<sup>42</sup> which covers administrative capacity requirements for both structural reforms and for boosting investment under nine themes – see also Figure 2, below:

- Policy-making, implementation and innovation
- Ethics, openness and anti-corruption
- Government structures – organisation, cooperation and coordination
- Organisations – managing performance, quality and people
- Service delivery and digitalisation
- Business environment
- Quality justice systems
- Public funds, procurement and EU funds management
- Public administration reform – making positive change happen

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<sup>39</sup> *Ibid*, p. 85.

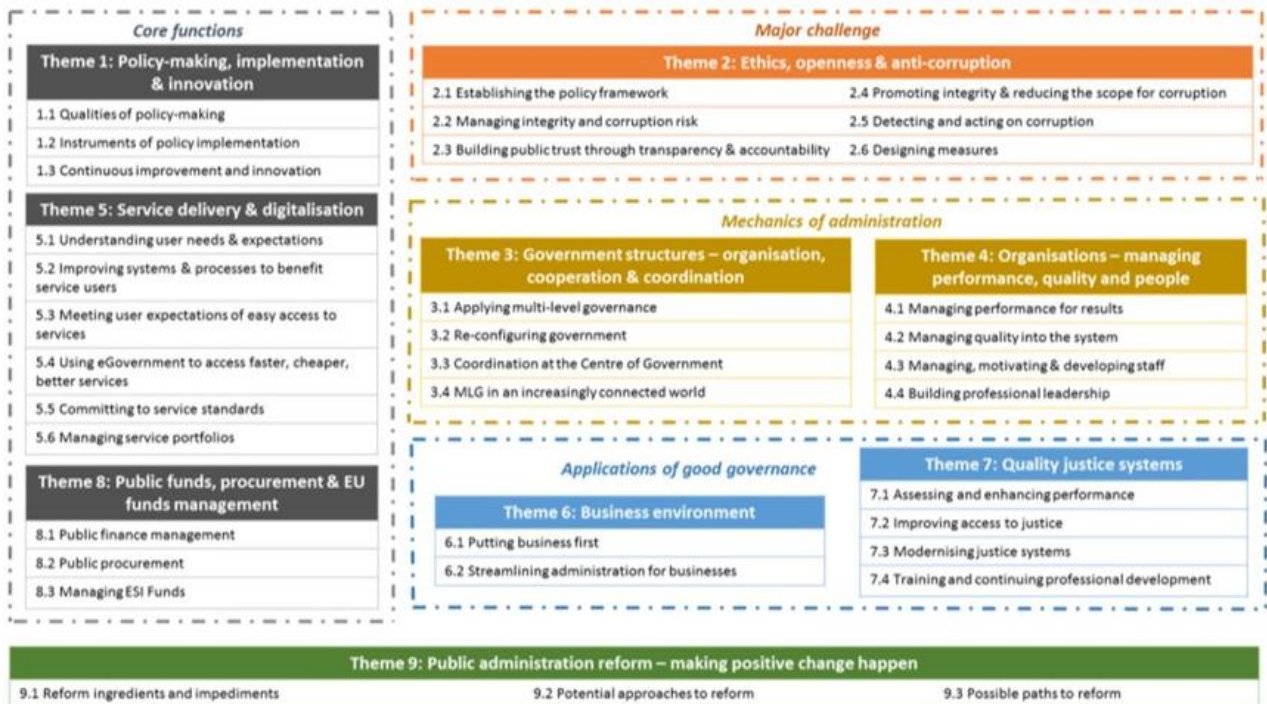
<sup>40</sup> DG REGIO, The implementation of the provisions in relation to the ex-ante conditionalities during the programming phase of the European Structural and Investment (ESI) Funds, 2016.

<sup>41</sup> DG EMPL study on Support of ESIF to the Implementation of CSRs, Executive Summary.

<sup>42</sup> European Commission, Quality of Public Administration – A Toolbox for Practitioners (2017 edition) <http://ec.europa.eu/esf/BlobServlet?docId=18575&langId=en>



**Figure 2. Public Administration Toolbox – core functions and major challenges**



Source: *Quality of the Public Administration – A Toolbox for Practitioners, 2017.*

## 2.2.5 Opportunities

Notwithstanding the above challenges, there are also significant opportunities for LRAs in respect of administrative and institutional capacity. They concern EU funding possibilities for capacity-building, as well as other aspects, notably EU economic governance and strategic policy processes, and relevant experience and expertise.

The main areas of opportunity fall into three categories:

First, there are opportunities deriving from economic coordination and the drive for structural reforms in a large number of EU Member States. The **European Semester process** has gradually become established raising expectations for strategic direction and operational coordination. Complementarities and linkages noted above between CSRs and ESIF/TO11<sup>43</sup> are characteristic of the openings in this direction.

Further specific opportunities include:

<sup>43</sup> “In very many cases, the OPs [of the 2014-2020 programming period] make an explicit link between the EU’s country-specific recommendations from 2013 and/or 2014 and the proposed activities”. (DG EMPL, Summary of OPs supporting institutional capacity-building 2014-2020, p.8).



- the Code of Conduct (CoC) proposed by the CoR, which represents an opportunity for strengthening the Semester through the fuller involvement of the LRAs; and
- the valuable, but still underexploited links between various planning and reporting activities offered by the Semester's Country Reports (CR) and National Reform Programmes (NRP).

Second, further opportunities exist in connection with the EU support instruments. There are **several EU instruments and programmes**, including the recently set up SRSP (and the Commission's Structural Reform Support Service - SRSS) and the longer established types of support available under the ESI Funds.

Altogether, they represent **substantial resources** available for administrative capacity-building from the ESI Funds and other EU-funded instruments and programmes. The main characteristics of these funding mechanisms and the support they could offer for capacity-building are reviewed in Section 3.

However, these significant opportunities simultaneously represent a major coordination challenge arising from the rather large number of instruments and, more so, by the two diametrically different approaches in use: the partnership/MLG programme-based approach of Cohesion policy and the demand-led but centrally managed project-based approach of the SRSP.

Third, the **accumulation of relevant experience and expertise** in the EU offers new opportunities in addressing capacity-building. Systematising and sharing such knowledge is already taking place, as witnessed in the EU's Quality of the Public Administration toolbox<sup>44</sup>, the EUPACK Project and other initiatives. And, it is worth noting that the Commission has been tapping additional resources, such as various think-tanks, as well as going beyond the EU and cooperating with international organisations with a strong track record in this field, notably the OECD and the World Bank.

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<sup>44</sup> <http://ec.europa.eu/esf/BlobServlet?docId=18575&langId=en>

## **3 EU-funded capacity-building instruments under the current MFF**

### **3.1 EU instruments and programmes supporting capacity-building in 2014-2020**

#### **3.1.1 Overview of EU-funded capacity-building instruments and programmes**

The aim of this section is to draw a picture of the available EU-funded capacity-building instruments under the current MFF.

The improvement of public administration is explicitly and extensively supported by the ESI Funds in the 2014-2020 period, under thematic objective TO 11. Further support is available under ‘technical assistance’, part of which is used – at the initiative of the Member States or of the Commission – to strengthen the administrative capacity of Member States in connection with the delivery of the Cohesion policy funds.

A significant development in the current MFF period has been the establishment in 2017 of the Structural Reform Support Programme (SRSP) with the aim of contributing to institutional, administrative and growth-sustaining structural reforms in the Member States by providing support to national authorities for measures aimed at reforming and strengthening institutions, governance, public administration, and economic and social sectors in response to economic and social challenges<sup>45</sup>.

The overall picture is completed with support available from other EU instruments, such as Horizon2020, Connecting Europe facility (CEF) and the EU Justice Programme, which can be of relevance to administrative capacity-building.

In the following sub-sections we outline the background and objectives of each of these instruments, and their relevance to:

- structural reforms;
- administrative capacity-building; and
- the local and regional authorities.

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<sup>45</sup> Art. 4 of Regulation (EU) 2017/825.

### **3.1.2 ESI Funds TO11: Enhancing institutional capacity of public authorities and stakeholders and efficient public administration**

#### **Background**

Smart administration, development of human capital and related ICT of administrative and public services were seen as a fundamental requirement for economic growth and jobs with the renewed Lisbon agenda. Hence, in the 2007-2013 programming period institutional capacity-building became a key policy priority especially for the ESF. The support was intended to go beyond the technical assistance for the better management of EU funds and assist the ongoing administrative reforms. Altogether, about EUR 2 billion of ESF and ERDF were allocated to measures supporting the quality of public administration in 19 Member States.

This has been taken further in the 2014-2020 period, with the ESI Funds being a catalyst for achieving the objectives of the EU strategy for smart, sustainable and inclusive growth. The ESI Funds are called to serve as an effective means of supporting the implementation of the EU's CSRs and include a specific thematic objective (TO11) concerning the enhancement of institutional and administrative capacity.

#### **Legal framework**

Thematic objectives are defined across the ESI Funds in the Common Provisions Regulation (CPR) 1303/2013. Article 9 of CPR defines thematic objective 11 (TO11) as:

*“enhancing institutional capacity of public authorities and stakeholders and efficient public administration”.*

The CPR further provides for the thematic objectives to be translated into priorities that are specific to each of the ESI Funds and are set out in the Fund-specific rules. This has been the case with the ESF and ERDF, with ESF focusing on broad/horizontal public administration reform and good governance, while there are two options concerning ERDF: (i) support to ESF with equipment/infrastructure, and (ii) capacity-building of public bodies related to the implementation of ERDF (but not TA)<sup>46</sup>.

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<sup>46</sup>[http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/guidance\\_fiche\\_thematic\\_objective\\_11\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_fiche_thematic_objective_11_en.pdf)

## Management / level of operation

The management of funding available for TO11 under ESF and ERDF is carried out by Member State authorities acting as Managing Authorities (MA) of national or regional OPs. In total, TO11 supports 28 OPs of which 11 are regional OPs (FR and PT) while the remainder OPs are at national level. Some of these OPs are entirely devoted to TO11 (e.g. Romania and Hungary have OPs focused exclusively on TO11) while in other cases TO11 corresponds to one or more particular Priority Axes or Specific Objectives (e.g. ROP Azores, PT<sup>47</sup>).

