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Delivering performance in Cohesion

Briefing Paper

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Contents

Executive summary

I The aim of the European Union's (EU's) Cohesion policy is to reduce disparities between EU regions in order to achieve balanced economic, social and territorial development. Approximately €350 billion, one third of the EU budget for 2014-2020, is allocated to this policy.

II Historically the EU has tended to focus on making sure that its budget spending complies with relevant rules. In recent years, however, the EU has sought to increase performance orientation, so that EU funds lead to positive changes for citizens. In line with our Treaty responsibility to report on sound financial management, we have contributed significantly to this move.

III The current debate on performance orientation in Cohesion policy involves many stakeholders that have different, and sometimes contradictory, views on what performance orientation is and how it should be achieved. This briefing paper represents a valuable source of information for all those involved in tackling the difficult political and practical challenges on how to improve performance orientation for the current and future programme periods.

IV The briefing paper presents our views on how performance orientation has evolved, from the previous programme period through to the Commission's proposals for 2021-2027. We consider both the legislative framework, and its implementation at Commission and Member State level. At the heart of our review are 14 guiding principles (GP) which we believe are key to making sure that EU spending is geared towards performance. These principles cover the entire cycle of policy management, starting with strategic planning and moving through implementation until the reporting and evaluation stages.

V On the basis of our extensive performance audit work in the area of Cohesion (69 reports), supplemented by reviews from other sources, we assessed how well these principles were applied for the 2007-2013 and 2014-2020 programme periods and, on the assumption that the Commission's proposals for the next period are implemented, how likely they are to be applied for the 2021-2027 programme period. For those elements which have not yet been implemented – the 2021-2027 period and some parts of the 2014-2020 period – our assessment is based on the design of the systems in place.

VI We found that over these programme periods, the Commission has taken steps to include key design features for an effective system of performance management in both the general financial legislative framework and in the legislation specifically governing Cohesion. These key design features include defining good performance and the necessary conditions to achieve it, how to measure performance, and how to report and evaluate it. The 2014-2020 period in particular saw significant changes.

VII These improvements in the legislative framework have not always been matched, however, by effective implementation on the ground. Furthermore, one of the objectives of the proposed legislation for 2021-2027 is to simplify arrangements. Simplification is an aim that, in principle, we endorse. However, in our view there is a risk that, in seeking simplification, the Commission's proposals reduce the focus on performance.

VIII Our assessment for each of the 14 guiding principles is summarised in ***Table 1*** below. The table shows that progress has been made in making Cohesion policy more performance-oriented, in particular as regards programming. However, there remain a number of areas where there is scope for improvement: strategic planning, policy implementation, the generation and use of performance information in the monitoring/reporting and evaluation phases and ensuring sustainability. Overall, we found that there are insufficient financial incentives for good performance.

Table 1 – Assessment of the Guiding Principles per programme period

Programme periods	Paragraph	2007-2013	2014-2020	2021-2027
1. Principles governing strategic planning				
1. The EU has articulated a clear and consistent vision of what it wants to achieve with Cohesion policy funds, which needs to be owned and operationalised	***14*** to ***23***			
2. The allocation of funding to Member States takes account of identified needs and is informed by performance information	***24*** to ***29***			
2. Principles governing programming				
3. A clear intervention logic exists	***31*** to ***38***			
4. Funding is well targeted	***39***			

5. A simple and consistent performance measurement framework is in place	***40*** to ***49***			
6. Mechanisms to incentivise performance are in place	***50*** to ***56***			
3. Principles governing implementation				
7. Member States spend their Cohesion policy funds in a timely way	***58*** to ***64***			
8. There is a performance-oriented approach when selecting and implementing projects	***65*** to ***71***			
9. Revisions of programmes are informed by performance considerations including results	***72*** to ***78***			
4. Principles governing monitoring and reporting				
10. Monitoring systems ensure timely performance data of good quality	***80*** to ***90***			
11. There is clear accountability for performance	***91*** to ***98***			
12. Performance information is used to take remedial action and support the strategic planning process	***99*** to ***104***			
5. Principle governing evaluation				
13. Evaluations at programme and policy level are used for decision making	***106*** to ***113***			
6. Cross-cutting principle				
14. Sustainability is built into the cycle to ensure the longer-term effectiveness of public interventions	***114*** to ***124***			

Source: ECA. Red: Few of the underlying criteria are met. Yellow: Underlying criteria are met in some respect. Green: Underlying criteria are met in most respects.
Note: The Commission does not share the Court's assessment with regard to some guiding principles, including numbers 1 and 9.

IX We have made many recommendations in previous reports on these issues – particularly in relation to ***GPs 1*** and ***9*** which are marked in red for 2021-2027 in ***Table 1*** above. We have also pointed to the need to minimise delays throughout the cycle. Cumulative delays in implementation, together with overlapping eligibility periods, shift the focus away from performance considerations towards spending money.

Introduction

Performance in the EU

01 The European Union (EU) spends around €140 billion each year. In recent years, there has been an increased focus on the extent to which this spending leads to positive benefits – performance. In EU legislation, performance tends to be referred to as "sound financial management". According to the Financial Regulation, "sound financial management" means implementation of the budget in accordance with the principles of economy, efficiency and effectiveness, which it defines as follows[1]:

- Economy – resources to be made available in due time, in appropriate quantity and quality and at the best price;
- Efficiency – the best relationship between resources employed, activities undertaken and objectives achieved;
- Effectiveness – the extent to which the objectives pursued are achieved through the activities undertaken.

02 The principle of economy relates to the inputs needed. Efficiency and effectiveness both involve what is achieved with these inputs, and therefore cover:

- outputs – the deliverables of a programme; an airport, for example;
- results – the immediate effects of the programme on direct addressees or recipients; the number of passengers using the airport;
- impacts – longer term changes that are, at least partly, attributable to the EU action; the economic benefits derived from the airport (other factors might also be relevant, such as carbon emissions).

Cohesion

03 This briefing paper examines the performance orientation of one of the most important areas of EU activity – Cohesion. Cohesion policies are designed to deliver one of the principal aims of the EU: "to promote economic, social and territorial cohesion among Member States"[2].The evolution of how Cohesion funding and priorities have developed is shown in ***Table 2***. The table shows that:

- Funding increased significantly from the outset, but has been more or less constant since the 2007-2013 period.
- Before the 2007-2013 period, there was no stability in terms of the funds which contributed to Cohesion. Since then they have remained the same.
- Since the 2007-2013 period, the objectives of Cohesion have widened to include territorial (i.e. cross-border) cooperation, and objectives stemming from the EU's long-term 10-year strategies[3].
- As at June 2019, there is no successor to the Europe 2020 strategy to which Cohesion spending, like other policy areas, will have to contribute.

Table 2 – Evolution of EU Cohesion funding and priorities

Programme period	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Budget (% of total budget)	69 billion ECU* (20 %)	168 billion ECU* (30 %)	€235 billion (33 %)	€347 billion (36 %)	€355 billion (37 %)	€330 billion (34 %)
Funds	ERDF, ESF, EAGGF Guidance Section	ERDF, ESF, EAGGF Guidance Section, FIFG and CF	ERDF, ESF, EAGGF Guidance Section, FIFG and CF	ERDF, ESF, CF	ERDF, ESF, CF	ERDF, ESF, CF
EU wide strategy reflected in the Cohesion legislative framework	-	-	[Lisbon 2000-2010]**	Lisbon 2000-2010 Europe 2010-2020	Europe 2010-2020	-
Investment objectives	**5 priority objectives:** — promoting the development and structural adjustment of regions; — addressing industrial decline; — combating long-term unemployment;	**6 priority objectives:** — promoting the development and structural adjustment of regions; — addressing industrial decline; — combating long-term unemployment	**3 priority objectives:** — promoting the development and structural adjustment of regions; — conversion of areas facing structural difficulties; — modernisation of systems of	**3 priority objectives:** — growth and employment of the least developed regions; — competitiveness of all other EU regions; — cross-border co-operation.	**11 thematic objectives:** — research & innovation; — information and communication technologies (ICT); — competitiveness of SMEs; — low-carbon economy;	**5 policy objectives:** — innovative & smart economic transformation; — a greener, low-carbon Europe; — mobility and ICT; — EU Pillar of Social Rights; — sustainable development of

Programme period	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
	— occupational integration of young people; — reforming CAP and promoting rural development.	and occupational integration of young people; — adaptation of workers to industrial changes; — promoting rural development; — regions with an extremely low population density.	education, training and employment.		— climate change adaptation & risk prevention and management; — environmental protection & resource efficiency; — sustainable transport; — promoting employment & supporting labour mobility; — social inclusion; — education and training; — institutional capacity building.	urban, rural and coastal areas and local initiatives.

Source: Based on Commission, Inforegion Panorama no 26, June 2008 (for periods 1989-1993, 1994-1999, 2000-2006, 2007-2013 "Budget", "Funds", "Investment objectives"), Commission figures (for periods 2014-2020 and 2021-2027 "Budget") and previous ECA audit work.

* The European Currency Unit (ECU) was a basket of the currencies of the European Community Member States, used as the unit of account before being replaced by the "Euro" on 1 January 1999, at parity.

** The Lisbon strategy took effect around the same time as the 2000-2006 programme period, but was not reflected in the Cohesion legislative framework for that period.

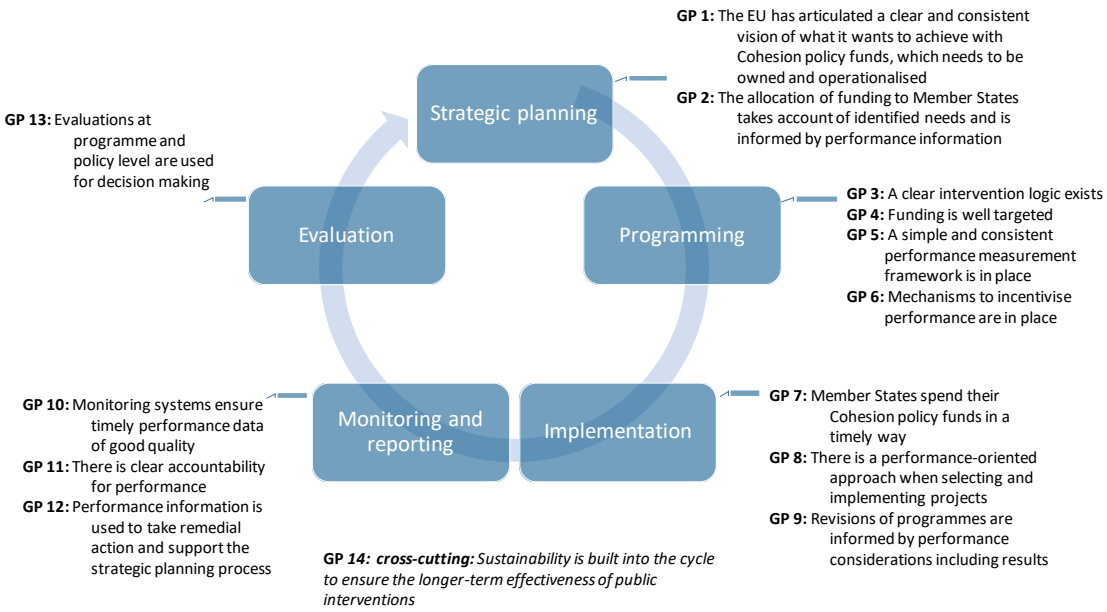
Objective and approach of the briefing paper

04 This briefing paper is not an audit report. Drawing mainly on our extensive audit work in the past years, it provides an overview of the extent to which the design and implementation of Cohesion policy has been focused on performance, rather than complying with the rules. We consider that this should be useful for all those involved in planning the arrangements for the next programme period, at both EU institution and Member State level.

05 We first assess how the evolution of key design features has evolved towards an effective system of performance management. We do this for both the general legislative framework (and other Commission initiatives), and for the EU legislation specifically governing Cohesion.