## Scope

Support under TO11 is wholly devoted to administrative capacity-building. This support covers a large number of types of measures which fall under all seven topics of the first edition of the Toolbox, plus some additional ones, as shown in Figure 3, below.

In 16 out of 28 OPs actions under TO11 are complemented by actions under TO2 (*“enhancing access to, and use and quality of, ICT”*<sup>48</sup>) which cover eGovernment and electronic access to public sector information, and support associated infrastructure. Such complementarity is particularly strong under the topic of service delivery, notably regarding eGovernment services, but it is not confined to that topic only.

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<sup>47</sup> The ROP includes one Priority Axis and two Specific Objectives dedicated to TO11 - PA 11: Institutional capacity & performing public administration. SO 11.1 Increase the skills of the human resources at regional and local public administration for the reorganisation and modernisation of the sector by increasing the quality of services provided to citizens, workers and job seekers (TO11). SO 11.2: Enhance the coordination between the sectors of employment, social welfare & education through the integration of their systems' contact information (TO11).

<sup>48</sup> CPR 1303/2013, Art. 9.

Figure 3. TO11 (and TO2) Measures by OP and Quality of Public Administration Toolbox Topic

OP 'measures' - by Toolbox topic	BG	HR	CY	CZ		EE	FR				EL	HU	IT		LV	LT	MT	PL	PT					RO	SK	SI
				OPE	IROP		Guadelupe	Fr. Guyane	Martinique	Mayotte			governand	Legality					National	Alentejo	Algarve	Azores	Centro			
Developing values system																										
<b>Theme 1: Policy-making</b>																										
Policy design & forward planning																										
Stakeholder capacity-building (civil society)																										
Open data					TO2						TO2															
Co-design																										
Regulatory reform (impact assessment, etc)																										
Organisational / functional reviews																										
MOG / MLG / decentralisation / reorganisation																										
Inter-municipal cooperation (pooled resources, etc)																										
Oversight of public enterprises																										
Outsourcing / PPPs																										
Co-production																										
Monitoring & evaluation systems (performance management) across the PA																										
Performance audit																										
External scrutiny (Parliament, SAs, Ombudsman)																										
Fostering innovation (policy labs, networks, prototyping, RCTs, etc)																										
<b>Theme 2: Ethics &amp; anti-corruption</b>																										
Codes of ethics / conduct																										
Corruption risk assessment																										
Strategy development																										
Law-making																										
Anti-corruption agencies / integrity coordinators																										
Transparency and scrutiny linked to ethics & anti-corruption																										
Action on lobbying																										
HRM techniques on ethics & anti-corruption																										
Ethics & dilemma training																										
Disclosure by public officials																										
Simplification, controls and e-government linked to anti-corruption																										
Whistle-blower protection														TO2												
Strengthening investigation & sanctions																										
<b>Theme 3: Institutions</b>																										
Developing an integrated HRM system across the PA																										
Developing performance management at the institutional level																										
Creating / developing a senior civil service																										
Investing in leadership (recruitment, training and development)																										
Developing HRM systems in specific institutions																										
Developing competency frameworks																										
Recruitment & selection systems																										
Learning & development																										
Appraisal, promotion & career development																										
Equality, positive discrimination & positive ageing																										
Quality management systems (QMS)																										
IT audits																										

**Legend**

- Covered by TO11 'measure'
- Potentially covered by TO11 'measure' (indicated by OP wording)
- Covered by TO2 'measure' within same OP\*

\* Note, if the topic is also covered by TO11, it is shown in green.

OP 'measures' - by Toolbox topic	BG	HR	CY	CZ		EE	FR				EL	HU	IT		LV	LT	MT	PL	PT					RO	SK	SI
				OPF	IROP		Guadeloupe	Fr. Guyana	Martinique	Mayotte			Governance	Legality					National	Alentejo	Algarve	Azores	Centro			
<b>Theme 4: Service delivery</b>																										
Assessing user needs & expectations (surveys, mystery shopping, life events, etc)																										
Improving processes & simplifying administration																										
Integrated service delivery / OSS																										
E-government: developing basic e-Services						TO2	TO2	TO2							TO2	TO2	TO2		TO2			TO2			TO2	
E-government: developing key enablers (e-ID, SSO, base registries, etc)						TO2	TO2							TO2	TO2	TO2		TO2							TO2	
E-government: developing interoperability towards composite e-Services (life events)						TO2	TO2							TO2	TO2			TO2	TO2	TO2			TO2		TO2	
E-government: moving to once-only registration															TO2										TO2	
E-government: moving to digital by default															TO2										TO2	
E-government: moving to clouds of public services						TO2								TO2								TO2			TO2	
Introducing service charters																										
Measuring customer satisfaction																										
<b>Theme 5: Business environment</b>																										
Administrative simplification programmes for business																										
Improving communication of essential rules & regulations																										
Certifying institutions that achieve set standards in business services																										
Out-reach to business (ambassadors)																										
Streamlining administration for business life-events																										
Simplifying trade across borders, including e-Customs & Single Windows														TO2												
Improving insolvency proceedings & 2nd chance																										
<b>Theme 6: Judicial systems</b>																										
Performance management (efficiency of court system)																										
Consulting with court users																										
Quality management systems (QMS)																										
Communicating court processes and/or decisions																										
Access to case law																										
Access to ADR																										
Improving processes																										
e-Justice						TO2								TO2												
Training & CPD																										
<b>Theme 7: Managing funds effectively</b>																										
Applying the PEFA performance framework																										
Performance-based / accountable budgeting																										
Participatory budgeting / co-budgeting																										
Strengthening budget execution (including internal audit)																										
Developing information systems																										
Publishing budget & public spending information																										
Simplifying procurement																										
Developing e-Procurement																										
Procurement for innovation (PCP, PPI, Innovation Partnerships)																										
<b>Other topics</b>																										
Spatial planning documentation																										
Judicial organisation & management reforms																										
Crisis management																										
IT audits																										

Source: Summary of Operational Programmes supporting institutional capacity building 2014-2020, DG EMPL, 2016.

Administrative capacity-building under TO11 relates closely to structural reforms and serves as an effective means to support the implementation of the CSRs. In 2014 some 20 Member States received CSRs in the area of public administration. Seventeen of them have programmed support to address the challenges under TO11. In all national-level OPs covered by TO11, there is an explicit link to 2014 CSRs addressed to the Member State concerned - see examples BG, CZ and HR – or to other high-priority reforms in Boxes 4 and 5, below.

**Box 4. Relevance of TO11 support to CSRs<sup>49</sup>**

**Bulgaria: OP Good Governance (CCI 2014BG05SFOP001)**

The OP responds to the following Country Specific Recommendations from 2014:

- To implement a comprehensive tax strategy to strengthen tax collection, tackle the shadow economy and reduce compliance costs;
- To continue improving the business environment, in particular for small and medium-sized enterprises, by cutting red tape, promoting e-government, streamlining insolvency procedures and implementing the legislation on late payments. Improve the public procurement system by enhancing administrative capacity etc.
- 

*Source: DG EMPL, Summary of OPs supporting institutional capacity-building 2014-2020.*

**Beneficiaries/users/LRA access**

In line with normal procedures concerning the implementation of ESIF OPs, there are calls for proposals by each MA. LRAs can submit proposals and, therefore, can be beneficiaries. A recent analysis carried out as part of the EUPACK project shows that this is the case for 15% of the funds (see section 3.2).

There is also scope for LRAs to be indirect beneficiaries – by being recipients of support or benefiting from wider improvements from institutional reforms of improved governance (e.g. better coordination across different levels of government).

However, not all Member States are making use of TO11 resulting in LRAs having no access to TO11 in 11 Member States and this has attracted criticism: *“The challenge is that Managing Authorities in some more developed Member States did not choose the institutional capacity-building thematic objective, and thus left delivery bodies and local authorities in a difficult position.”*<sup>50</sup>

<sup>49</sup> DG EMPL, Summary of OPs supporting institutional capacity-building 2014-2020, 2016.

<sup>50</sup> CEMR position statement.



### ***Box 5. Relevance of TO11 support to LRAs<sup>51</sup>***

#### **Czech Republic: OP Employment (CCI 2014CZ05M9OP001)**

The programmed TO11 investments respond to the following CSRs of the Council from 2014, including:

- To reinforce the capacities for public procurement at local and regional levels.

#### **Croatia: OP Efficient Human Resources (CCI 2014HR05M9OP001)**

The planned investments respond to the CSRs from 2014 related to public administration and judiciary, including:

- To continue the efforts in improving its administrative capacities and the client-orientation of public services, as well as to enhance the quality of public governance and the coordination across different levels of government.

An example of potential beneficiaries under SO 4.1 (Increase effectiveness and capacity in the public administration through improving service delivery and human resources management) includes “*public administrations at local/regional level*”.

*Source: DG EMPL, Summary of OPs supporting institutional capacity-building 2014-2020.*

### **3.1.3 ESI Funds: Technical Assistance at the initiative of the Member States**

#### **Background**

In the context of Cohesion policy, the concept of ‘technical assistance’ (TA) appeared for the first time and in a broad sense with the 1988 reform of the then three existing Structural Funds, i.e. ERDF, ESF and EAGGF Guidance Section. Already from the 1988-1993 period the users of TA were the “*national, regional, local authorities and other level bodies*” and the Commission<sup>52</sup>. Since then TA has been a constant element of the Structural Funds, gradually becoming systematised into two strands (‘TA at the initiative of the Member States’ and ‘TA at the initiative of the Commission’) and enlarged in terms of types of support.

#### **Legal framework**

In the current MFF the use of ESIF TA at the initiative of the Member States is defined in Article 59(1) of the CPR:

<sup>51</sup> DG EMPL, Summary of OPs supporting institutional capacity-building 2014-2020, 2016.

<sup>52</sup> EP research briefing: Technical Assistance at the Initiative of the Commission, 2016.