06 We then identify a set of 14 guiding principles that we consider necessary to make Cohesion policy performance-oriented. These principles are not designed to provide a comprehensive framework and may not all directly apply to other EU policy areas; they reflect the main issues that we have identified in our performance audit work. They relate to the full cycle of managing the policy, from planning at the outset to evaluation on completion. ***Picture 1*** below sets out the guiding principles in relation to the five main management stages (brief descriptions of the management stages are included in the analysis of guiding principles later in this document). One of the principles (ensuring sustainability) is cross-cutting, and applies to a number of these stages.

Picture 1 – Cohesion policy implementation cycle



Source: ECA.

07 We developed these guiding principles using our judgement as experienced auditors in the field, and assessed them primarily on the basis of our own work in the area in the last decade (69 reports in total, together with the Commission replies). This was supplemented by reviews from other sources, both within the EU institutions (e.g. European Parliament studies, reports from the Commission's Internal Audit Service) and from outside (e.g. the OECD). We analyse how well each guiding principle was applied for the 2007-2013 and 2014-2020 programme periods and, based on the Commission's proposal[4], how they could be covered in the 2021-2027 programme period. We discussed this briefing paper with the Commission and took account of its comments where appropriate.

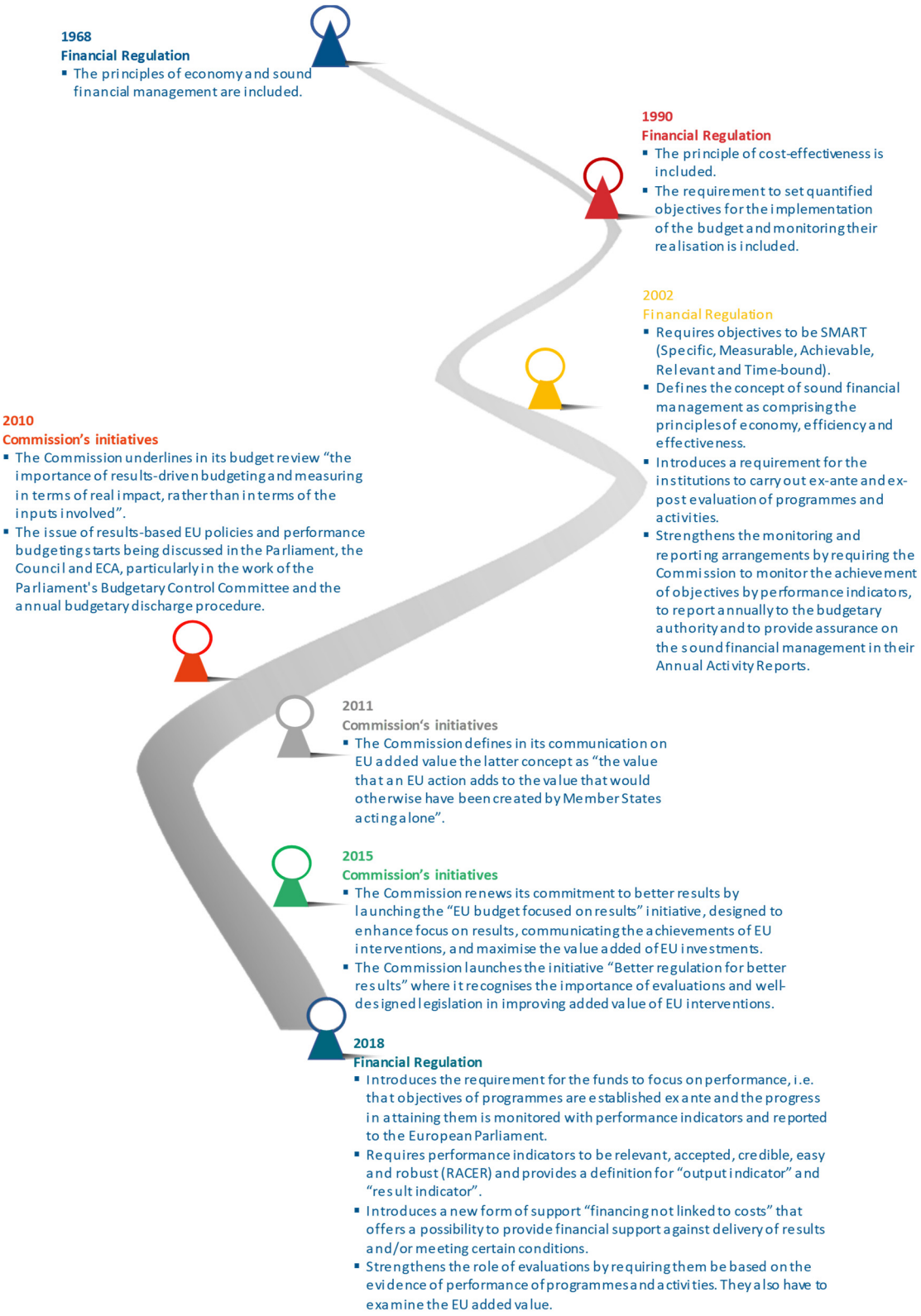
Performance orientation in Cohesion

Developments in the legislative framework for performance management

08 This section provides a high level overview of how performance orientation has been designed in the legislative framework. The following section examines this issue for each guiding principle, and also assesses how well the Commission and Member States together have implemented the arrangements.

09 Moves to increase the performance orientation of the EU budget have gathered pace in recent years. ***Figure 1*** shows that the Commission has gradually included in its general legislative framework (and Commission initiatives) key design features needed for an effective system of performance management. This includes definitions of performance and sound financial management, the use of robust objectives and indicators, and structured evaluation of what has been achieved.

Figure 1 – Evolution of key design features for performance at EU level



Source: ECA, based on the review of the Financial Regulations and other Commission documents.

10 Performance orientation within Cohesion has reflected these EU-level developments, gaining political momentum in the preparation of the 2014-2020 programme period. With a view to meeting the objectives and targets set in the Europe 2020 strategy, in 2010 the Commission emphasised the need to improve the effectiveness of Cohesion policy by focusing on results[5]. Consequently, ensuring result orientation was, according to the Commission, the cornerstone underpinning the adoption of the legislative package for the programme period 2014-2020[6]. Similarly, result orientation is one of the Commission's main objectives underpinning its proposals for the 2021-2027 period. The Commission points in particular to the need for strengthened alignment between funding and EU priorities[7].

11 ***Annex I*** provides more detail on how the EU's general move to become more performance-oriented has been reflected within the area of Cohesion. It illustrates the extent to which those elements which are, in our view, key to the effective use of EU funds have been incorporated in EU legislation specifically governing Cohesion. The annex shows that an increasing number of these elements featured in the Cohesion legislation up to the 2014-2020 period, but that some elements have been lost in the current proposals for 2021-2027 in the context of the Commission's attempts to simplify Cohesion policy.

Guiding principles

12 For each of the 14 guiding principles, we present our assessment for the three programme periods, together with the main reasons. We also provide more details in terms of the criteria we used to come to our assessment, supported by examples from our reports. Since the implementation cycle is continuous, there are many links between the different guiding principles.

1 – Principles governing strategic planning

13 The process starts with strategic planning at EU level, where the priorities for the EU as a whole (such as the Europe 2020 strategy) and for Cohesion policy specifically are determined by the Commission, Council and European Parliament. It is also during this process that, for a specific multiannual financial framework (MFF), the budget for the policy and the rules for its use are fixed by the co-legislators. There is traditionally a set of common rules – the Common Provisions Regulation (CPR) – applying to the three Cohesion funds (ERDF, ESF and CF) and some other Funds, complemented by rules which are specific for each Fund. For this stage there are two guiding principles, relating to articulating a vision and allocating funding to Member States.

1	The EU has articulated a clear and consistent vision of what it wants to achieve with Cohesion policy funds, which needs to be owned and operationalised	2007-2013	2014-2020	2021-2027

14 The starting point of any strategic planning is a clear vision of what funding is designed to achieve. This is a challenge in view of the complicated strategic framework in which the EU operates. For the 2014-2020 period, the EU strategy (Europe 2020) was translated into Cohesion policy – which was not the case for the 2007-2013 period. For 2021 to 2027, there is no overarching EU-wide strategy to which Cohesion spending should contribute[8]. And some weaknesses remain: competing, unaligned sets of strategic objectives which are sometimes unrealistic and which may not always be fully owned by all stakeholders or operationalised.

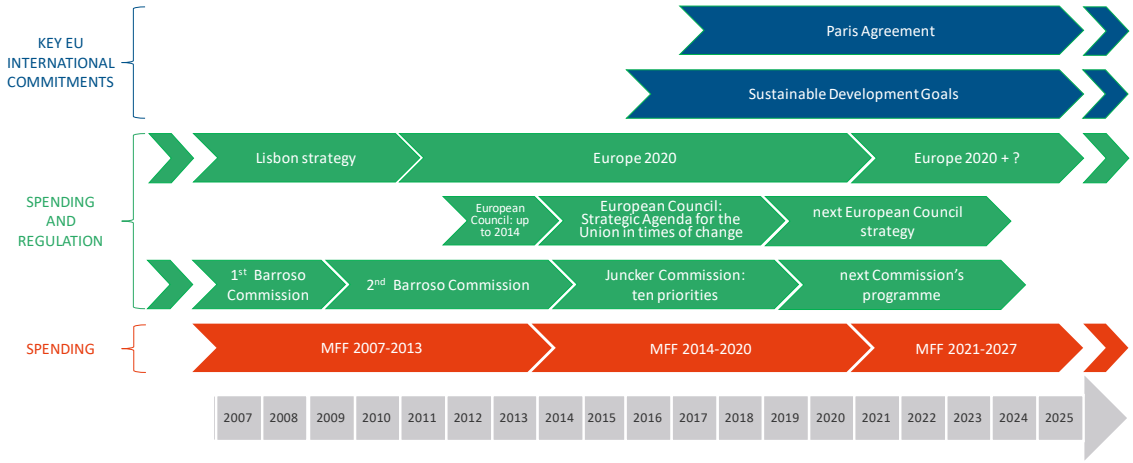
1. EU Cohesion policy should be set in a strategic context, with associated strategic objectives and targets

15 The EU-wide strategies setting out EU strategic objectives with targets covering the 2007-2013 and 2014-2020 periods provided strategic orientation[9] for the implementation of the Cohesion funds. There is currently no such equivalent EU-wide strategy for the post 2020 period[10]. For Cohesion, the Commission proposes in the CPR five high-level policy objectives. This has the advantage of providing continuity of funding in that it supports the same areas prioritised in the 2014-2020 period[11]. If a new, overarching strategy is developed for the post 2020 period, it will follow the agreement of the new MFF. This is not the customary or logical sequence of events, in which public budgets are determined after the setting of political objectives and designing policies[12].

2. Different sets of strategic objectives covering different timelines and objectives should be avoided

16 The strategic environment in which the Cohesion policy funds are implemented comprises a set of overlapping strategic frameworks/objectives[13], resulting from complex political processes at European and global level. ***Figure 2*** shows that the EU's primary 10-year strategies (Lisbon strategy and Europe 2020) are overlaid with a series of other commitments such as the Commission's priorities and plans to meet EU international commitments (such as the Paris Agreement on climate). In parallel, the Cohesion policy funds also have to pursue their specific missions.

Figure 2 – Overlapping and unsynchronised strategic frameworks and objectives for EU action



Source: Briefing paper "The Commission's proposal for the 2021-2027 Multiannual Financial Framework", Figure 6.

17 This coexistence of multiple strategic frameworks and objectives with overlapping periods, objectives, indicators and targets is complex and can be confusing[14]. We reported that while the Lisbon strategy (2000-2010) was adopted at the same time as the MFF period 2000-2006, this was not the case for the Europe 2020 strategy (covering 2010-2020) which was adopted in the middle of the 2007-2013 MFF period – when the monitoring, evaluation and reporting arrangements were already in place. As a result, it was not possible to report effectively on the contribution of the EU budget to the EU strategy[15].

18 A number of external sources have also drawn attention to this issue and in particular to "goal congestion", leading to difficulties for the strategic and operational delivery of the policy and raising challenges for coherence[16]. In such a scenario, it is a challenge to ensure a coherent approach to the implementation of the Cohesion policy.

3. Strategic objectives should be realistic

19 We have identified a number of instances where strategic objectives are not realistic, falling into two broad categories: strategic objectives are not always set at the right level or they do not take account of the funding available.

2014 annual report

Example of strategic objectives not set at the right level: We reported on the way that the EU 2020 headline targets were developed from separate targets for each Member State. For two headline targets, even if each Member State were successful in achieving its own national targets, the overall headline target at EU level would still not be achieved[17].

Special report on a single European rail traffic management system

Example of strategic objectives not taking account of the funding available: We found that the deployment of a new rail traffic management system had been based on a strategic political choice. Even though it proved to involve costs of up to €190 billion by 2050, it was launched with no overall cost estimate or appropriate planning[18].

4. Strategic objectives should be owned by all stakeholders

20 Member States do not always share the EU's ambitions, and the framework within which the EU operates is not always legally binding, relying instead on goodwill. These factors mean that Member States may have limited incentive to implement EU policies.

Special report on a European high speed rail network, and Landscape review on transport

We found in our audit on a European high-speed rail network that Member States did not build high-speed train lines if they were not considered a national priority, even if situated on a transnational corridor and part of the core network. Moreover, the Commission had limited enforcement tools or powers with which to hold Member States to their commitments to build the high-speed lines that were needed to complete the core network[19].

21 We did report on one example where the absence of binding legislation did not prevent EU-level ambitions from being shared by Member States. We found that the EU education objectives had been adequately considered in the operational programmes and related projects for 2007-2013 and in the design of programmes for the 2014-2020 programme period. This was despite the fact that education policy is a full and exclusive competence of Member States and that EU strategies are adopted in the form of Council conclusions, which are not legally binding for EU Member States[20].

5. Strategic objectives should be translated into operational objectives

22 Sometimes the Commission or Member States do not translate the strategic objectives into operational objectives[21]. Where this is the case, the high-level objectives risk remaining solely political aspirations. The importance of this operationalisation has also been recognised by the European Parliament[22].

Special report on Broadband in the EU Member States

Member States' strategies for the implementation of EU's investments in broadband in the 2014-2020 period were not consistent with the overarching Europe 2020 strategy. While some set targets that were more demanding than those in the Europe 2020 strategy, none of the Member States examined included in their strategy a national target relating to one of the three EU targets: take-up by 50 % of households to ultra-fast broadband[23].

23 For 2014-2020, the Commission sought to translate the Europe 2020 strategic objectives into Cohesion policy through the inclusion of thematic objectives broken down to investment priorities linked to the Europe 2020 headline targets. The potential benefits of this move were recognised by the OECD[24], Commission[25] and the Parliament[26]. In practice, however, below the political Europe 2020 aspirations, there was a complex architecture comprising five headline targets, seven flagship initiatives and 11 thematic objectives; and these various tiers were not, either individually or as a whole, designed to translate the political aspirations of Europe 2020 into useful operational objectives[27]. In addition, we found that all examined Member States except one failed to translate the Europe 2020 headline targets in the operational objectives in the programmes[28]. Also, the Commission stressed that Europe 2020 headline targets can only succeed with strong national and regional participation and ownership on the ground[29].

2	The allocation of funding to Member States takes account of identified needs and is informed by performance information	2007-2013	2014-2020	2021-2027

24 For Cohesion policy — the total funding available is pre-allocated to Member States[30]. In March 2019, we published a rapid case review providing more details on the proposed process for pre-allocating Cohesion policy funds to Member States for the next programme period 2021-2027[31].

25 The allocation method has not changed substantially since it was first introduced in 1999. The main factor for allocating funds is regional prosperity, based on GDP per

capita[32] - see ***Table 3*** below. The link to some of the strategic objectives pursued has increased but remains limited.

Table 3 – Criteria for allocating Cohesion funding to Member States

Criterion	2007-2013	2014-2020	2021-2027
GDP (incl. GNI for Cohesion Fund)	83 %	86 %	81 %
Labour market, education, demographics	17 %	14 %	15 %
Climate			1 %
Migration			3 %
Total	**100 %**	**100 %**	**100 %**

Source: Presentation "EU budget for the future: Regional development and Cohesion" by the Commission (for periods 2014-2020 and 2021-2027) and Commission estimate (for period 2007-2013).

26 Pre-allocations to Member States, according to the Commission, limit the budget's responsiveness to evolving needs. Except for a technical adjustment which takes place once during every programme period, there is no flexibility for re-allocating funds between Member States throughout the programme period[33]. The OECD considers that this inflexible aspect of the MFF marks a distinct departure from the practices of national budgeting, where annual or periodic reallocation of resources in response to changing priorities – and indeed in response to evaluations of performance and results – is the norm. The OECD adds that, in practice, national stakeholders see the allocations, once settled in the MFF context, as "their" money that should not be adjusted, except in extremis[34]. We have noted in previous audits that it is a challenge to obtain good qualitative results from schemes where absorption of funds by Member States is an implicit objective[35]. We consider that the allocation of funding should take account of needs and be informed by past performance information.

1. The allocation of funding to Member States should be based on the identified needs and objectives pursued

27 This implies that there should first be a needs assessment at Cohesion policy level taking into account both the Treaty-based objectives (e.g. reduce regional disparities) and other relevant strategic objectives (e.g. EU 2020 Headline target: Increasing combined public and private investment in R&D to 3 % of GDP). This needs assessment should be translated into policy objectives, taking into account the limited EU funds available. The allocation of funding to Member States and their regions should be in line with these policy objectives.

28 As our recently-published rapid case review (paragraph ***24***) sets out, the method for allocating funds takes account, to a certain extent, of Treaty based objectives (such as GDP) and evolving strategic objectives (such as some Europe 2020 related criteria). But the Commission has not attempted to allocate funding in a consistent and structured way based on needs and strategic objectives.

2. The allocation of funding to Member States should be informed by information on past performance

29 The OECD assessed that, despite the highly developed nature of the EU performance budgeting framework, the EU scores relatively similar to OECD countries in terms of how performance information is used to support budgetary decisions. However, it judged that the linkages between performance information and broader resource allocation policy are weak[36].

2 – Principles governing programming

30 The CPR also sets the framework for the next phase, programming by the Member States. During this phase, plans for a specific programme period are developed in detail at Member State level through the formulation of a country strategy[37] and related programmes. The Commission negotiates with the national authorities on the content of both sets of programming documents before adopting them. For this stage there are four guiding principles, relating to intervention logic; targeting funding; performance measurement framework; and incentives.

3	A clear intervention logic exists	2007-2013	2014-2020	2021-2027

31 Intervention logic refers to the process of identifying which needs EU funding is designed to address, and how this might be achieved. As a first step, Member States should identify their national needs. This provides the basis for formulating objectives, targets and required funding. A similar exercise should then be repeated at the level of the programmes, where the national objectives should be translated into operational objectives. At this level, Member States should set out the links between inputs, actions, outputs and results.

32 The Commission identified a strong intervention logic as one of the pillars of the result orientation in the 2014-2020 programme period. This was largely reflected in the 2014-2020 legislative framework through, for example, the mandatory articulation of the needs at the national level, and mandatory *ex ante* evaluations of each

programme focusing on the clarity of the intervention logic[38]. These steps led to a clearer presentation of the intervention logic at both partnership agreement and programme level[39]. The European Parliament also found that the intervention logic of programmes improved and that result indicators for the 2014-2020 programme period were better developed[40].

33 The draft proposal for 2021-2027 programme period dispenses with some of the elements that contributed to a clearer intervention logic, notably the mandatory assessment of needs in the partnership agreement and the mandatory *ex ante* evaluation of programmes[41].

34 Weaknesses in the design of intervention logic have represented one of our most frequent findings, featuring in more than half of the special reports we analysed.

1. There should be an adequate needs assessment

35 The starting point for programming at both partnership agreement and programme level should be identifying the needs to be addressed by the policy. This has not always been the case.

Special report on a European high-speed rail network

We found that the quality of the assessment of needs underpinning Member States' investments in high-speed rail infrastructure is low. Alternative solutions, such as upgrading existing conventional lines instead of building new high-speed lines, were only considered systematically in two of the six visited Member States (Italy and Germany)[42].

2. Objectives and expected results should reflect the needs

36 The second step after the analysis of needs is setting of SMART (specific, measurable, achievable, realistic, time-bound) objectives at the national and programme level that reflect what the Member States aim to change with the funds. We found that objectives do not always reflect the needs and/or are unclear.

Special report on Youth unemployment

For the 2014-2020 period, we found that Member States did not create adequate strategies with clear objectives to reach all unemployed young people that were neither in employment, education or training (NEET). Indeed, some Member States

did not target all young people but only a subpopulation. We found that inactive people, most detached from the labour market, benefited least from the support[43].

3. There should be an adequate assessment of the funding needed to achieve the objectives set

37 There should be adequate assessment of the required funding needed to achieve the objectives set. This has not always been the case.

Special reports on implementing the EU budget through financial instruments and on Financial instruments for SMEs co-financed by ERDF

Both reports highlight shortcomings in the assessment of market needs justifying the allocation of funds to financial Instruments for the 2007-2013 period[44]. In particular, we found that a significant number of financial instruments were oversized, which indicated that market needs had not always been properly assessed by managing authorities before allocating funds from the programmes to financial instruments. This led to excessive capital endowments when setting up the financial instruments, which resulted in low disbursement rates[45].

4. The actions should be designed to achieve objectives and results

38 A clear intervention logic also requires the identification in the programmes of the most suitable actions to achieve the objectives and results sought. In a number of our reports, we found that these actions were not clearly linked to the objectives and/or did not sufficiently focus on results[46].

4	Funding is well targeted	2007-2013	2014-2020	2021-2027

39 EU funding should be targeted so that its impact is maximised[47]. Cohesion policy funds should thus focus on areas of real potential and strength rather than being spread thinly over unrelated areas. The 2014-2020 period introduced two instruments designed to improve the targeting of funding:

- Financial concentration – requiring all Member States to allocate a certain proportion of their funding to common priority areas supporting the implementation of the Europe 2020 strategy. This requirement is also proposed for the 2021-2027 period[48], even if it is no longer linked to an EU-wide strategy. We found that for the examined Member States the thematic concentration requirements set out for the 2014-2020 period were met and sometimes even exceeded[49]. We also found that they had a strong impact on setting adequate

priorities for funding[50]. The European Parliament has also acknowledged the positive contribution of this measure in terms of targeting funds in line with the overarching EU strategies[51].

- Qualitative concentration through strategic *ex ante* conditionalities[52]. The latter further prioritise the target groups/areas of interventions (e.g. focus on long term unemployed people or focus of on areas such as smart specialisation). In our previous audits related to the 2007-2013 programme period, we found a number of weaknesses in targeting funds on needs (see ***GP No 3***, part 1 above)[53]. We therefore welcome the introduction of strategic *ex ante* conditionalities in 2014-2020 as a way of addressing this issue[54], although its impact is yet to be seen. *Ex ante* conditionalities are strengthened in the Commission's proposal for the 2021-2027 period (where they are known as "enabling conditions")[55].

5	A simple and consistent performance measurement framework is in place	2007-2013	2014-2020	2021-2027

40 To assess whether the EU's objectives are being met, the Commission needs relevant, reliable and timely information on outputs and results derived from a robust performance management system.

41 The period 2014 – 2020 brought with it an improvement concerning the framework for measuring performance in Cohesion policy through elements such as the mandatory inclusion of output and result indicators in the programmes (accompanied by baselines and targets) and common indicators, facilitating aggregation within and across Member States. For the period 2021-2027, the Commission proposes to further strengthen the performance measurement framework by introducing for the first time a consistent definition of "output" and "result" indicators as well as common output and result indicators for all funds.

42 In practice, our audits have found a number of weaknesses in Member States' performance measurement systems.

1. There should be a clear and consistent definition of "output" and "result"

43 A harmonised definition of outputs and results helps consistency[56] – particularly important in the context of the introduction of direct performance budgeting, linking funding with results. We reported on the lack of consistent definition of "output" and "result" and its consequences.