*“At the initiative of a Member State, the ESI Funds may support actions for preparation, management, monitoring, evaluation, information and communication, networking, complaint resolution, and control and audit. The ESI Funds may be used by the Member State to support actions for the reduction of the administrative burden on beneficiaries, including electronic data exchange systems, and actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use those Funds. The ESI Funds may also be used to support actions to reinforce the capacity of relevant partners in line with point (e) of Article 5(3) and to support exchange of good practices between such partners. The actions referred to in this paragraph may concern previous and subsequent programming periods”.*

## **Management / Level of operation**

Technical assistance actions are undertaken within the TA priority axes of the ESIF Operational Programmes. On a complementary basis, TA actions can also be undertaken in the form of a standalone Operational Programme (i.e. national TA Operational Programme). Therefore, the management of the TA funds is the responsibility of national and regional authorities acting as MAs of the OPs, under the ‘shared management’ principle.

## **Scope**

A clear indication of the scope of the TA can be obtained from the ex-post evaluation of ESIF 2007-2013 regarding The Performance of Administrative Capacity-Building Financed by Technical Assistance<sup>53</sup>:

*“Technical assistance (TA) is the financial support available to Member States and it is designed to help stakeholders implement, on the one hand, various activities in support of Operational Programmes, such as the preparatory, management, monitoring, evaluation, information and control activities. On the other hand, it also supports activities aimed at reinforcing the administrative capacity of institutions for implementing the Funds.*

*Technical assistance at the initiative of the Member States, as described above, is not to be confused with general administrative capacity-building in public administrations (delivered via other national or European instruments, inter alia the ESF, or the structural reforms undertaken within the European Semester context), nor with technical assistance at the initiative of the Commission. Technical assistance for improving capacity for the delivery of the Funds is not reform oriented (as is, in contrast, general administrative*

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<sup>53</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/pdf/expost2013/wp12\\_final\\_report.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp12_final_report.pdf)

*capacity-building or structural reform). It is an additional form of operational support, directed toward improving the management of the Funds which are delivered under shared management and guided by the principle of subsidiarity. As such, technical assistance support is not aimed at organisational change”.*

This ex-post evaluation included in-depth case studies of OPs devoted in their entirety to TA in seven Member States, namely, BG, RO, EL, PL, IT, CZ and SK.

In all cases<sup>54</sup>, the majority of TA expenditure (60%-99%) was on staff remuneration and operating costs and other expenditure (evaluation studies etc). Capacity-building actions, such as development of human resources and systems and tools received between 1% and 40%, and no expenditure occurred on developing structures.

The study consultations have underlined that TA at the initiative of the Member States is not used in a significant way for capacity-building also in the current MFF period, with various operating costs and communication (or even promotional) activities predominating.

A “Study on the use of technical assistance for administrative capacity-building during the 2014-2020 period” has been launched earlier this year by DG REGIO and is expected to shed further light on this matter but no substantive results are expected before the first half of 2019.

### **Beneficiaries/users/LRA access**

LRAs can participate as beneficiaries through calls for proposals or planned activities, e.g. studies or expertise or systems/tools development. They can also be indirect beneficiaries, e.g. through the provision of guidance and methodologies, as in the case of Italy – see Box 6, below.

Although specific analysis and quantification of LRA involvement are lacking at present, the overall perception is that LRA access to TA funds is limited. According to CEMR “*at present, Technical Assistance remains in national bodies, and is not always available to the beneficiaries and bodies that need it on the ground*”. CEMR has also highlighted that co-financing is a more general constraint, “*a major barrier for many regional, and particularly local authorities, precisely the ones that need it the most or are the smallest, to make use of the allocated ESI Funds*”.

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<sup>54</sup> Italy was an exception with 69% of the TA budget going to the development of systems and tools.

***Box 6. Capacity-building financed by the Operational Programme dedicated to technical assistance in Italy, 2007-2014***

The OP Governance and Technical Assistance mainly financed interventions aimed at enhancing the implementation of regional Operational Programmes and the coordination between the regional and national institutions involved in the implementation of the National Strategic Reference Framework in convergence regions. High value projects were implemented in the regions to facilitate the dissemination of national standards and good practices. Task forces consisting of high-level institutional experts were deployed to the convergence regions, helping the regional authorities to find solutions to the complex difficulties that emerged during the implementation of the regional Operational Programmes. Operational Programme Governance and Technical Assistance also helped regional public authorities with capacity-building through the provision of guidance and methodologies related to their specific fields of policy.

*Source: DG REGIO Ex-post Evaluation 2007-2013 WP 12 Report.*

### **3.1.4 ESI Funds: Technical Assistance at the initiative of the European Commission**

#### **Background**

As already stated in the previous sub-section, TA was introduced in the structural funds in 1988. However, until 2006 the regulations did not clearly separate TA at the initiative of the Commission from TA at the initiative of the Member States. In the 2007-2013 programming period, two distinct articles were introduced into the regulations, clearly differentiating TA activities at the initiative of the Commission from those at the initiative of the Member States. From this period onwards, the scope of TA was significantly enlarged and more types of eligible actions were added.

#### **Legal framework**

Technical Assistance at the initiative of the European Commission is defined in Article 58(1) of the CPR, as follows:

*“At the initiative of the Commission, the ESI Funds may support the preparatory, monitoring, administrative and technical assistance, evaluation, audit and control measures necessary for implementing this Regulation”.*

This article also includes a long list of specific TA measures.

#### **Management / Level of operation**

TA at the initiative of the European Commission under the ESI Funds is coordinated across all funds and Commission services by DG REGIO. The management of this TA is under the principle of ‘central management’.

DG REGIO has established a multiannual TA strategy<sup>55</sup> in order to contribute to the achievement of the Europe 2020 objectives and the priorities of the Commission. Following the broader TA scope in the 2014-2020 period, this strategy has been financing actions with “*a more comprehensive perspective, aimed at strengthening MS national and regional capacity, disseminating good practices, identifying and implementing structural and administrative reforms*”.<sup>56</sup>

## Scope

Strictly speaking the scope of the TA activities relates to the delivery of the ESI Funds. However, the Regulation (CPR Art. 58(1)) explicitly includes broader measures of direct relevance to capacity-building and to structural and administrative reforms, such as:

*“(j) the strengthening of national and regional capacity regarding investment planning, needs assessment, preparation, design and implementation of financial instruments, joint action plans and major projects, including joint initiatives with the EIB;*

*(k) the dissemination of good practices in order to assist Member States to strengthen the capacity of the relevant partners referred to in Article 5 and their umbrella organisations;*

*(l) measures to identify, prioritize and implement structural and administrative reforms in response to economic and social challenges in Member States which meet the conditions set out in Article 24(1)”.*

This is reflected in the TA strategy of DG REGIO which has been financing actions with “*a more comprehensive perspective, aimed at strengthening MS national and regional capacity, disseminating good practices, identifying and implementing structural and administrative reforms*”.<sup>57</sup> A financial analysis of the DG REGIO TA strategy (see section 3.2) suggests that nearly one half of its resources are largely related to capacity-building at all levels.

The broader than ESIF contribution that can be made by this TA is particularly noticeable in the case of Member States in which ESI Funds represent one half

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<sup>55</sup> Under Art. 58(2) of CPR “*the Commission is expected to set out each year its plans on the type of actions related to the measures listed in paragraph 1*”.

<sup>56</sup> Annex IV: Report on the analysis of the implementation of DG REGIO Technical Assistance Strategy for the period 2014-2018.

<sup>57</sup> *Ibid.*

or more of total public investment because any action intended to improve the management of ESI Funds has effects for the whole of public administration<sup>58</sup>.

### **Beneficiaries/users/LRA access**

This instrument is not available directly to Member States, either at national or sub-national level. However, study consultations with the Commission have indicated that LRAs are indirect beneficiaries being recipients of TA through training, good practice sharing and other forms of support.

Some of the support funded from this source is channelled through joint provision of support to financial instruments with the European Investment Bank (EIB), such as JASPERS and Fi-Compass (see also section 3.1.6).

## **3.1.5 Structural Reform Support Programme (SRSP)**

### **Background**

Structural reforms have been identified as crucial to accelerating economic recovery, boosting growth and reducing unemployment. In November 2015, the European Commission proposed the setting up of the Structural Reform Support Programme 2017- 2020, to provide Member States with technical assistance in designing and implementing structural reforms. Building on experience relating to reforms in Greece and Cyprus, the programme aims to improve administrative and institutional capacity, to facilitate better implementation of EU law, in particular the country-specific recommendations issued under the European Semester, more efficient use of EU funds and the introduction of growth-enhancing structural reforms. The SRSP came into effect in May 2017.

### **Legal framework**

The SRSP regulation (EU) 2017/825 was signed on 17 May and published in the Official Journal on 19 May 2017. According to Article 4, the general objective of the SRSP is *“to contribute to institutional, administrative and growth-sustaining structural reforms in the Member States by providing support to national authorities for measures aimed at reforming and strengthening institutions, governance, public administration, and economic and social sectors in response to economic and social challenges, with a view to enhancing cohesion, competitiveness, productivity, sustainable growth, job creation, and investment, in particular in the context of economic governance processes,*

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<sup>58</sup> [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/572696/IPOL\\_STU\(2016\)572696\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/572696/IPOL_STU(2016)572696_EN.pdf)

*including through assistance for the efficient, effective and transparent use of the Union funds”.*

## **Management / level of operation**

The SRSP is managed directly by the European Commission, under the principle of ‘central’ management. A new service of the Commission, the Structural Reform Support Service (SRSS)<sup>59</sup>, has been assigned this responsibility.

The SRSS was established in 2015 with a mandate to:

- support Member States with the preparation, design and implementation of growth-enhancing reforms;
- focus on providing tailor-made support on the ground; and
- steer and coordinate technical support provided by the Commission.

The SRSS has now assumed an overall coordinating role for all technical support managed by different services of the Commission under the principle of ‘central management’, including support under TO11 of the ESI Funds.