Special report on selection and monitoring procedures of the ERDF and the ESF in the 2014-2020 period

We concluded that the concept of a "result" is interpreted differently in the fund-specific regulations (ERDF vs ESF) and we identified the risk that a meaningful aggregation of performance data (in particular regarding results) may not be feasible at EU level[57].

44 In its proposal for the 2021-2027 period, the Commission has, for the first time, introduced a definition of "output" and "result" indicators[58].

2. There should be an adequate framework for measuring performance including quantified output and result indicators with baselines, milestones and targets

45 A framework for measuring performance should include output and results indicators. These indicators should be accompanied by quantified baselines, milestones and targets to allow measurement of the progress towards the objectives set. Milestones are also particularly important for 2014-2020 as they constitute the basis for the allocation of the mandatory performance reserve.

46 In a number of reports we have found problems with the way that output and/or result indicators were used.

Briefing paper: The integration of migrants from outside the EU

We found that most Member States do not have a complete overview of the number of migrants supported and/or of the amount spent on integration measures. At EU level, a set of common core indicators ("Zaragoza") represents a step forward in understanding integration in the EU, but not all Member States use them and, according to the Commission, there are some limitations in these indicators[59].

47 More generally, we reported that for the 2014-2020 period, the regulations set different requirements in terms of baselines, milestones and targets for the different funds. Baselines are not always required and milestones are required only for those indicators which form part of the "performance framework". Targets for results do not always have to be quantified[60].

3. There should be common indicators that allow performance data to be aggregated

48 For the Commission to be able to aggregate performance data at EU level and measure their contribution to the overall EU objectives, it needs common indicators,

including indicators on results, shared by funds where possible and used consistently by all Member States[61]. We reported on the absence of common indicators in the 2007-2013 period[62]. For the 2014-2020 period, the legislative framework introduced a set of common output indicators for all three funds forming the Cohesion policy (ERDF, CF and ESF) as well as common result indicators for ESF. This change was an important step in the right direction but some elements in the design of the system for common indicators risk limiting their usefulness and relevance, and thus the Commission's ability to aggregate performance information[63] such as:

- Member States are not systematically required to include common indicators in their programmes. However, the Commission's reporting on performance is based on these common indicators (for example, the Commission's management plans and annual activity reports for the cohesion family of funds are solely based on the common indicators). Therefore, there is a risk that the inconsistent use of common indicators will have a significant knock-on effect on the quality of reporting by the Commission[64].

- Each Cohesion policy fund has common output indicators. However, the CF and ERDF have no common result indicators. It will therefore be difficult for the Commission to aggregate information on results for these funds[65]. For the 2021-2027 period, the Commission has proposed for the first time a set of common result indicators for each fund[66].

4. Performance information reported by Member States to the Commission should be limited to what is strictly needed

49 Performance information should only be generated if it is used[67] i.e. to take corrective action and support the strategic planning process at EU level. For the 2014-2020 period, the Member States defined around 9 000 different indicators to measure the performance of Cohesion spending. We pointed out that most are programme-specific and that the Commission will therefore not be able to aggregate and use these data in a meaningful manner at a higher, EU level. Furthermore, Member States need to collect all the information and report it on time. According to the Commission, this monitoring framework is a major factor contributing to the administrative cost for authorities and burden to beneficiaries. This number of indicators was excessive and resulted in a data overload[68]. Member States may find programme-specific indicators useful for the management of their programmes. The proposed 2021-2027 regulation offers the possibility for Member States to continue using programme-specific indicators, with the continued risk of data overload[69].

6	Mechanisms to incentivise performance are in place	2007-2013	2014-2020	2021-2027

50 It is important that incentivising mechanisms, designed to link performance to EU funding, are put in place. The 2014-2020 period introduced financial rewards and sanctions, designed to incentivise better performance.

- *Ex ante* conditionalities required a Member State to meet regulatory, institutional and strategic conditions before programme implementation is launched or at the latest by the end of 2016. The Commission has the possibility to suspend all or part of interim payments if Member States fail to fulfil the applicable *ex ante* conditionalities. This mechanism is strengthened in the Commission's proposal for the 2021-2027 period for enabling conditions.

- A mandatory performance reserve, making 6 % of the allocation to a Member State conditional on meeting certain milestones, specified in the relevant programme. The Commission also has the power to impose financial penalties for failure to meet milestones and targets[70]. The Commission proposes to remove the performance reserve in the 2021-2027 period. It intends to take account of performance - amongst other considerations - through the introduction of the mid-term review of each programme in 2025 linked to the re-programming of funds.

- Direct performance budgeting linking payments against the delivery of results. For 2014-2020, the Commission introduced Joint action plans, a type of financing that is not linked to the costs of relevant operations but is based on the fulfilment of conditions relating to the progress in achieving objectives. In 2018, the Financial Regulation was revised and introduced a new form of financing: financing not linked to costs (payment would be based on the fulfilment of conditions or on the achievement of results). This new form of financing is also included in the Commission's proposals for the 2021-2027 period.

51 In practice, we have found weaknesses in some aspects of both the design and the implementation of these mechanisms. These weaknesses limit the incentivising effect of these mechanisms.

1. The incentivising mechanisms should cover results

52 To incentivise performance, it is key that the incentivising mechanisms put in place cover the achievement of results. The design of the method for allocating the performance reserve did not focus on results, but rather on outputs and inputs[71].

When we examined the implementation of the performance reserve, we found that nearly all indicators used for the allocation of the reserve were either output or input related and that the use of result indicators was marginal[72].

53 In terms of the new form of financing based on results envisaged for the 2021-2027 period, the ultimate success of the proposal will largely depend on whether the Commission and the Member States can avoid the tendency to revert to payment for inputs and outputs, and to ensure that the type of conditions that need to be achieved to trigger the payment are linked to genuine performance considerations[73]. The same consideration applies to the proposed mid-term review for 2021-2027[74].

2. The incentivising mechanisms should be applied and lead to real financial benefits or sanctions

54 To be credible, it is important that the incentivising mechanisms are applied and lead to real financial benefits or sanctions. At both programme and project level, this is not always the case. The achievement of performance objectives – i.e. results – generally has no impact on the level of funding:

- At the programme level, the Commission decided not to impose any suspensions of payments to the programmes, despite the fact that a large number of *ex ante* conditionalities had not been fulfilled[75]. In this context, the World Bank noted that the "stick" of withdrawing financing has proven to be difficult to implement for political reasons[76].

- The incentivising effect of the performance reserve was weakened by the fact that if relevant milestones are missed, the performance reserve funding is not lost to the Member State but can be reallocated elsewhere[77].

- Furthermore, at the end of a programme period, the payment of a final balance by the Commission to a Member State in the context of the programme closure process is not directly linked to the achievement of targets[78].

55 By May 2018, no Member State had made use of the possibility to use the Joint action plans, one of the three main mechanisms designed to incentivise performance[79]. Following a call for proposals, in January 2019 the Commission awarded two pilot Joint action plans under ESF that will run in the Netherlands and Portugal.

56 At the project level, in only very few cases does the achievement of performance objectives have an impact on the level of EU funding.

2014 annual report

In one case, the grant agreement for an ERDF project in Romania stated that the beneficiary had to return part of the grant received if the result indicators defined in the grant agreement were not met when the project was completed. However, although the result indicators were not fully achieved, there was no impact on the beneficiary in terms of the funding received[80].

3 – Principles governing implementation

57 Implementation of the programmes by the Member States and their regions generally starts as soon as the strategic documents and programmes have been adopted by the Commission. It is organised by "managing authorities" in each country and/or region and consists of selecting and implementing projects that should, in theory, contribute to the programme objectives while offering the best value for money. The Commission's role during the implementation phase is relatively limited. For this stage there are three guiding principles, relating to spending in a timely way, selecting and implementing projects, and revising programmes.

7	Member States spend their Cohesion policy funds in a timely way	2007-2013	2014-2020	2021-2027

58 Member States should avoid needing to spend a significant portion of Cohesion policy funds at the end of the programme period, since the pressure to spend funds may lead to insufficient consideration of value for money[81]. Our audits show that delays in implementation pose risks to the achievement of the objectives of programmes and may lead to the selection of low quality projects at the end of the programme period. In the programme period 2007-2013 the rate of spending was slow[82] and in the 2014-2020 period even slower. By April 2019, the 6th year of the current MFF, according to a Commission estimate Member States had spent 27 % of the EU funding available to them. Whilst no guarantee of more timely implementation, the simplification measures proposed by the Commission for 2021-2027 may lead to more rapid programme implementation in the Member States.

1. Programme implementation should start as early as possible in a programme period

59 The adoption of the legislative framework is an essential pre-requisite for the preparation of programmes, because it provides legal certainty to Member States that their spending plans and objectives as set in the programmes are in line with EU

objectives. In turn, the adoption of the programmes by the Commission marks the start of payments from the EU budget towards a programme[83].

60 For both programme periods 2007-2013 and 2014-2020, the late adoption of the legislative framework contributed to the late adoption of the programmes[84]. In addition, for the 2014-2020 period, we noted that there were quality issues with the initial drafts of programming documents submitted by Member States[85]. For the 2014-2020 period, the legislative package for Cohesion policy was adopted in December 2013, only 2 weeks before the start of the programme period, 5 months later than the equivalent for the previous period[86]. By December 2014, 1 year into the programme period 2014-2020, only 64 % of the programmes under the "Investment for growth and jobs" goal had been adopted. This has an inevitable knock-on effect on the implementation of the allocated funds and low level of payments in the first years[87]. To address the problem of the late adoption of the legislative framework, the Commission has encouraged an early political agreement on the post-2020 MFF and adopted its proposals for post 2020 in May and June 2018, 30 months before the start of the new programme period - in line with the time frame we proposed in one of our special reports[88].

61 Deadlines for the submission of the Partnership Agreements and programmes were included for the 2007-2013 and 2014-2020 periods. However, there are no such deadlines in the proposal for 2021-2027[89]. On the other hand, these proposals include some simplification measures which may help timely implementation, such as a simpler "designation" process, and including templates for programming documents[90]. However, these measures can themselves not guarantee the timely adoption of programmes if there are delays in the adoption of the legislative package.

2. Delays in implementation of projects should be avoided

62 Member States are responsible for implementing Cohesion projects in a timely manner. Over time, we have repeatedly reported on delays in the implementation of EU co-financed projects and their causes[91]. Such delays may also jeopardize the achievement of the objectives/targets at programme level[92]. This is particularly true for Member States where EU funds account for a significant part of public investments.

3. Overlapping eligibility periods should be avoided as far as possible and the closure procedure should be finalised promptly after the end of the eligibility period

63 An additional explanation for the slow start in spending is that half way through the programme period, Member States are still able to use funds from the previous period[93]. These overlapping eligibility periods mean that Member States are allowed to

continue spending beyond the end of the programme period, for 2 years for the 2007-2013 period, and for 3 years for 2014-2020[94]. For 2021-2027, the proposal is to revert back to 2 years, which we have welcomed as a first step in the right direction towards aligning eligibility as far as possible with the programme period[95]. After the end of this eligibility period, the closure process – in which Member States prepare and submit their closure documents and the Commission assesses them – adds at least 2 further years.

64 The timely implementation of programmes depends on the availability of human resources. Extended eligibility periods and the closure process ties up these resources[96], creating a disincentive to start the programmes of the next programme period, and therefore affecting timely implementation[97].

8	There is a performance-oriented approach when selecting and implementing projects	2007-2013	2014-2020	2021-2027

65 To achieve policy effectiveness, it is not only important to set a clear intervention logic in the programming phase (see ***GP No 3***). It is essential that a results-oriented approach is followed through during the selection phase of projects and during their implementation, as it is mainly the quality of projects funded and their added value in terms of tangible results which will determine the effectiveness of a policy[98]. In general, the legislative framework has provided for a better consideration of results during the selection and implementation of projects since 2014-2020, but the effective implementation of the rules remains challenging. The European Parliament has stressed that more needs to be done during the implementation stage of programmes to ensure the necessary focus on the delivery of results[99].