Regarding the SRSP, the SRSS operates an annual cycle with Member States submitting ‘support requests’ for specific projects, using a simple template. These proposals are assessed by the SRSS, in consultation with other Commission services, mostly in terms of CSR (or other reform) priorities and avoidance of overlap with other forms of EU support.

Under the programme’s 2017 cycle (launched in June 2017), the SRSS received 271 requests<sup>60</sup> from 15 Member States and 157 projects were selected (covering 15 Member States). Under the 2018 cycle (launched in November 2017), 24 Member States submitted a total of 444 requests to the service, for the provision of technical support under the SRSP and 146 projects were selected for support.

After the selection of requests, the Commission and Member States agree on a cooperation and support plan which outlines: (i) the priority areas, (ii) the objectives, (iii) an indicative timeline, (iv) the scope of the support measures to be provided and (v) the estimated global financial contribution for such support. The Commission funding agreement (and payment) is with the providers of support, e.g. international organisations and private consultancies.

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<sup>59</sup> [https://ec.europa.eu/info/departments/structural-reform-support-service\\_en](https://ec.europa.eu/info/departments/structural-reform-support-service_en)

<sup>60</sup> European Commission (2018) Management Plan 2018, Structural Reform Support Service SRSS [https://ec.europa.eu/info/sites/info/files/management-plan-srss-2018\\_en.pdf](https://ec.europa.eu/info/sites/info/files/management-plan-srss-2018_en.pdf)

## Scope

The types of technical support available under Article 6 of the SRSP regulation include: provision of experts, training, seminars, study visits and research.

According to the Commission<sup>61</sup>, 93% of the successful requests concern assistance for the implementation of reforms in the context of EU economic governance (e.g. CSRs under the European Semester) and other strategic policy priorities under EU-wide policy initiatives, i.e. Single Market Strategy, the Digital Single Market, the Energy Union, the Capital Markets Union and the European Pillar of Social Rights. The rest of the requests concern reforms undertaken at Member States' own initiative to achieve sustainable economic growth and job creation.

According to study consultations with SRSS, “nearly 100%” of SRSP projects contribute to administrative capacity-building. SRSP support covers a broad range of policy areas (Art 5(2) of SRSP regulation). They are illustrated by a selection of examples of projects supported in the 2017 cycle – see following box:

### ***Box 7. Examples of support in different policy areas under SRSP***

#### **Revenue administration and public financial management:**

- Designing accrual accounting systems to harmonise national accounting practices in Italy.
- Strengthening the ability of the tax administration to improve tax collection in Bulgaria.
- Supporting budgetary system reform in Poland.

#### **Governance and public administration:**

- Improving the efficiency of the national public procurement system in Lithuania.
- Providing support to enhance the efficiency of human resources management in the administration in Greece.
- Enhancing innovation through public service reform in Ireland.

#### **Growth and business environment:**

- Providing support to the authorities to reach the 2020 and 2030 energy and climate targets in Cyprus.
- Enhancing coastal protection in Spain.

#### **Labour market, health and social services:**

- Supporting the design and implementation of new curricula in schools in Croatia.

<sup>61</sup> [https://ec.europa.eu/info/sites/info/files/srsp2018\\_annual\\_work\\_programme.pdf](https://ec.europa.eu/info/sites/info/files/srsp2018_annual_work_programme.pdf)

- Improving the functioning of primary healthcare in Slovakia.

**Financial sector and access to finance:**

- Improving the functioning of capital markets across the three Baltic States (Estonia, Latvia, and Lithuania).
- Strengthening the ability to deal with non-performing loans in Slovenia.
- Building market infrastructure to increase investment in Hungary.

*Source: European Commission (2018) Factsheet on the Structural Reform Support Programme. Structural Reform Support Service.*

## **Beneficiaries/users/LRA access**

The SRSP Regulation (Art 2(3)) includes LRAs in the definition of ‘national authority’: “*‘national authority’ means one or more national authorities, including authorities at regional and local levels, cooperating in a spirit of partnership in accordance with the Member States’ institutional and legal framework*”.

Requests for support can be submitted only by the national coordinator of each Member State, and, therefore, any LRA requests need to be included (and prioritised) in their country’s request. The study consultations with SRSS have highlighted that the Commission cannot enforce and, therefore, does not check whether this ‘partnership’ provision is adhered to by Member States. Nevertheless, there are some indications of major regions and associations of municipalities approaching informally SRSS about the possibility of submitting requests for support. In one case, Flanders, this was followed up with a formal submission via the national coordinator of Belgium and selection of the following three projects as part of the 2018 cycle:

- Introduction of spending reviews in Flanders (Department of Finance and Budget).
- Implementation of the Reform on Integrated Primary Care 2017-2025 in Flanders (Flanders Agency for Care and Health).
- Increasing the efficiency and use of inland waterway transport in Flanders (Antwerp Port Authority).

The study consultations with SRSS have indicated that it is not uncommon<sup>62</sup> for LRAs to be indirect beneficiaries, since many reforms involve sub-national

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<sup>62</sup> A rough indication is that some one-third of 22 examples of SRSS support, published on its website as at 24.09.2018, could be of relevance to LRAs: 2 explicitly mention LRA involvement – Internal Audits (RO), Primary Health Care (AT); 5 concern subject matters normally relating to LRAs, e.g. Land Planning (several MS), Spending Review (SK), Energy Efficiency & Renewables (EL), Entrepreneurial Ecosystem (CY).



levels of government. There are no data or systematic analyses of approved SRSP projects to substantiate this claim. There are, though, specific examples, provided by SRSS and some of these are presented in the box below.

***Box 8. Examples of SRSP projects focused on building capacity at regional/local level***

**Support to the Harmonisation of Local Benefits Using ESSPROS Methodology in Croatia:**

The system of social benefits in Croatia is characterised by a high level of fragmentation of benefits administration and a scarce capacity of monitoring the delivery of social benefits at the local level. Against this background, the Croatian Authorities have requested the European Commission Structural Reform Support Service (SRSS) to provide technical support in order to implement the reclassification of local social benefits using the European methodology for the classification and monitoring of social benefits called: ESSPROS. The project aims at building capacity at local and central level for the collection, validation and analysis of newly classified social benefits. The specific objective of this project is to provide support to the classification of social benefits provided at local level according to the ESSPROS methodology, and build capacity for the collection, classification and analysis of the data collected. Local authorities have been closely involved in the implementation of the project through frequent discussions and request for inputs in the design of the actions as well as in the implementation of the project activities.

**Support for an integrated management information system in social services in Romania:**

The main objective of this project is to provide to the Ministry of Labour and Social Justice an assessment of the IT capacity of the local public social assistance services at all levels (municipalities, towns and county level) and identify their needs for improvement. The mapping of the local public social assistance services will mainly focus on identifying the current IT capacity of the local public social assistance services in terms of hardware, software infrastructure, telecommunications infrastructure, specialised human resources (IT, social workers), electronic management of the data of beneficiaries of the social services. The main project components are preparing the survey and the associated questionnaire, running the survey and providing helpdesk support, and analysing results / providing a report on IT needs and proposed improvements.

**Integrated care in Estonia:**

Estonia recently implemented a local government reform, which aims at strengthening the role of the now 79 local governments in the provision of social and other services. The SRSS supports the Estonian Ministry of Social Affairs in developing a framework for a more integrated and person-centred provision of social, medical and vocational support services to people with disabilities and elderly with high support needs. The provision of social services being mainly a responsibility of the local governments, a key objective of the technical support project is to strengthen the capacity at the local level and to enable a closer cooperation between services administered at central and at local level, as well as between local stakeholders.

*Source: SRSS.*

### **3.1.6 Other EU funding in support to public administration reform**

There are several other EU instruments and programmes that support different aspects of public administration improvement and reform. A detailed EP research briefing *'Public Sector Reform: How the EU budget is used to encourage it'*<sup>63</sup> has outlined a large number of such sources of support, several of which are summarised below, including an indication of type of support and financial envelope available.

#### **Connecting Europe Facility (CEF Telecom)**

The Connecting Europe Facility (CEF) programme aims to promote growth, jobs and competitiveness through targeted infrastructure investment at EU level. It contributes to the development of interconnected trans-European networks in the fields of transport, energy and digital services. One part of the programme (CEF Telecom) aims to facilitate cross-border interaction between public administrations, businesses and citizens. CEF Telecom promotes the deployment of digital service infrastructures and broadband networks to sustain the Digital Single Market. A EUR 1.04 billion budget is earmarked for trans-European digital services for 2014-2020. Not only national administrations, but also regional or local administrations can apply for this funding. The programme can enhance substantially the effectiveness of national administrations and the adoption of new EU regulations by ensuring interoperability across borders and between administrations within the same country.

#### **Interoperability solutions for European public administrations**

Interoperability is a key pre-requisite for the development of cross-border digital services. In this respect, CEF interventions are strongly connected with those financed by the Interoperability Solutions for European Public Administration (ISA programme), which runs from 2016 to 2020. The programme aims at promoting the development, establishment, bringing into maturity and re-use of cross-border interoperability solutions and common frameworks for national public administrations. It is managed by DG DIGIT and has a budget of EUR 131 million for the period 2016-2020. The programme mostly finances actions implemented by EU bodies, but it intends to have an impact on national administrations by providing new open, interoperable and re-usable solutions or common technical specifications that can then be used at national level.

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<sup>63</sup> [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/572696/IPOL\\_STU\(2016\)572696\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/572696/IPOL_STU(2016)572696_EN.pdf)

## **Horizon2020**

The EU's programme on research and innovation, Horizon 2020, also provides funding opportunities for public administration reform. The programme has a budget of nearly EUR 80 billion for 2014-2020 but public administrations are not the main beneficiaries of H2020 calls. Among the 101 calls for proposals in 2014 only 3.5% of applications came from public administrations.

However, they can benefit from some calls aimed at supporting public sector innovation, as in the case of several calls in 2014-2015 and 2016-2017 aimed at promoting the open governance approach, i.e. the use of ICT to opening up public data and services and facilitating collaboration for the design, production and delivery of public service. These have included seven calls supporting ICT-enabled public sector innovation, six calls under the work programmes for the Societal challenge 6 ('Europe in a changing world - Inclusive, innovative and reflective societies') and one under the programme 'industrial leadership'. More than EUR 70 million of funding have been allocated through these calls.