1. A result-oriented approach when selecting projects is needed

66 Key elements for a result-oriented approach are as follows:

- The selection process should ensure that selected projects comply with the programme and provide an effective contribution to the achievement of its specific objectives. We have established that for the programmes we visited in the context of our recent audit on project selection, this was the case for the 2014-2020 period[100].

- The criteria for selecting projects should require beneficiaries to define at least one genuine result indicator corresponding to the programme objectives. In the same audit, we found that for the 2014-2020 period the criteria did not take sufficient account of results but mostly focused on outputs and spending[101].

- Projects applying for funding should be assessed and ranked. We found in the same audit that for the 2014-2020 period, projects were generally approved on a first-come first-served basis; as a result funding may not have been allocated to the best projects[102].

- The scope of the selected projects should be clearly justified by the needs and they should be most relevant to the programme objectives. In many of our audits, we find problems with the scope of projects selected for funding. Sometimes this stems from weak intervention logic (needs analysis) at the programming phase (see ***GP No 3***). However even when the intervention logic is clear, poor selection procedures can lead to unsuitable projects receiving funding[103].

67 The draft CPR for the period 2021-2027 proposes to give to the Commission additional powers in approving the selection criteria and introduces additional requirements for managing authorities concerning project selection. This has the potential to increase the result orientation of project selection and cost-effectiveness of the selected projects[104].

2. Performance indicators should be included in contract/grant agreements

68 Performance indicators with targets should be included in contract and/or grant agreements, so that it is possible to measure the extent to which programme objectives are met[105].

69 At project level, for the three periods reviewed the legislation has not explicitly required the inclusion of performance indicators in grant agreements. As a result, we found that it is difficult to monitor to what extent the ERDF projects for the 2014-2020 period contribute to the achievement of the programme objectives[106]. This problem also applies to the ESF, as many grant agreements do not include quantified result indicators[107].

3. Project implementation should be cost-effective

70 The legislation for both 2007-2013 and 2014-2020 periods included a number of measures designed to ensure that the selected projects are implemented in a cost-effective way (optimal relationship between resources employed and results achieved): the requirement to perform cost-benefit analysis for major projects; a cap on funding for revenue-generating projects; and the need to apply public procurement procedures. While maintaining the requirement to apply public procurement law, the proposed legislative framework for 2021-2027 dispenses with the other requirements, which we consider presents a risk to sound financial management[108].

71 We have frequently identified problems with cost-effectiveness in Cohesion funded projects.

Special report on investments in Energy Efficiency

We found that cost-effectiveness was not a determining factor when Member States allocated funding to energy efficiency measures and concrete projects[109].

9	Revisions of programmes are informed by performance considerations including results	2007-2013	2014-2020	2021-2027

72 Reprogramming of funds (transferring funds between programmes and between priorities, changing co-financing rates, or the public/private split of the national contribution) may take place during programme implementation, enabling Member States to realign their operations to take account of changed circumstances. Member States can reprogramme funding by a proposal to amend the relevant programmes, which must be approved by the Commission. To maintain the intervention logic established for programmes, revisions to programmes should be informed by performance considerations, including results[110].

73 The conditions for such revisions provided the Member States with considerable room for manoeuvre for the 2007-2013 period[111]. In this period, we found that amendments to programmes were not always driven by performance considerations but mainly to resolve difficulties in spending all the EU funds available.

74 The legislative framework was strengthened in 2014-2020 by introducing the need to justify the proposed changes to programmes and to assess their expected impact on achieving the Europe 2020 and programme objectives[112], as well as through the introduction of rules regarding changes to performance reserve indicators[113]. However, in the proposals for 2021-2027, while amendments to programmes still need justification and Member States still need to assess their expected impact in relation to the programme objectives, the restrictions concerning indicators have been removed. For 2021-2027, the Commission has proposed a mandatory mid-term review exercise, amending all programmes in 2025 to set the allocations for the last 2 years. We have noted, however, that there is a lack of clarity on how performance will be assessed[114]. Furthermore, the introduction of the scope to make a transfer of funds up to 5 % through a programme amendment without the Commission's approval[115] also increases the risk that changes will be made without any consideration of results[116].

1. Revisions to programmes should include considerations of results

75 We found that revisions of programmes did not always include considerations of results.

Special report on the Commission support for youth action teams

For the 2007-2013 period, we found that the Commission's assessment of the programme amendments proposed by Member States focused mainly on the budgetary aspects of the reprogramming exercise rather than on the best use of the ESF funds[117].

2. Targets should not be revised without justification, but should reflect the level of funding

76 We consider that baselines and targets for performance indicators should be set at the right level from the outset[118] and only be adapted in exceptional circumstances (external factors and changes in budget). Unjustified and frequent revisions of targets undermine the performance orientation in Cohesion policy.

77 We found several cases where frequent and unjustified revisions of targets took place.

Special report on ERDF support to SMEs in the area of e-commerce

For the 2007-2013 period, we reported that meaningful measurement of the progress made was sometimes jeopardised by the fact that indicators and target values were revised, frequently towards the end of the programme period, and not always with proper justification[119].

78 Where significant changes in funding are justified, programme targets should be revised. Failure to do so can impede the assessment of the effectiveness of a programme[120]. We have found that significant changes in funding were not consistently reflected in targets.

Special report on EU education objectives in Cohesion

We found that for two programmes in Italy, the financial allocations to education were reduced by 8 % and 10 % of the initial budget respectively, without either modifying the indicators and their target values or providing an adequate justification[121].

4 – Principles governing monitoring and reporting

79 Both the Commission and Member States have responsibilities for monitoring programmes. At the Member State level, managing authorities monitor the implementation of programmes, aggregate monitoring information and, from 2014-2020, confirm the reliability of the performance data to the Commission. Reporting is closely connected to monitoring and is one of the main elements designed to ensure accountability. Member States submit reports to the Commission throughout the programme periods, which are then used by the Commission as a basis for published strategic reports (e.g. annual summary report, annual activity reports). For this stage there are three principles, relating to timely performance data, accountability and the use of performance information.

10	Monitoring systems ensure timely performance data of good quality	2007-2013	2014-2020	2021-2027

80 Timely performance data of good quality underpin any effective system of performance management. Good performance data are essential throughout the policy management cycle for assessing achievements and judging whether corrective action is needed[122]. Corrective action includes preparing subsequent legislation – and, specifically for 2014-2020, carrying out a meaningful performance review[123] (see ***GP No 6***). This will become even more important in the context of the increased scope to link payments directly to performance.

81 The legislative framework has been reinforced for 2014-2020 compared to the 2007-2013 period by, for example, the introduction of the mandatory electronic exchange of performance information between beneficiaries, Member State authorities and the Commission, and by measures to safeguard the quality of the data at Member State level. The proposals for 2021-2027 maintain these arrangements and also require Member States to transmit performance data every 2 months, which should improve the timeliness of data.

82 A frequent finding in our audits has been deficiencies in relation to the reliability, completeness or timeliness of the information presented by the Member States (where most of the data are generated) to the Commission. The proposals for 2021-2027 make the Member States responsible for the quality and reliability of the monitoring system and for the data on indicators[124]. We however still consider that the proposals are not sufficiently clear about who is responsible for checking the

quality of the data, in particular the role of the Monitoring Committee and the Commission[125].

1. Monitoring systems produce performance data of good quality, available at the right time

83 For all three periods, there is a legal requirement for the Managing Authorities to set up a system enabling the recording and storage of performance data in computerised form. The 2014-2020 period saw a significant improvement in the provisions contributing to the production of performance data of good quality by monitoring systems:

- The Member States could exchange information with beneficiaries by electronic means ("e-cohesion"). This is mandatory in the proposal for 2021-2027.
- The Commission put in place a system enabling Managing Authorities to transmit performance data electronically and in structured form to the Commission (maintained for 2021-2027).
- Arrangements for data collection and processing in relation to result indicators were included in the context of *ex ante* conditionalities. This is proposed to be discontinued for 2021-2027.

84 The proposals for 2021-2017 require Member States to transmit performance data every 2 months, which should improve the timeliness of data.

85 Despite these arrangements, weaknesses in data quality are one of the most frequent issues found in our audits.

Special report on Youth unemployment

All Member States visited had only limited information on the type of assistance that NEETs had received prior to the launch of the Youth Guarantee, on the number of offers/services provided and the related costs. We also noted several inconsistencies and reliability issues in the data reported by Member States, affecting comparability. Problems, including the completeness of data, were noted in Member States that had multiple Youth Guarantee providers but no single harmonised reporting system[126].

2. The quality of this data should be safeguarded by the Commission and the Member States

86 For both 2007-2013 and 2014-2020, Member States were responsible for setting up monitoring and reporting systems and for ensuring their reliability. These systems are audited by the audit authorities (the "designation" process) before programme implementation starts. The Commission should check the reliability of the data provided by the Member States through its audits. Both the Commission and the audit authorities should also check the robustness of the systems for recording the data on implementation provided by the Member States through their system audit work[127].

87 The 2014-2020 period strengthened responsibilities for safeguarding the quality of the data in the Member States. Managing Authorities have to confirm the reliability of the performance data to the Commission in their management declarations. Audit Authorities then confirm this assessment in their audit opinions. The Commission may also suspend payments if there is a serious deficiency in the quality and reliability of the monitoring systems or of the performance data. As at April 2019, the Commission had initiated two of these payment suspensions procedures.

88 A number of our audits found specific weaknesses related to the arrangements for safeguarding the quality of data at both Member State and Commission level.

Special report on ERDF support to SMEs in the area of e-commerce

In two of the Member States selected, Managing Authorities had not carried out the necessary checks on the reliability of the data fed into the system[128].

Special report on the selection and monitoring for ERDF and ESF projects in the 2014–2020 period

We noted that in the 2014-2020 period the Commission and Audit Authority audits on the monitoring systems and the reliability and availability of the data did not start, for the most part, until 2017, limiting the assurance obtained. We noted that as the performance review will take place in 2019, there is a risk that any corrective measures cannot be completed in time and that the performance review will not be based on correct information[129].

89 In 2013, the Commission's IAS also found problems with the arrangements in place to safeguard the quality of the 2007-2013 performance data. The IAS recommended that DG REGIO/EMPL develop a strategy to improve the reliability of Member State performance information. According to the IAS follow-up audit the recommendation was implemented in 2016.

90 We consider that the proposed Regulation for 2021-2027 is still not sufficiently clear about who is responsible for safeguarding the quality of the data. While it proposes that the Monitoring Committee will oversee programme implementation and examine and approve annual and final performance reports submitted to the Commission, this is not the case for the performance data. We also noted that there are no provisions in the proposed CPR on the Commission's role in verifying the quality of the data transmitted to it[130].

11	There is clear accountability for performance	2007-2013	2014-2020	2021-2027

91 Public accountability for achieving results with EU funding provides an important link between the EU and its citizens. The rules governing accountability related to legality and regularity have not, in general, been extended to performance. Accountability depends on the availability of good data and reports on whether objectives have been met, but this is often not in place.

1. Reports should provide a true and fair view of performance and be publicly available

92 There is a need for consistent reporting about the results of EU interventions. It is particularly important that the results reported are reliable and are in line with objectives[131]. The problems identified with the existence and reliability of data (see ***GPs No 5***, ***8*** and ***10***), together with the problems in translating strategic objectives into operational objectives for managers (see ***GP No 1***), limit the Commission's ability to report on performance against these high-level objectives[132].

93 EU reports on performance should provide a true and fair reflection of what is being achieved[133]. The Commission's performance reporting is not sufficiently balanced, as it provides limited information about challenges and failures[134]. Nor does it acknowledge the limitations flowing from its necessary reliance on data from Member States which might be inaccurate or unreliable[135].

94 The public availability of performance information is an important aspect of accountability[136]. Since 2014, progress against all Cohesion common indicators, as reported by the Managing Authorities, has been publicly available on the Commission's Cohesion open data platform. However, we consider that, in terms of the proposals for 2021-2027, the discontinuation of both Member States' annual implementation reports[137], and the strategic reports by the Commission to the discharge authorities on

the extent to which the Funds achieve the strategic objectives, constitutes a backward step[138].

2. Those responsible for implementing the EU budget should take ownership for the sound financial management of the EU budget

95 The existence of good data and reports on whether objectives have been met and results achieved should allow those responsible for implementing the EU budget to take ownership for sound financial management as required by the Financial Regulation[139].

96 In the context of the 2007-2013 programmes, we expressed regret that the closure process does not include acceptance by the Commission of performance aspects, such as results achieved, and also that the Commission does not report on performance to the budgetary authority[140].

97 Furthermore, while the annual activity reports include a declaration of assurance by the directors-general that, amongst other things, the resources assigned to the activities described in the report have been used in accordance with their intended purpose and the principles of sound financial management, in practice, the assurance provided specifically excludes performance issues. Assurance, and any associated reservations, is limited to issues of regularity and internal control[141].

98 In addition, in each annual activity report, the Director-General declares that the information in the report gives a true and fair view. In previous years, this declaration did not extend to the quality of the reported performance data[142].The Commission's internal instructions on the preparation of the 2018 annual activity reports, published in spring 2019, do now require a statement by a member of the senior management of the Director-General to cover performance data, designed to support the latter's declaration. The practical impact of these additional statements is unclear from the guidance, and they have not yet been examined by us.

12	Performance information is used to take remedial action and support the strategic planning process	2007-2013	2014-2020	2021-2027

99 It is important to use performance information to manage activities, optimise results and make adjustments to management systems, as well as to support the strategic planning process[143]. This applies at all stages of the budgetary management cycle, from the allocation of funds during the MFF, to programming and to the management of projects itself.

100 For the 2007-2013 and 2014-2020 periods, information on the performance of programmes (including difficulties arising and the measures taken to address them) has been sent to the Commission by Member States via their annual implementation reports; these reports are approved by Monitoring Committees and subsequently validated by the Commission. Instead, for 2021-2027, the Commission proposes to use the annual performance review meetings between the Commission and Member States to review the program performance. However, the proposal is unclear as regards the participants, the content and the consequences of these meetings[144]. In addition, while the performance data will be submitted electronically by Member States every 2 months (see ***GP No 10***), performance review meetings will only take place once a year[145].

101 We found that performance information is not sufficiently used, sometimes because it is not available in the first place. A particular issue is that underperformance does not lead to financial sanctions, at either the strategic, programme or project level.

1. Meaningful performance information should be available for evidence-based decision making

102 We have reported in previous GPs (see ***GPs No 5***, ***8*** and ***10***) that the availability of meaningful performance information is not guaranteed, which in itself limits its use for decision-making and corrective actions. In addition, there is an inherent timing problem in the programme management cycle, as it takes some time before results (from monitoring systems) become available and can be used for decision-making. This late availability of results has been exacerbated by delays in the start of the programmes (see ***GP No 7***). The European Parliament Research Service has noted that there is no "cooling-off" phase between two MFF cycles, and that full policy lessons learned from a previous programme period are not yet available when reflections on future proposals and positions need to start[146]. The same issue exists for information generated by *ex post* evaluations for a particular programme period[147] (see ***GP No 13***).

2. When it exists, performance information should be used to monitor and to take remedial action

103 In terms of the strategic process, we noted in ***GP No 2*** that the allocation of funding to Member States should be informed by past performance information. In our audits we have found that at both programme and project level, performance information was not always monitored, and that when targets were missed remedial measures (such as applying financial corrections) were not undertaken. In ***GP No 6***, we noted that the achievement of performance objectives generally has no impact on the

level of EU funding, either at programme (e.g. performance reserve, closure) or project level.

104 We identified other cases where performance information was not used to its full extent.

Special report on the Commission's support for youth action teams

We found in the minutes of the annual examination meetings that the Commission's comments focused on financial implementation and outputs rather than on actual results. In addition, the Commission accepted the data presented by Member States in the annual examination meetings without verifying it. In one case, while the Commission reported that the targets for three measures had already been achieved, our recalculation revealed that in fact only 72 % of the target value had been achieved[148].

Special report on broadband in the EU Member States

As an example of inadequate corrective actions, we found that not all broadband targets for Member States will be achieved by 2020; however, the Commission had proposed no corrective action[149].

5 – Principle governing evaluation

105 The last phase of the implementation cycle is evaluation, where achievements and their impact are assessed in depth. Evaluations can take place at programme level (*ex ante* evaluation, evaluations during the period such as mid-term evaluations[150], *ex post* evaluation) or policy level (*ex ante* impact assessment, *ex post* review). Member States' evaluations concern the programmes (or groups of programmes) at the national or regional level, while Commission evaluations concern the funds or programmes at EU level.

13	Evaluations at programme and policy level are used for decision making	2007-2013	2014-2020	2021-2027

106 The Commission has designed and implemented, as a whole, a well-designed system of evaluations and its *ex post* review system compares well to the situation in the majority of Member States[151]. In 2018, the OECD ranked the EU system of *ex post* review in fourth place among OECD members[152].

107 We found, however, two main issues affecting the usefulness of evaluations:

- evaluations are not used for decision-making – because they are not carried out, or are not available at the right time ; or when they exist are not sufficiently used for decision making;
- they are not based on proper underlying evidence.

1. Evaluations should be used for decision making

108 Sometimes impact assessments and *ex ante* evaluations are not carried out.

Opinion on the CPR proposal

- At the policy level, since 2002 all major legislative proposals must undergo an impact assessment. Unlike for the other periods, the Commission did not conduct an impact assessment for the CPR for the period 2021-2027. The fund-specific regulations for the seven funds governed by the CPR have been subject to impact assessments. However, these assessments did not cover some important issues of general relevance[153].
- Obligatory *ex ante* evaluations of programmes by Member States helped to ensure a more robust intervention logic in the programmes. However, proposals for the 2021-2027 period dispense with this positive development[154].

109 A second issue is timeliness. We have already referred (see ***GP No 12***) to the timing difficulty which means that *ex post* evaluations, which are carried out after the programme period, cannot be available to inform legislative proposals relating to the following programme period. As the Commission highlighted, the 2007-2013 evaluation was completed in 2016, while legislation for the 2014-20 period was prepared from 2011 onwards. It could thus not be used for programming the 2014-2020 framework[155].

110 The legislative framework for 2014-2020 introduced the mandatory evaluation of programmes (covering effectiveness) by Member States during the programme period. In our view, such evaluations could have at least partly addressed this inherent timing problem and informed the legislative proposals for the 2021 – 2027 period. However, no such evaluations had been completed by the end of 2017. For 2021-2027, it is proposed that the Commission will also carry out a mid-term evaluation of the funds which could provide useful insight in this context.

111 A third type of problem is that evaluations are not always used. *Ex post* evaluation of programmes by Member States were voluntary in 2007-2013 and 2014-2020. The IAS found weaknesses regarding the follow-up (i.e. the use made) of evaluations by Member States. For example, most Member States in the IAS sample

did not prepare a comprehensive action plan to address the evaluation's recommendations. Under the Commission proposal, this type of evaluation will be mandatory for 2021-2027.

2. Evaluations should be based on useful and reliable evidence

112 We have already pointed to a number of problems with the existence and reliability of data (see ***GPs No 5***, ***8*** and ***10***). These problems also affect evaluations.

Special report on *ex post* review of EU legislation

We found that, while evaluations were carried out in line with the legal requirements and good practices defined in the Better Regulation guidelines, the unavailability of data was a major issue hindering proper evidence-based review[156].

113 The Commission concluded in its 2007-2013 *ex post* evaluation report on the "Delivery system" that one of the main reasons for the underutilisation of Member State's evaluations for policy learning was the limited availability of good quality monitoring data and data on comparison groups for the purpose of *ex post* evaluation[157]. The Commission proposals for 2021-2027 include the requirement that Member States should ensure the necessary procedures to produce and collect the data necessary for evaluations[158].

6 – Cross-cutting principle

14	Sustainability is built into the cycle to ensure the longer-term effectiveness of public interventions	2007-2013	2014-2020	2021-2027

114 Sustainability is a key element for the long-term effectiveness of public interventions[159]. The main indication that a project has achieved sustainable outputs and results is a continued flow of net benefits after it has been completed[160].

115 Not all EU-funded projects exhibit sustainability (or sustainability cannot be demonstrated). Ensuring sustainability and the achievement of long-lasting results needs to be considered throughout the programme implementation cycle[161].

Programming phase

116 Ensuring sustainability requires an analysis and strategy at the formulation stage of a programme to maintain a specific investment in the long run[162]. In a recent audit, we found that the achievement of long-lasting results from productive

investments was not promoted effectively in the underlying programmes or in other relevant regional strategic documents. The achievement of long-lasting results was not a priority[163].

117 One particular issue regarding financial sustainability are tariffs charged for EU co-financed infrastructure. For the 2007-2013 period, we found that these tariffs do not always support the sustainability of the investments made. As an example, wastewater tariffs charged to households and industry in many cases were too low to enable the renewal of the infrastructure at the end of its expected economic lifetime[164]. To at least partially address this issue, the legislation for 2014-2020 required Member States to put in place for some specific areas (such as the water sector) strategies that provide for a sustainable source of funding for maintaining infrastructure created by the co-financed projects (*ex ante* conditionality No 6.1).

118 The Commission has recognised that the contribution of *ex ante* conditionalities to the sustainability of results needs to be strengthened[165]. As a consequence, the proposed 2021-2027 legislation requires enabling conditions to be maintained during the whole period, instead of being assessed as a one-off exercise.

Project selection

119 The legislative provisions for all periods require Member States to ensure that the beneficiaries (project owners) of the selected projects have the administrative and financial capacity to maintain the project beyond its completion. However, in our audit on EU support for productive investments in businesses, we found that the selection criteria did not adequately reflect the need for ERDF-financed projects to achieve long-lasting results[166]. The proposed CPR provisions for the 2021-2027 period have become more specific and require Member State to examine if beneficiaries have sufficient resources to cover operational and maintenance costs[167].

120 For major investment projects (over €50 million), for the 2007-2013 and 2014-2020 periods, one of the aims of the mandatory cost-benefit analysis was to ensure that the co-financed investments are financially viable. Major projects that lacked good cost-benefit analysis often led to financially unviable and/or under-used projects[168]. The proposal to drop major projects and therefore the mandatory cost-benefit analysis for 2021-2027 increases the risk to sustainability.

Implementation phase

121 For all three programme periods the legislation in general obliges beneficiaries to maintain the projects for a period for 5 years from the date of completion, to avoid

having to pay back financing[169]. In our audit on EU support for productive investments in businesses, we found that the legal sustainability period was met for all the projects audited[170].

122 These provisions do not always reflect the true life cycle of the assets, which may be much longer than 5 years. This creates a risk that beneficiaries can dispose of the asset after the relevant period has expired.

Special report on ERDF support to business incubators

We found that the systems in place allow a significant part of the value of public funding to pass to incubator owners after the end of the sustainability[171].

Monitoring/reporting/evaluation phase

123 Ensuring sustainability requires appropriate monitoring throughout the life cycle of a project and thereafter[172]. We have found that data on sustainability was sometimes incomplete.

Special report on EU support for productive investments in businesses

We found that by the end of the 5-year sustainability period, limitations in the monitoring information meant that for nearly half of all projects it was not possible to carry out an assessment of sustainability. This was because Managing Authorities had not collected the necessary monitoring data, or because relevant documents were no longer available due to the expiry of the archiving period. Overall, the monitoring, after project completion, of the legal sustainability requirements remained limited in scope and varied between programmes. In particular, as there was no legal requirement for them to continue doing so, managing authorities stopped following up on the evolution of the projects immediately after the end of the legal sustainability period[173].

124 As further illustrations of the lack of prominence given to this issue, the European Parliament has noted that there has only been limited interest by the public sector in the issue and, consequently, only incomplete data is available on the sustainability of results from projects co-financed by the ERDF[174]. In addition, we did not find any evaluations of the productive investment programmes that included a specific assessment of the sustainability of results[175].