## **EU Justice Programme**

The EU Justice Programme is another potential source of EU funding for public administration reform contributing to the development of a European area of Justice. It promotes judicial cooperation and the broadening of knowledge in EU law and other Member States' legislation. It ensures the correct, coherent and consistent implementation of EU regulations across the Union. MS public authorities represent between 21% and 31 % of the beneficiaries of the programme. The coverage of Member States by the EU Justice programme is imbalanced, with Belgium, Germany, France, Italy and UK benefiting most.

## **European Commission / European Investment Bank (EIB)**

There are various European Commission/EIB instruments providing technical assistance to public authorities implementing EU funds, partly funded through the ESIF technical assistance (at the initiative of the Commission – see sections 3.1.4 and 3.2.4). This includes JASPERS (technical assistance for the design and implementation of major projects co-financed by ESI Funds), Fi-Compass (support to design and implement financial instruments under ESI programmes), JESSICA (support to integrated urban renewal projects) and EPEC (providing specific support to set-up Public-Private Partnerships). All these services are now included in the European Investment Advisory Hub, a platform created by the Investment Plan for Europe that intends to become the single point of entry for the provision of technical support to public and private actors for the identification, preparation and implementation of investment projects.

## Other possibilities

Member States can use part of the funding from the EAFRD to support the deployment of ICT technologies and services in the rural areas. During 2014-2020, EUR 927 million have been allocated to this purpose but this includes funding for other measures apart from eGovernment services (in particular investments in broadband infrastructures).

The Rights, Equality and Citizenship (REC) programme has a budget of EUR 439 million. Two of the nine specific objectives covered by this programme are promoting data protection and enhancing the exercise of rights deriving from citizenship of the Union.

The programmes FISCALIS2020 and CUSTOMS2020 are managed by DG TAXUD and aim at strengthening the administrative capacities of national tax and custom authorities. With a budget of EUR 223.3 million and EUR 522.9 million, respectively, they support the development and operation of major trans-European IT systems aimed at connecting tax and customs authorities across Europe. Moreover, they support organisation of common training and other relevant activities.

Further opportunities are available through the Hercule III, Europe for Citizens and COSME programmes.

## 3.2 Resources available for capacity-building

### 3.2.1 Overview

This section seeks to provide a broad quantification of financial resources involved in the instruments reviewed in the previous section. It also attempts to provide a qualitative – and, where possible, quantitative – indication of the extent to which these resources are applicable to capacity-building of relevance to LRAs, shown below as ‘High’, ‘Medium’ or ‘Low’.

### 3.2.2 Resources available under ESIF TO11

**Financial envelope:** EUR 4.2 billion for the 2014-2020 period of which 72.8% from ESF and 27.2% from ERDF<sup>64</sup>.

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<sup>64</sup> <https://cohesiondata.ec.europa.eu/themes/11> (accessed on 27.07.2018).

**Capacity-building relevance:** ‘High’ – As already stated in Section 3.1.2, support under TO11 is wholly devoted to capacity-building. Moreover, according to EUPACK Task 1 report<sup>65</sup>, all actions are fully relevant to reforms.

**LRA relevance:** ‘Low-to-Medium’ - 13% of the funding goes to LRA beneficiaries, as shown in the table below, which also reveals a major reduction since 2007-2013 in access to equivalent support. However, the LRAs could also be benefiting indirectly, by being recipients of support or through broader improvement of public administration, but there are no data to allow a quantification.

EUPACK task 3 has analysed nearly 10,000 EU funded projects supporting public administration in 2007-2013 under ESF and 2014-2020 under TO 11 (ESF and ERDF). This analysis is summarised in the following table:

**Table 4. Funding supporting public administration by type of beneficiary**

Type of beneficiary	ESF 2007-2013	%	TO11 2014-2020**	%
National/central level	1,366,114,958	59%	1,607,498,825	85%
Regional level	175,604,757	8%	157,013,655	8%
Local/municipal	456,698,732	20%	94,505,057	5%
Civil society/NGO	312,663,951	14%	35,462,477	2%
<b>Total</b>	<b>2,311,082,398</b>	<b>100%*</b>	<b>1,894,480,014</b>	<b>100%</b>

Source: EUPACK task 3.

\* Rounded      \*\* to 31.03.2017.

### 3.2.3 Resources available under ESIF Technical Assistance at the initiative of Member States

**Financial envelope:** Up to 4% of each ESI Fund or a total in EUR11 billion, excluding national co-funding.

However, it should be noted that since its introduction in 1988, TA spending has been significantly lower than the ceilings allowed by the regulations<sup>66</sup>.

**Capacity-building relevance:** ‘Low-to-Medium’ – On the basis of the evidence provided in the ex-post evaluation of the 2017-2013 period, as summarised in section 3.1.3, capacity-building actions, such as development of human resources and systems and tools received between 1% and 40%, and no expenditure occurred on developing structures, in six out of the seven countries examined in depth (the exception being Italy) – see table below:

<sup>65</sup> DG EMPL, A comparative overview of public administration characteristics and performance in EU28, 2017.

<sup>66</sup> EP research briefing: Technical Assistance at the Initiative of the Commission, 2016.

**Table 5. Breakdown of the budget of Technical Assistance Operational Programmes in seven case studies**

Member State	TA activities <u>directly</u> aimed at...			Other expenditure (procuring evaluations, studies and external expertise)	Remuneration and operating costs
	developing structure	developing human resources	developing systems and tools		
Bulgaria	0%	24%	16%	22%	38%
Romania	0%	12%	15%	21%	52%
Greece	0%	0.1%	1%	15%	84%
Poland	0%	3%	4%	26%	67%
Italy	0%	12%	69%	16%	3%
The Czech Republic	0%	3%	15%	41%	41%
The Slovak Republic	0%	5%	31%	18%	46%

Source: Ex-post evaluation of Cohesion Policy programmes focusing on ERDF, ESF and CF (Table 9).

**LRA relevance: ‘Low-to-Medium’** on the basis of the qualitative assessment in the previous section.

### 3.2.4 Resources available under ESIF Technical Assistance at the initiative of the European Commission

**Financial envelope:** 0.35% of the ESI Funds, defined in CPR Art 91(3), as follows: “0,35 % of the global resources after the deduction of the support to the CEF referred to in Article 92(6), and to the aid for the most deprived referred to in Article 92(7) shall be allocated to technical assistance at the initiative of the Commission”.

The total amount indicated in the DG REGIO TA strategy for 2014-2020 is EUR 815 billion – see table below.

**Capacity-building relevance:** ‘Medium’ based on data from DG REGIO suggesting that axes 3, 4 and 5 largely involve capacity-building support. This corresponds to EUR 367 billion out of EUR 815 billion, i.e. 45% of the total - see following table.

**Table 6. Overview total budget ESIF Technical Assistance**

Block	Priority axis	Budget 2014-2020 (million EUR) (indicative)
I	Axis 1: support to policy analysis	33
II	Axis 2: Urban and territorial development	19.56
	Axis 3: support to effective implementation	284.9
	Axis 4: support to financial instruments	65
	Axis 5: capacity building	16.55
	Axis 6: evaluation and performance framework	40
III	Axis 7: communication and awareness raising	53.2
IV	Axis 8: assistance to REGIO	127.67
	<b>TOTAL programmed TA without 5%</b>	<b>639.9</b>
	5% margin	32
	<b>TOTAL programmed TA</b>	<b>672.0</b>
	Margin for Pilot Projects /Preparatory actions	10
	Assistance to the task forces (Greece, Cyprus, Portugal...)	...
	Other needs	...
	<b>TOTAL TA budget (0.35% of allocation)</b>	<b>815</b>

Source: DG REGIO TA strategy for 2014-2020.

**LRA relevance:** None as direct beneficiaries. ‘Low-to-Medium’ as stakeholders. According to study consultations with DG REGIO, the above capacity-building benefits also the LRAs indirectly through sharing best practices, workshops, training, etc.

### 3.2.5 Resources available under the Structural Reform Support Programme

**Financial envelope:** EUR 142.8 million for 2017-2020 transferred from existing technical assistance resources under the ESI Funds (TA at the initiative of the Commission). An amendment to the SRSP Regulation, to increase the dedicated financial envelope of the Programme to EUR 222.8 million, was proposed on 6 December 2017<sup>67</sup> by the Commission and has recently been agreed by Parliament. There is scope for increasing the financial endowment of SRSP further to the region of EUR 300 million<sup>68</sup>.

<sup>67</sup> Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective COM/2017/0825 final - 2017/0334 (COD) - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017PC0825&from=EN>

<sup>68</sup> This increase will be made possible by using EUR 80 million from the Flexibility Instrument under the current MFF (Article 11 of Council Regulation 1311/2013), which allows for supplementing the financing available in the general budget of the Union for the financial years 2018 and 2019. This could be supplemented

**Capacity-building relevance:** ‘High’ – “*Nearly 100%*” of SRSP projects contribute to administrative capacity-building according to study consultations with SRSS - see Section 3.1.5.

**LRA relevance:** None as direct beneficiaries. ‘Low-to-Medium’ as stakeholders, according to limited qualitative and quantitative evidence available – see Section 3.1.5.

### **3.3 Summary of findings**

The above mapping out allows us to establish an overall picture of the EU funding instruments and programmes available to support improvements to administrative and institutional capacity-building. This picture also highlights the key characteristics of each one of the instruments and programmes opening up the possibility of assessing their relevance to the main challenges and opportunities concerning capacity-building from the perspective of the LRAs.

The table below distils the main findings regarding funding possibilities for capacity-building in the current MFF period, 2014-2020.

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further by inviting Member States to make use of the possibility, under Article 11 of the SRSP Regulation, of transferring part of their resources from the TA component of the ESI Funds to the SRSP and it is estimated that this supplement could increase the total amount of the budget available for support to EUR 300 million. (p.5 of COM(2017) 825 final).



**Table 7. Overview of Funding Possibilities for Capacity-building 2014-2020**

	Cohesion Policy			Structural Reform Support Programme	Other instruments & programmes
	TO11	MST A	COM TA		
	CPR Art 9	CPR Art 59	CPR Art 58		
<b>Management mode</b>	Shared	Shared	Central	Central	Central
<b>General Scope</b>	General public administration (incl mgt/impl of Funds)	Managt and implem. of the Funds	Managt and implem. of the Funds	General public administration	Specific public administration
<b>Support to reform</b>	YES (High)	NO	NO (YES indirectly - Low)	YES (High)	NO (YES specific aspects)
<b>Support to programme(s)</b>	YES (Low)	YES (High)	YES (High)	NO	NO
<b>Capacity building</b>	YES (High)	YES (Low)	YES (Medium)	YES (High)	YES (Low-Medium)
<b>Programming</b>	Driven by strategies/programs	Driven by strategies/programs	Driven by strategies/projects	Driven by MS project requests	Driven by MS project requests
<b>Funding envelope</b>	€ 4.2 bn	4% (€ 11 bn)	0.35% (€ 0.8 bn)	€ 143 m -> € 223 m	Various amounts
<b>Form of financing</b>	Based on real costs	Based on real costs	Based on real costs	Based on real costs	Based on real costs
<b>Targeted level</b>	MS auths, beneficiaries, relevant partners	Progr. auths, implem. bodies, beneficiaries	COM services, progr. auths, implem. bodies	Main focus on national level	Various
<b>LRAs: Beneficiaries</b>	YES (Low-Medium)	YES (Low-Medium)	NO	NO	YES (Low)
<b>LRAs: Stakeholders (potential indirect beneficiaries)</b>	YES (Medium)	YES (Low-Medium)	YES (Low-Medium)	YES (Low-Medium)	YES (Low-Medium)

Note: 'High', 'Medium', 'Low' indicate the extent of an instrument's relevance (based on quantitative or qualitative information presented in the preceding sections).

This overall picture of support available should be qualified in two important respects.

First, there is, generally, a lack of detailed data of how the EU support has been used and evaluations of results achieved<sup>69</sup>. As a consequence, a study like the present one tends to rely heavily on qualitative assessments by 'insiders' and, when it comes to harder evidence, on quantitative inputs (e.g. funding allocated to support) rather than outputs or results. Such evidence is far from adequate for forming a view as to the longer-term effect of the support provided, an ambition clearly expressed in the proposed RSP regulation as "... a lasting impact ... by strengthening the institutional and administrative capacity of the Member State concerned<sup>70</sup>".

Second, in view of the above limitations and the structure of the support instruments, the scope of these instruments for addressing the administrative

<sup>69</sup> EP research briefing: Technical Assistance at the Initiative of the Commission, 2016. The main exception is TO11 in connection with which a series of reports are being produced by the EUPACK project.

<sup>70</sup> Art. 11(7a) - COM(2018) 391 final.

capacity needs of LRAs is difficult to pinpoint. Like ‘Russian dolls’ one has to get to the relevance of the support that is potentially available (directly or indirectly) to LRAs through several layers by establishing:

- whether the support aims at and results in administrative and institutional capacity-building;
- whether the resulting improved administrative capacity is of general relevance or applies only or mainly to (certain) reforms or just to the delivery of Cohesion or other EU funds; and, ultimately;
- whether LRAs have benefited directly through an enhancement of their own administrative capacities or, indirectly, through other improvements to the general institutional context in which they operate.



## **4 Next MFF proposals and impact on capacity-building**

### **4.1 Outline of next MFF proposals**

The proposals published by the European Commission for the next MFF involve a number of changes by comparison with the current MFF. The broad picture can be summarised, as follows:

Under Cohesion policy funds:

- The thematic objective TO11 is discontinued.
- TA at the initiative of the Member States or of the Commission continues with few changes, mostly a reduction in the financial envelope for the former.
- There are new opportunities for additional TA under the proposed CPR and TA-type capacity-building under the proposed ERDF/CF Regulation.

Under the proposed Reform Support Programme:

- There is a strand ('Technical Support Instrument') which represents a continuation of the SRSP but with an expanded financial envelope.
- There is also a new strand ('Reform Delivery Tool') with a much larger financial envelope (though this is not primarily aimed at capacity-building) and a very different set of characteristics than those of the existing instruments.

Capacity-building support under various other EU instruments and programmes is expected to continue broadly as in the current MFF.

## 4.2 Main changes – Under Cohesion policy funds

The main change of capacity-building support under Cohesion policy is the discontinuation of **thematic objective 11**. TO11 has been the main pillar for administrative and institutional capacity-building from the beginning of the current MFF period, and continues to be so in parallel with the (financially smaller) SRSP since the introduction of the latter in 2017, as discussed in Section 3.

The documentation of the proposals for the next MFF does not make any reference to the non-inclusion of TO11 or equivalent provisions for capacity-building under the Cohesion policy funds. The study consultations have highlighted that parts of the proposed Reform Support Programme correspond in scope but not in terms of modalities and financial envelope with TO11 – see below.

### 4.2.1 Technical Assistance

The proposals for the next MFF envisage that the ‘normal’ technical assistance under Cohesion policy will continue broadly unchanged.

As regards **TA at the initiative of MS**, the legal text (proposed CPR Art. 30) is brief – *“the Funds may support actions, which may concern previous and subsequent programming periods, necessary for the effective administration and use of those Funds”*. This indicates also the scope of support.

There is provision for flat-rate financing for TA under all Cohesion policy funds (proposed CPR Art. 31). However, it should be noted that the financial envelope under ERDF has been reduced from 4% in the 2014-2020 period to 2.5% in 2021-2027.<sup>71</sup>

Otherwise, the usual Cohesion policy characteristics of ‘shared management’ mode, programming and access for LRAs apply.

**TA at the initiative of the Commission** remains under ‘central management’ mode and with its financial envelope at the same percentage (0.35% of the funds).

The legal text (proposed CPR Art 29(1)) is simplified and does not list possible actions:

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<sup>71</sup> Higher ceilings apply to other funds, e.g. 4% for ESF+ and 6% for EMFF.

*“At the initiative of the Commission, the Funds may support preparatory, monitoring, control, audit, evaluation, communication including corporate communication on the political priorities of the Union, visibility and all administrative and technical assistance actions necessary for the implementation of this Regulation and, where appropriate with third countries”.*

All other characteristics, noted for the current MFF period, appear to remain unchanged.

#### **4.2.2 Other opportunities for capacity-building**

There are two additional opportunities for capacity-building in the next MFF under Cohesion funding, both without a pre-defined financial envelope.

A general new opportunity across Cohesion policy funds is **under Article 32 of the proposed CPR** which states that in addition to the above available TA, *“the Member State may propose to undertake additional technical assistance actions to reinforce the capacity of Member State authorities, beneficiaries and relevant partners necessary for the effective administration and use of the Funds”.*

An innovation under this opportunity is that financing is not linked to the costs for technical assistance of Member States but to results and conditions. However, the details of this new provision are not yet available.

The focus of this provision is *the effective administration and use of the Funds* and thus its potential supportive role to structural reforms is expected to be limited.

Otherwise, this opportunity is governed by the usual Cohesion policy characteristics in terms of ‘shared management’ mode, programming and access for LRAs. The allocation of financial resources will be determined as part of programming.

A further capacity-building opportunity is envisaged under **Article 2(3a) of the proposed ERDF/CF regulation**:

*“With regard to the specific objectives set out in paragraph 1, the ERDF or the Cohesion Fund, as appropriate, may also support activities under the Investment for jobs and growth goal, where they either:*

- (a) improve the capacity of programme authorities, and bodies linked to the implementation of the Funds;*

*(b) enhance cooperation with partners both within and outside a given Member State”.*

According to the study consultations, the scope of this opportunity is “to incentivise reforms in supported sectors”, namely in investment, but there is some ambiguity regarding the form of financing, which could be “based on real costs or linked to costs schemes (results/conditions)”.

Otherwise, the usual Cohesion policy characteristics of ‘shared management’ mode and programming will apply. Access for LRAs will depend on whether they have a role as programme authorities or are bodies linked to the implementation of the Funds.

As in the previous case, the allocation of financial resources will be determined as part of programming.

### **4.3 Main changes – Reform Support Programme**

The Reform Support Programme (RSP) will have three instruments:

- Reform Delivery Tool
- Technical Support Instrument
- Convergence Facility

A common feature of all three instruments is that they are voluntary, driven by requests from Member States, with no co-financing required from the Member States.

The Technical Support Instrument represents a continuation of the SRSP, while the Reform Delivery Tool is an entirely new instrument. They are both open to all Member States. The Convergence Facility is for Member States wishing to join the euro within a defined timeframe.

The specific objective of the **Technical Support Instrument** is described in the Proposed RSP regulation<sup>72</sup> Art 5(2b) as follows: “... *the Programme shall support the efforts of the national authorities in improving their administrative capacity to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and a more effective and efficient human resources management*”.

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<sup>72</sup> COM(2018) 391 final.

This strand of the RSP is clearly linked to reforms and administrative capacity-building, like its predecessor SRSP. Also, its modalities and other characteristics remain broadly unchanged, including access for LRAs. There are some small changes, for instance, the annual cycle of calls for requests could be replaced by more frequent calls and the grounds for triggering a request are broader covering both Semester and Member State priorities. Its financial envelope will expand to a total of EUR 840 million for the 2021-2027 period, more than double of the annual equivalent of the original SRSP in the 2017-2020 period.

The specific objective of the **Reform Delivery Tool** is described in the proposed RSP regulation Art 5(2a) as follows: “... *the Programme shall provide Member States with financial incentives with a view to achieving the milestones and targets of the structural reforms as set out in the reform commitments entered into by Member States with the Commission*”.

This is a very different formulation from that of ‘technical support’. The Reform Delivery Tool will not finance specific costs but will provide ‘financial contributions’ to Member State budgets against milestone results agreed and achieved. These budget contributions will be lump-sums to incentivise reforms and to this end Member States will be free to do what they want with those sums.