Closing remarks

125 Cohesion policy interventions can not only positively affect the performance of the Member States and regions in which they are implemented, but they can also generate spill-overs elsewhere in the EU. To further increase the positive effect of the policy, the EU has sought to increase the performance orientation of its Cohesion spending. Among the many different stakeholders involved, there are sometimes differing or even contradictory views on how this might be achieved.

126 The EU's general legislative framework and the rules specific to Cohesion policy have gradually evolved. They now include a number of key features necessary for an effective system of performance management, although the proposed legislation for 2021-2027 reduces the focus on performance to some extent. However, this general improvement in design has not always been matched by the way that the policy is implemented.

127 The guiding principles we identified cover the entire cycle of policy management, starting with strategic planning and moving through implementation until the reporting and evaluation stages. Sitting above the guiding principles is the concept of EU added value – "the value resulting from an EU intervention which is additional to the value that would otherwise have been created by Member State action alone". We have stated in the past that expenditure programmes which do not add EU value are by definition unlikely to be an efficient and effective use of the EU taxpayer's money. We also found that genuine EU added value was often difficult to identify, particularly where shared management operates, as is the case for Cohesion.

128 To address the areas which require particular attention, we have made recommendations in our reports in the past. These have included:

- The need for clear EU priorities – with associated targets – to which the Cohesion spending should contribute, to streamline and simplify the strategic frameworks in order to achieve a coherent set of high-level objectives that are translated into operational objectives (***GP No 1***);

- Revisions of programmes should take account of performance considerations, including better results (***GP No 9***).

129 We have also pointed to the fact that the legislative framework should be ready by the start of the programme period as delays in implementation affect subsequent phases of the cycle. Cumulative delays in implementation, together with overlapping

eligibility periods, shift the focus away from performance considerations towards spending money (see ***GP No 7***) and limit the use that can be made of performance data for evaluation purposes or for the strategic planning purposes (see ***GPs No 12*** and ***13***).

Annex

Annex I — Evolution of performance orientation in the legislation of Cohesion policy

The table below illustrates whether, for each GP, the criteria which underpin our judgements were in place in the relevant Cohesion programme legislation. We have expanded most criteria so that they contain more detail than is included in the analysis of each GP in the main text. In order to provide a complete picture, we have analysed all programme periods since the advent of the Cohesion policy.

	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Principles governing strategic planning						
1. The EU has articulated a clear and consistent vision of what it wants to achieve with Cohesion policy funds, which needs to be owned and operationalised						
Existence of an overarching EU-wide strategy						
EU strategic objectives translated into objectives for the Cohesion policy						
2. The allocation of funding to Member States takes account of identified needs and is informed by performance information						
Allocation method set out in the legislation						
Allocation based on GDP						
Allocation based on needs in specific areas						
Allocation informed by past performance information						
Principles governing programming						
3. A clear intervention logic exists						
Existence of a mandatory national strategy (e.g. National Strategic Reference Framework, Partnership Agreement)						
Definition of objectives/priorities at national level						
The common EU wide strategy translated into national level objectives with targets (main results expected)						
Identification and articulation of needs at the national level						
Existence of mandatory programmes						
Identification and articulation of needs at programme level						

	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Definition of objectives at programme level						
Definition of actions addressing the objectives at programme level						
Standardised programme template describing the intervention logic in a harmonised way						
Breakdown of financial data by codes of intervention at programme level						
4. Funding is be well targeted						
Existence of thematic concentration requirements obliging all Member States to allocate certain amount of money to the priority areas of the EU						
Existence of *ex ante* conditionalities/enabling conditions helping to concentrate funds on target areas/type of beneficiary						
5. A simple and consistent performance measurement framework is in place						
Output indicators (programme-specific)						
Output indicators (common for the ERDF/CF/ESF)						
Result indicators (programme-specific)						
Result indicators (common for the ERDF/CF/ESF)						
Mandatory and upfront (at programme adoption) inclusion of output and result indicators in the programmes						
Baselines and targets for outputs and results specifically required by the programme template						
Milestones required for outputs (*for 2014-2020 only limited to performance framework)						
Milestones required for results (*for 2014-2020 only limited to performance framework)						
Harmonised definition of output and result indicators in the area of Cohesion						
6. Mechanisms to incentivise performance are in place						
Need to fulfil certain strategic/regulatory conditions for the effective use of funds (*ex ante* conditionalities/enabling conditions)						
Mandatory performance reserve/mid-term review taking into account performance at programme level						
Payment of the final balance to the programme linked to the achievement of targets (closure)						
Financial corrections for projects, if agreed results are not met (*only limited to performance framework)						
Direct performance budgeting - payments upon fulfilment of conditions and delivery of results (optional)						
Linking disbursement of EU funds to compliance with economic governance requirements (European Semester)						

	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Principles governing implementation						
7. Member States spend their Cohesion policy funds in a timely way						
Deadlines for the submission of national strategies and programmes						
Clear timelines for designation (if required)						
Simpler designation process (roll-over of previous systems)						
Existence of financial rules on timely spending only (N+2) or (N+3) rule						
Deadlines for the submission of closure documents (14 or 15 months after the eligibility period)						
Deadline for the Commission to complete the assess the closure and pay the final balance						
Inclusion of templates for programming documents upfront in the CPR						
Requirements ensuring timely implementation of projects						
8. There is a performance-oriented approach when selecting and implementing projects						
Requirement for Member States to establish and apply criteria for the selection of projects						
Requirement for Member States to provide information on the funding possibilities and selection procedures to potential beneficiaries						
Requirement for Member States for the selection criteria to ensure the contribution of selected projects to the objectives and results						
There are additional quality requirements concerning the selection criteria (cost-effectiveness, compliance with enabling conditions)						
Selection criteria requires identifying of at least one result indicator corresponding to programme objectives						
Requirement for Member States for prioritising the projects to be selected						
Commission may make observations on the selection criteria; Member States have to follow-up these observations						
Mandatory inclusion of performance indicators in grant agreements						
Obligation for funded projects to be implemented in a most cost-effective way (apply public procurement law)						
Obligation for funded projects to be implemented in a most cost-effective way (cost-benefit analysis, funding gap)						
9. Revisions of programmes are informed by performance considerations including results						
Changes to the programmes only possible under certain conditions (e.g. socio-economic circumstances, implementation difficulties)						
Mandatory assessment of impact of changes on objectives (for the Member States and for the Commission) and need to justify proposed changes to programmes						

	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Assessment of impact of changes on indicators in performance framework mandatory						
All revised programmes require Commission approval						
Principles governing monitoring and reporting						
10. Monitoring systems ensure timely performance data of good quality						
Requirement for the Member States to put in place a system to record and store monitoring data in computerised form						
Requirement for the Member States to describe the arrangements for data collection and processing in their programming documents (*Ex ante* conditionality 7)						
The functioning of the system is audited by the independent audit authority at the early stage of implementation						
Mandatory exchange of information between beneficiaries and authorities by electronic means (e-cohesion)						
Requirement for Member States to transmit data electronically through the IT system of the Commission in structured form						
The Managing Authorities confirm the reliability of performance data to the Commission in their management declarations						
The Audit Authorities confirm the Managing Authorities' assessment on reliability of performance data in audit opinions						
Monitoring Committee examines and confirms the quality data transmitted by the Managing Authorities to the Commission						
Commission's role in examining the data is set out in the Common Provisions Regulation						
Commission can suspend payments there is a serious deficiency in the quality and reliability of the monitoring system or of the data on common and specific indicators						
11. There is clear accountability for performance						
Requirement for the Member States to transmit to the Commission data on performance of programmes for all funds						
Mandatory annual implementation reports by Member States						
Strategic reports required from the Commission						
Performance data is readily and publicly available online						
Commission is required to explicitly accept the outputs and results achieved at programme closure						
12. Performance information is used to take remedial action and support the strategic planning process						
Performance information is envisaged to be used for decisions at strategic level (mid-term review)						

	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Performance information is envisaged to be used for decisions at programme level (performance reserve, mid-term review and corrections for underperformance)						
Formal approval of performance of programmes by Commission						
Formal approval of performance of programmes by monitoring committee						
Annual review meeting between Commission and Member States to examine the performance of each programme						
Principle governing evaluation						
13. Evaluations at programme and policy level are used for decision making						
Ex ante impact assessment of the Cohesion legislation by the Commission						
Mandatory *ex ante* evaluation of programmes by the Member States						
Mandatory mid-term/interim evaluation of programmes by Member States covering effectiveness						
Mandatory *ex post* evaluation of programmes by the Member States						
Mandatory mid-term evaluation of policy/funds by the Commission						
Mandatory *ex post* evaluation of policy/funds by the Commission						
Cross-cutting principle						
14. Sustainability is built into the cycle to ensure the longer-term effectiveness of public interventions						
Managing Authorities required to examine when selecting projects the beneficiaries' (financial and administrative) capacity to maintain the projects						
Member States required to examine if beneficiaries have sufficient resources to cover operational and maintenance costs						
Major projects (> €50 million) are to be accompanied by the cost-benefit analysis encompassing financial viability of projects	d					
Beneficiaries have the obligation to maintain the projects (projects/productive investment and infrastructure) for at least 5 years						
Ex ante conditionalities or enabling conditions require strategic framework ensuring sustainability of investments						

Endnotes

[1] Financial Regulation, Article 33.

[2] Articles 174 to 178 of the Treaty on the Functioning of the European Union (TFEU).

[3] The Lisbon strategy took effect around the same time as the 2000-2006 programme period, but was not reflected in the Cohesion legislative framework for that period.

[4] COM(2018) 375 dated 29.5.2018.

[5] COM(2010) 700 final of 19 October 2010 "The EU Budget Review".

[6] Common Provisions Regulation (EU) 1303/2013, preamble and Communication from the Commission.

[7] Explanatory Memorandum, section 5, COM(2018) 375 final.

[8] For 2021-2027, the Commission states that its proposals for the future Cohesion Policy are designed to support the delivery of the political priorities agreed in Bratislava and Rome.

[9] 2010 annual report, paragraph 8.33.

[10] Opinion No 6/2018 paragraph 13.

[11] Opinion No 6/2018 paragraph 17.

[12] Briefing paper: The Commission's proposal for the 2021-2027 Multiannual Financial Framework, paragraph 16.

[13] 2017 annual report, paragraph 3.9.

[14] 2017 annual report, paragraph 3.85.

[15] 2014 annual report, paragraphs 3.9, 3.87 and 3.97.

[16] Research for REGI Committee –Building Blocks for a Future Cohesion Policy – First Reflections, 2017, EP p. 25, Comparative study on the visions and options for Cohesion Policy after 2013, 2011, EP p. 53 and 56, Budgeting and performance in the European Union: A review by the OECD in the context of EU budget focused on results, OECD 2017, p. 2.

[17] 2014 annual report, paragraph 3.17. Other examples are: Special report No 16/2015, paragraph 120, Special report No 18/2017, paragraph 78, Special report No 19/2018, paragraph 97, Special report No 23/2018, paragraph 85.

[18] Special report No 13/2017, paragraph 88. Other examples illustrating this point are: Special report No 2/2015, paragraph 110, Special report No 3/2015, paragraph 89, Special report No 8/2016, paragraph 99.

[19] Special report No°19/2018, paragraphs 26 to 36, and Landscape review: Towards a successful transport sector in the EU: challenges to be addressed, paragraph 68. Other examples illustrating this point are: Special report No°5/2017 paragraph 160, Special report No°1/2015, paragraph 53, Special report No°18/2017 paragraph 82, Briefing Paper on

Migrant integration VII, Special report No°23/2018, paragraph 88, Special report No°23/2015 and paragraph 182.

[20] Special report No 16/2016, paragraphs II, VII, VIII.

[21] 2010 annual report, paragraph 8.33 and 2014 annual report, paragraph 3.97.

[22] Research for REGI Committee: Implementation of Cohesion Policy in the 2014-2020 Programming Period, 2016, EP, p. 62 and Comparative study on the visions and options for Cohesion Policy after 2013, EP 2011, p. 62.