The proposed financial envelope is much greater than that of other EU instruments available for capacity-building having been set at EUR 22 billion for the 2021-2027 period, but this is unrelated to the value of support for capacity building that could be supported under this instrument due to the above-mentioned financial modalities. The proposals (Art. 10) envisage that 50% of these funds will be allocated in the first 20 months on the basis of a first call for requests and that the balance will be subject to further calls, whose timing and other features have not yet been presented.

According to the study consultations with SRSS, there is an expectation that requests under the Reform Delivery Tool will involve packages of action, which are likely to include administrative capacity-building measures. However, this is impossible to anticipate with any certainty due to the demand driven approach of the Tool. Similarly, it is practically impossible to attempt even a rough estimation of the access to support for the LRAs and potential use of support by them, although, bearing in mind the emphasis on large reforms and national budgets, this could be less than currently achieved under SRSP.



## **4.4 Impact of next MFF proposals on capacity-building**

The main changes and new opportunities regarding capacity-building in the next MFF, which were reviewed in the previous sections, have been distilled in the table below.

The proposals concerning the next MFF are available in outline but in most cases not in sufficient detail when it comes to the new funding tools, namely the Reform Delivery Tool and additional TA and capacity-building support under Cohesion policy. Nevertheless, there are already indications of significant shifts in terms of scope, modalities and financial resources, affecting LRAs' access to capacity-building support, while uncertainties remain concerning the likelihood of achieving lasting results.

**Table 8. Overview of Funding Possibilities for Capacity-building 2021-2027**

	Cohesion Policy					Reform Support Programme		Other instruments & programmes
	TO11	MS TA	Additional MS TA	Capacity Building	COM TA	Reform Delivery Tool	Technical Support	
	Old CPR Art 9	CPR Art 30-31	CPR Art 32	ERDF/CF Art 2	CPR Art 29			
<b>Management mode</b>	Shared	Shared	Shared	Shared	Central	Central	Central	Central
<b>General Scope</b>	General public administration (Managt/impl of Funds)	Managt and implem. of the Funds	Managt and implem. of the Funds	Managt and implem. of the Funds	Managt and implem. of the Funds	General public administration	General public administration	Specific public administration
<b>Support to reform</b>	YES (High)	NO	NO (YES indirectly?)	YES (incentivise reforms in supported sectors)	NO (YES indirectly - Low)	YES (High)	YES (High)	NO (YES specific aspects)
<b>Support to programme(s)</b>	YES (Low)	YES (High)	YES	YES	YES (High)	NO	NO	NO
<b>Capacity building</b>	YES (High)	YES (Low)	YES (Unknown)	YES (Unknown)	YES (Medium)	YES (Unknown)	YES (High)	YES (Low-Medium)
<b>Programming</b>	Driven by strategies/programs	Driven by strategies/programmes	Driven by strategies/programmes	Driven by strategies/programmes	Driven by strategies/projects	Driven by MS project requests	Driven by MS project requests	Driven by MS project requests
<b>Funding envelope</b>	€ 4.2 bn	2.5% ERDF/CF, 4% ESF+ [€ 10 bn*]	Part of OP budget, not defined	Part of OP budget, not defined	0.35% [€ 0.8 bn*]	[**]	€ 0.8 bn	Various amounts
<b>Form of financing</b>	Based on real costs	Flat rate	Based on results	Based on real costs or results	Based on real costs	Based on results	Based on real costs	Based on real costs
<b>Targeted level</b>	MS auths, beneficiaries, relevant partners	Progr. auths, implem. bodies, beneficiaries	MS auths, beneficiaries, relevant partners	Progr. auths, implem. Bodies	COM services, progr. auths, implem. bodies	Main focus on national level	Main focus on national level	Various
<b>LRAs: Beneficiaries</b>	YES (Low-Medium)	YES (Low-Medium)	YES (Low?)	YES (Low?)	NO	NO	NO	YES (Low)
<b>LRAs: Stakeholders (potential indirect beneficiaries)</b>	YES (Medium)	YES (Low-Medium)	YES (Low-Medium?)	YES (Low-Medium?)	YES (Low-Medium)	YES (Low?)	YES (Low-Medium)	YES (Low-Medium)
	<b>Discontinued!</b>		<b>NEW!</b>	<b>NEW!</b>		<b>NEW!</b>		

\* Provisional estimate.

\*\* The Tool's financial envelope of EUR 22 bn is unrelated to capacity-building

Note: 'High', 'Medium', 'Low' indicate the extent of an instrument's relevance, based on information presented in the preceding sections.

## Current and new challenges

The main challenges under the current MFF, as summarised in sub-sections 2.2.2 to 2.2.4, concern the administrative capacity of LRAs in their role in the European Semester and structural reforms, and in boosting public and private investment. The challenges also stretch to more general issues of complementarity and coordination of different strands of capacity-building support and the specific issue of access to such support for the LRAs.

The proposals for the next MFF are likely to create new or accentuate existing challenges and may also lessen some of them, chiefly through new opportunities for improved strategic coordination.

The most adverse proposal concerns the availability and accessibility of EU-funded support for capacity-building. The analysis of the currently available EU-funded instruments for capacity-building and the changes envisaged in the proposals for the next MFF paint a rather unsatisfactory picture, as far as the LRAs are concerned, when considered in terms of scope, modalities and financial resources.

In terms of **scope**, there are currently only two instruments (TO11 and SRSP) with a clear focus on reforms and capacity-building.

Considering their **modalities**, the LRAs can participate as direct beneficiaries only under TO11 and, in practice, LRAs are the beneficiaries of a small percentage of TO11 funding. Under SRSP, the LRAs are treated as stakeholders and may benefit only indirectly from support requested and obtained by or through national authorities. TO11 will not be continued in the next MFF and, therefore, the LRAs will have no direct access to reform focused capacity-building support.

In terms of total **financial resources**, it should be recognised that there is gradually less money available for capacity-building of relevance to LRAs. There is a drop of support for public administration going to LRAs from 28% under ESF in 2007-2013, to 13% under TO11 in 2014-2020<sup>73</sup>, to zero in 2021-2027. The predefined ceilings for technical assistance are either maintained (e.g. ESF+, Commission TA) or are lowered (e.g. ERDF/CF) in percentage terms

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<sup>73</sup> There is a drop also in absolute terms. EUPACK figures (see Table 2) show LRAs accessing getting EUR 632 million as beneficiaries from ESF in 2007-2013 and EUR 251million from ESF & ERDF under TO11 in 2014-2020 to 31.03.2017. The latter corresponds to 559 million for the full 2014-2020 period (estimated proportionately: EUR 1.9 billion total TO11 to 31.03.2017 or 45% out of EUR 4.2 billion for the whole period).

against a lower Cohesion policy total<sup>74</sup> in the 2021-2027 period, thus the total funding available will be lower in absolute terms. Moreover, there is a provision for transferring (one-way) up to 5% from Cohesion policy funds to other instruments, including RSP and InvestEU<sup>75</sup>.

The challenges associated with **coordination and complementarity**, a topic repeatedly highlighted by the CoR<sup>76</sup>, as well as with the likelihood of achieving results remain, although, on the basis of relatively vague information available in the next MFF proposals, this issue is more nuanced.

The proposals mark an overall trend of centralisation<sup>77</sup> combined with simplification. The latter makes instruments like the SRSP (and, as anticipated, RSP) popular with national authorities, at least partly, due to simple procedures and speedy decisions, as evidenced by the fact that requests for support from Member States have exceeded significantly the available funding<sup>78</sup>. However, this procedure has a fundamental weakness as it makes no provision for LRA participation.

Normal TA is much more for operational needs of the ESI Funds than capacity-building and new opportunities under Cohesion policy, as well as under the RSP, have a strong ‘voluntary’ and ‘enabling’ character than offering targeted means for capacity-building of relevance to LRAs.

This process of centralisation-cum-simplification creates a fertile ground for ad hoc short-term actions which are replacing or seek to co-exist with the strategy/programme driven approach, based on partnership/MLG principles, familiar under Cohesion policy. This represents a double challenge: first, in reconciling conceptually the ‘two different logics’ followed by different EU tools for the same or similar purposes; and, second, in the practicalities of operational coordination (for instance, the Commission is making project-level decisions on support under SRSP/RSP when it is lacking project-level information from Cohesion programmes).

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<sup>74</sup> The Commission's proposal for the next MFF (2021-2027) sets out a total amount of EUR 330.6 billion for economic, social and territorial cohesion (ERDF, CF, ESF+) as against EUR 351.8 billion for 2014-2020 (source: <https://cohesiondata.ec.europa.eu/overview>).

<sup>75</sup> Proposed CPR Art 21 - COM(2018) 375 final.

<sup>76</sup> CoR Opinions relating to SRSP, 117th plenary session, 7-8 April 2016 & 128th plenary session, 22-23 March 2018.

<sup>77</sup> Statement by Karl-Heinz Lambertz, President of the European Committee of the Regions, to the Cohesion Alliance, 31 May 2018.

<sup>78</sup> Other reasons for the popularity of SRSP, according to the study consultations, include that it offers an outside (i.e. EU) perspective which confers legitimacy to often controversial reform initiatives of Member States and the quality of expert support provided by SRSS which sometimes is used for writing proposals to be subsequently funded under ESI Funds.

Moreover, it highlights the uncertainties as to whether such ad hoc actions are resulting in **sustainable improvements to capacity**. The tendency to switch to results-based funding in some instruments in the next MFF (see Reform Delivery Tool and ‘other opportunities’ under Cohesion policy) could be consolidating such a ‘hit-and-miss’ approach, in the practically total absence of relevant studies, baselines and targets. Indeed, some of the technical support requested and offered may be alleviating immediate capacity weaknesses (for instance, through short-term external expertise) without raising capacities in a sustainable way in the long term.

As observed in the EP report on technical assistance: *“TA can be considered an enabler of change and its full benefits might only become evident in the future and when activities and reforms have been fully implemented. [But it is essential that], the role of TA in contributing to institutional, administrative and structural reforms in the Member States should be carefully monitored so that transparency and legitimacy can be safeguarded”*<sup>79</sup>.

However, there is some evidence that CSR and ESIF OPs dovetail in practice, at least in some policy areas and countries, and there is some scope for building on this positive experience and on other, potentially facilitating elements, in the proposals for the next MFF, e.g. NRPs, as discussed under ‘opportunities’ below.

### **Current and new opportunities**

The main opportunities under the current MFF, as summarised in sub-section 2.2.5, arise from the stronger role of the European Semester process, the substantial resources potentially available for capacity-building through an array of EU instruments and programmes, and the accumulation of relevant experience and expertise.

However, as already mentioned under challenges, in the next MFF the opportunities for LRAs to access EU funding for capacity-building as beneficiaries will be greatly diminished with the discontinuation of TO11.

The proposals regarding the next MFF could create new opportunities for better coordination around the European Semester process. On the one hand, the proposals include specific provision for the CSRs to be taken into account in the planning of Cohesion policy funds programmes, while, on the other hand, they open the door for Semester tools, like the NRPs, to be used also in connection

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<sup>79</sup> EP research briefing: Technical Assistance at the Initiative of the Commission, 2016, p. 21.

with the RSP. This could be taken further with the RSP providing bottom-up feedback to country reports and CSRs under the Semester.

The opportunities regarding the capitalisation and exploitation of the accumulated experience and expertise will be further accentuated and the corollary will be much greater pressure for effective sharing and a cooperative approach.

Other opportunities might arise from other elements in the MFF proposals and associated preparatory work. These include:

- results-linked financing methods as proposed for the Reform Delivery Tool and parts of the Cohesion policy funds (proposed ERDF/CF Art. 2 and possibly also CPR Art 29);
- the intensive, hands-on support approach championed by the Commission through the SRSS; and
- the capacity-building ‘road maps’ – country-level assessment and planning exercises – which are being piloted for Cohesion policy funds in the post-2020 period<sup>80 81</sup>.

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<sup>80</sup> Call for Expression of Interest for Managing Authorities to Participate in a Pilot Action on Frontloading Administrative Capacity-building to Prepare for the Post-2020 Programming Period.

<sup>81</sup> [http://ec.europa.eu/regional\\_policy/sources/tender/pdf/expression/administrative\\_capacity\\_building.pdf](http://ec.europa.eu/regional_policy/sources/tender/pdf/expression/administrative_capacity_building.pdf)



# 5 Conclusions and Recommendations

## 5.1 Summary of conclusions

The previous sections have considered the main challenges and opportunities for LRAs in the current MFF period in respect to administrative and institutional capacity, the EU policy tools available to support capacity-building, and the impact of the proposals for the next MFF.

There are major challenges but also opportunities and they tend to be closely interconnected around two central themes:

- the first concerns multi-faceted **administrative capacity needs of LRAs** –relating to structures and processes, human resources, and systems and tools – in order to be able to play their role (in line with their competencies as a tier of government) in economic governance and in the different steps of the European Semester process and in boosting public and private investment;
- the second relates to the coordination, modalities and other aspects of the **EU-funded instruments and programmes that can address the above needs by supporting capacity-building.**

On the basis of the analyses in the previous sections the key conclusion is twofold, namely, that:

- in the current MFF, the existing EU-funded tools are only marginally addressing capacity-building of relevance to the LRAs and many of the opportunities remain under-exploited; and
- the next MFF, as currently proposed, will accentuate both challenges and opportunities, but overall it will make it even more difficult for LRAs to access financial support for capacity-building.

There is considerable complexity in the issues associated with support for capacity-building and this is not helped by a lack of information about past performance or detailed information about proposed new tools for the next MFF.

Therefore, it is suggested that the CoR should focus on addressing improvements to the next MFF on the following four issues; namely, how to achieve:



- greater coherence and effective coordination between EU funding tools and processes;
- a sharper focus on capacity-building in support available;
- greater access for LRAs to EU funding for capacity-building;
- better monitoring and learning, to ensure lasting effects.

## 5.2 Recommendations

This section outlines a number of recommendations that the CoR could consider developing and putting forward in order to propose improvements to the next MFF and address some fundamental weaknesses in the EU capacity-building tools.

### Recommendation 1:

This recommendation aims to facilitate greater coherence and effective coordination between EU funding tools and processes, as well as safeguarding the role of LRAs in the European Semester.

Its focus is on turning the NRPs into a strategic coordination tool - the ‘missing link’ between Semester/CSR, ESIF and RSP – that will offer a systematic and structured perspective of structural reforms and responses, including capacity-building for the LRAs, rather than a mere reporting document (with RSP-oriented annexes). At least at the beginning and mid-term in the next MFF the NRPs should take stock of the capacity-building needs including those of LRAs, and appropriate actions for capacity-building on the lines of the ‘road maps’ being piloted by DG REGIO.

Specific recommendations could propose that **the Secretariat-General of the Commission should revise its guidance on NRPs**, in line with the above, including the introduction of capacity-building ‘road maps’ and confirming the place of LRAs as partners in the Semester process in line with the Code of Conduct proposed by the CoR<sup>82</sup>.

Complementary changes could also be proposed to the wording of the RSP regulation (cf Art. 11(2) and 14) to strengthen the references to the role of NRPs.

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<sup>82</sup> CoR Opinion on ‘Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities’, 123rd plenary session, 11-12 May 2017

A **single set of guidelines** to be issued by the Commission for all strands of EU-funded capacity-building measures, on the lines proposed in the CoR opinions on SRSP, could further address the need for better coordination<sup>83</sup>.

### **Recommendation 2:**

This recommendation could focus on ensuring that in the next MFF there are suitable EU-funded tools with an explicit remit of supporting capacity-building and that these can be directly accessed by LRAs, as beneficiaries.

In practical terms this will mean proposing **amendments to the published regulations**, as in the following instances:

- Amend RSP / Technical Support Instrument provisions (cf Art. 19) to create a window for LRAs to be able to submit requests for support in line with NRPs. Such requests could be submitted by individual LRAs, LRA associations or groups of LRAs (including possibly from more than one country in case of similar reforms). For coordination purposes the applicants would need to inform the relevant national coordinating authority.
- Amend CPR Art 32 or reword ERDF/CF Art 2, to envisage TO11 type actions<sup>84</sup> in all OPs, including complementary investment in equipment, which address CSRs and other reforms, and to ringfence the necessary funding through allocations to ‘specific objectives’ devoted to capacity-building.

### **Recommendation 3:**

This recommendation seeks to promote better monitoring and learning, with a view to capacity-building achieving lasting effects. It specifically envisages that the European Commission should **establish from the beginning appropriate tools** for benchmarking, monitoring progress and assessing results in capacity-building, such as the following:

- Benchmarking or development of guidance on minimum/relevant capacity standards in connection with key operations of public administration of relevance to economic governance, structural reforms

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<sup>83</sup> CoR Opinions, 117th plenary session, 7-8 April 2016 & 128th plenary session, 22-23 March 2018.

<sup>84</sup> For instance, broaden the scope of ERDF/CF Art. 2 (“*improve the capacity of programme authorities, and bodies linked to the implementation of the Funds*”) to reflect the scope of TO11 (“*enhancing institutional capacity of public authorities and stakeholders and efficient public administration*”).

and investment. This could be based on and be developed as an extension of the EU's Toolbox.

- Road maps, including baselines, capacity needs assessment (against the above benchmarking or guidance) and action plan for inclusion in the NRPs. This could build on the DG REGIO pilot 'road maps' and the proposal for 'check-ups' made in CoR's study on the involvement of LRAs in the European Semester<sup>85</sup>.
- Annual capacity-building progress reports, against baselines, to be included in the NRPs (and to be taken into account in the Commission's Country Reports).

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<sup>85</sup> CoR, Improving the European Semester by involving local and regional authorities: Overview of good practices, 2017

# Annex I: Main sources of information

**European Commission, MFF 2021-2027 proposals**

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**CoR, Improving the European Semester by involving local and regional authorities: Overview of good practices, 2017**

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**European Commission, Quality of the Public Administration – A Toolbox for Practitioners, 2017**

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## **Annex II: Study consultations<sup>86</sup>**

**Pascal Boijmans**, Head of Unit REGIO.A2.E1 (Administrative Capacity Building, Solidarity Fund), DG REGIO, European Commission (12.07.2018)

**Géraldine Mahieu**, Head of Unit SRSS.04 (Labour Market, Education, Health and Social Services), European Commission (18.07.2018)

**Vincenzo Baccaro**, Legal Adviser, Structural Reform Support Service, European Commission (18.07.2018)

**Danielle Dotto**, Head of Unit SRSS.02 (Governance and Public Administration), Structural Reform Support Service, European Commission (19.07.2018)

**Florian Hauser**, Unit SRSS.02 (Governance and Public Administration), Structural Reform Support Service, European Commission (19.07.2018)

**Heli Kask**, Unit EMPL.F1 (ESF and FEAD Policy and Legislation), DG EMPL, European Commission (19.07.2018)

**Angelika Poth-Mögele**, Executive Director European Affairs, Council of European Municipalities and Regions<sup>87</sup> (18.07.2018)

**Nicolas Brookes**, Regional Policy Director, Conference of Peripheral Maritime Regions (19.07.2019)

**Marco Lopriore**, Expert, EIPA (17.07.2019)

**Serafin Pazos-Vidal**, Head of Brussels Office, COSLA, UK (17.07.2019)

**Joeri De Blauwer**, Attaché European Semester, General Representation of the Government of Flanders to the EU, BE (21.09.2018)

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<sup>86</sup> Meetings in Brussels on stated date plus emails/phone calls.

<sup>87</sup> with **Marine Gaudron**, in charge of cohesion and local finances, and **Leonardo Ebner**, in charge of employment, public services and digitalisation at CEMR.



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[/european-committee-of-the-regions](https://www.linkedin.com/company/european-committee-of-the-regions)