[23] Special report No 12/2018, paragraph 80. Other examples illustrating this point are: Special report No 1/2015, paragraph 53, Special report No 14/2016, paragraphs 30 and 131, Special report No 18/2017, paragraph 78, Special report No 25/2012, paragraph 63.

[24] Budgeting and performance in the European Union: A review by the OECD in the context of EU budget focused on results, OECD 2017, p. 2.

[25] Fifth report on economic, territorial and social cohesion, COM 2010 xxiv.

[26] The Cohesion policy dimension of the implementation of Europe 2020 strategy, EP 2015, p. 13.

[27] 2014 annual report, paragraphs 3.88 and 3.97.

[28] 2014 annual report, paragraphs 3.47, 3.48 and 3.91.

[29] 2014 annual report, Commission's reply to paragraph 3.13.

[30] 2012 annual report, paragraph 10.4.

[31] Rapid case review: Allocation of Cohesion policy funding to Member States for 2021-2027 (2019).

[32] The Berlin method entails different calculation methods for the three different categories of regions (less developed, transition and more developed regions).

[33] 2017 annual report, paragraph 3.6.

[34] OECD (2017), Budgeting and performance in the European Union – A review in the context of EU budget focused on results, p. 32.

[35] Opinion No 7/2011, paragraph 4, Special report No 17/2018, paragraph 82.

[36] OECD (2017), Budgeting and performance in the European Union – A review in the context of EU budget focused on results; sections 1.2.1, 1.2.2 and 1.2.3.

[37] Respectively called Community support framework for 2000-2006 period, National Strategic Reference Frameworks for 2007-2013 period and Partnership Agreements for the 2014-2020 and 2021-2027 programme periods.

[38] Regulation (EU) No 1303/2013, preamble (88) and article 55.

[39] 2014 annual report, paragraph 3.58.

[40] European Parliament, Effectiveness and Added Value of Cohesion, Non-paper assessing the implementation of the reform in the programming for Cohesion policy 2014-2020, 2015, page 15.

[41] Opinion No 6/2018, paragraphs 54 and 55.

[42] Special report No 19/2018, paragraph 99. Other examples illustrating this point are: Special report No 06/2014, paragraph 28, Special report No 08/2015, paragraphs 65-66, Special report No 08/2016, paragraph 99, Special report No 05/2017, paragraph 170, Special report No 21/2012, paragraph 51, Special report No 23/2012, paragraph 67, Special report No 23/2015, paragraph 175, Special report No 16/2016, paragraph 27.

[43] Special report No 05/2017, paragraphs 143 and 165.

[44] Special report No 2/2012, paragraphs 116 and 117 and Special report No 19/2016, paragraph 150.

[45] Special report No 19/2016, paragraph 150. Another example illustrating this point is Special report No 14/2016, paragraph 47.

[46] Special report No 25/2012 paragraph 18, Special report No 23/2015, paragraphs 170-171.

[47] Opinion No 7/2011, paragraph 11.

[48] Draft CPR COM(2018) 375, Article 4, draft ERDF/CF Regulation – COM(2018) 372, Article 3, draft ESF+ Regulation - COM(2018) 382, Article 7.

[49] Special report No 02/2017, paragraphs 68, 70 and tables 2 and 3.

[50] Opinion No 6/2018, paragraph 18 and Special report No 02/2017, paragraphs 67 to 80.

[51] European Parliament: Strategic coherence of Cohesion policy: comparison of the 2007-2013 and 2014-2020 programming periods, page 51, Research for REGI Committee –Building Blocks for a Future Cohesion Policy – First Reflections, 2017, EP, p. 19.

[52] *Ex ante* conditionalities encompass regulatory, strategic and institutional conditions that should be fulfilled prior to the implementation of programmes (2014-2020 period).

[53] See GP No 3 – 1. all examples except the recent 19/2018.

[54] Special report No 15/2017, Annex II, paragraph 1.

[55] Draft CPR COM(2018) 375, Article 11.

[56] AR 2015 paragraphs 3.54 and 3.92.

[57] Special report No 21/2018, paragraph 81. Another example illustrating this point is Special report No 2/2017, paragraph 137.

[58] Opinion No 6/2018, paragraph 58.

[59] BP The integration of migrants from outside the EU (2/2018) VIII. Other examples illustrating this point are Special report No 16/2016, paragraph 48, Special report No 21/2018, paragraph 67, Special report No 01/2017, paragraph 84, Special report No 12/2014, paragraph 33, Special report No 23/2015, paragraph 169, Special report No 02/2012, paragraph 121, Special report No 25/2012, paragraph 61.

[60] 2014 annual report, paragraphs 3.55 and 3.92, Special report No 2/2017, paragraph 75, Table 5 and paragraphs 124 to 126.

[61] 2014 annual report, paragraph 3.49.

[62] For example, Special report No 21/2012, paragraph 51.

[63] 2014 annual report, paragraphs 3.50 and 3.92.

[64] 2014 annual report, paragraph 3.51 and Special report No 2/2017, Annex I.

[65] 2014 annual report, paragraph 3.52.

[66] Opinion No 6/2018, paragraph 59.

[67] Briefing paper Future of EU finances, paragraph 38 and Opinion No 6/2018, paragraphs 66 and 67.

[68] Briefing paper Simplification in post-2020 delivery of Cohesion policy, paragraph 59 and Special report No 2/2017, paragraph 147.

[69] Opinion No 6/2018, paragraph 66.

[70] The Commission has the possibility to suspend payments in case of serious failure to achieve a priority's milestones (Art.142(1)f of Regulation 1303/2013) and to impose financial corrections in case of serious failure to achieve the targets (Art. 144(4) of Regulation 1303/2013).

[71] Opinion No 7/2011, paragraph 18, 2014 annual report, paragraph 3.64.

[72] Special report No 21/2018, paragraph 83, Special report No 15/2017, paragraph 106.

[73] Opinion No 6/2018, paragraph 77.

[74] Opinion No 6/2018, paragraphs 45 and 46.

[75] Special report No 15/2017, paragraphs 60 and 61.

[76] World Bank report on Cohesion in the EU, 2018, p. 131.

[77] 2014 annual report, paragraph 3.63.

[78] Special report N°36/2016, paragraph 126.

[79] Opinion No 6/2018, paragraph 76.

[80] 2014 annual report, paragraph 6.85 and box 6.9.

[81] Special report 17/2018, paragraph 82

[82] Special report No 17/2018, paragraph 26.

[83] Special report No 17/2018, paragraph 14.

[84] Special report No 17/2018, paragraph 83.

[85] Special report No 2/2017, para IV.

[86] Special report No 17/2018, paragraph 16.

[87] Special report No 17/2018, paragraph 83 and figure 4 and Special report No 2/2017, paragraph 49.

[88] Special report No 17/2018, paragraphs 14 and 18.

[89] Opinion No 6/2018, paragraph 52.

[90] Opinion No 6/2018, paragraphs 47 and 100.

[91] Special report No 2/2015, paragraph 40, Special report No 1/2014, paragraph 51, Special report No 2/2012, paragraph 122, Special report No 2/2015, paragraph 109.

[92] Special report No 2/2015, paragraph 40.

[93] Special report No 17/2018, paragraph 84.

[94] Special report No 17/2018, paragraph 9.

[95] Opinion No 6/2018, paragraph 26.

[96] 2017 annual report, paragraph 2.19.

[97] Special report No 36/2016, paragraph 129.

[98] Special report No 21/2018, paragraph 6.

[99] Effectiveness and Added Value of Cohesion, Non-paper assessing the implementation of the reform in the programming for Cohesion policy 2014-2020, EP 2015, p. 18.

[100] Special report No 21/2018, paragraph 75.

[101] Special report No 21/2018, paragraph 75.

[102] Special report No 21/2018, paragraph 77.

[103] For example, Special report No 20/2014, paragraph 64.

[104] Opinion No 6/2018, paragraphs 85 and 86. The draft CPR for the period 2021-2027 proposes to give to the Commission additional powers in approving the selection criteria (Art 67.2) and requires projects to be prioritised (Art 67.1) and selected with the view to ensure that operations are consistent with corresponding strategies establishing for the fulfilment of enabling conditions (Art 67.3b) and represent the best relationship between the amount of the support, activities undertaken and the achievement of the objectives (Art 67.3c).

[105] Special report No 21/2018, paragraph 83 – Recommendation 1.

[106] Special report No 21/2018, paragraph 82.

[107] Special report No 21/2018, paragraph 82.

[108] Opinion No 6/2018, paragraphs 93, 94 and 97.

[109] Special report No 21/2012, paragraph 51. Other examples illustrating this point are: Special report No 6/2014, paragraph 52, Special report No 21/2014, paragraph 70, Special report No 5/2013, paragraph 53.

[110] Special report No 17/2018, paragraphs 87 and 90.

[111] Article 33 of Council Regulation (EC) No 1083/2006 of 11 July 2006 states that an OP can be revised in the event of: significant socio-economic changes, major changes in EU, national or regional priorities or of an evaluation showing a significant departure from goals initially set, or as a result of implementation difficulties.

[112] Article 30 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013.

[113] Annex II of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013.

[114] Opinion No 6/2018, paragraphs 29 and 45.

[115] Article 19(5) of COM(2018) 375 final.

[116] Opinion No 6/2018, paragraphs 27 and 30.

[117] Special report No 17/2015, paragraph 78. Other examples illustrating this point are: Special report No 17/2018, paragraph 87, Special report No 17/2018, paragraph 90.

[118] 2013 annual report, paragraph 10.14.

[119] Special report No 20/2014, paragraph 65. Another example illustrating this point is: Special report No 17/2018, paragraph 52 and box 5.

[120] Special report No 16/2016, paragraph 44.

[121] Special report No 16/2016, paragraphs 42, 43 and 84.

[122] Special report No 21/2018, paragraph 38.

[123] Special report No 21/2018, paragraphs 39 and 79.

[124] Article 63(4) of COM(2018) 375 final.

[125] Opinion No 6/2018, paragraph 64.

[126] Special report No 05/2017, paragraph 173. Other examples illustrating this point are: Special report No 12/2017, paragraph 109, Special report No 02/2012, paragraph 121, Special report No 08/2015, paragraph 69, Special report No 23/2015, paragraph 169, Special report No 02/2015, paragraph 112, Special report No 03/2016, paragraph 117, Special report No 23/2016, paragraph 35, Special report No 14/2016, paragraph 130, Special report No 14/2016, paragraph 88, Special report No 4/2016, paragraph 89, Special report No 14/2016, paragraph 84, 2010 annual report, paragraphs 8.28 and 8.29, Special report No 08/2018, paragraph 102 and Special report No 21/2012, paragraph 51.

[127] Special report No 17/2015, Commission's reply to paragraphs 85, 86 and recommendation 3.

[128] Special report No 20/2014, paragraph 66. Other examples illustrating this point are: Special report No 36/2016, paragraph 126, Special report No 20/2012, paragraph 73, Special report No 20/2014, paragraph 66.

[129] Special report No 21/2018, paragraph 79. Other examples illustrating this point are: 2010 annual report, paragraphs 8.28 and 8.29, Special report No 17/2015, paragraph 85, Special report No 17/2015, paragraph 86.

[130] Opinion No 6/2018, paragraph 64.

[131] 2010 annual report, paragraph 8.58.

[132] For example, Special report No 25/2012, paragraph 63, 2014 annual report, paragraph 3.89, Special report No 21/2018, paragraph 72 and 2017 annual report, paragraph 3.81.

[133] 2016 annual report, paragraph 3.77, Recommendation 2, Briefing paper: The Commission's proposal for the 2021-2027 Multiannual Financial Framework, paragraph 38.

[134] 2016 annual report, paragraph 3.24 heading (a).

[135] 2016 annual report, paragraph 3.28 heading (b), 2016 annual report, paragraph 3.32.

[136] 2016 annual report, paragraphs 3.73 to 3.77 and recommendation 6.

[137] Opinion No 6/2018, paragraph 67.

[138] Opinion No 6/2018, paragraph 10.

[139] 2014 annual report, paragraph 3.34.

[140] Special report No 36/2016, paragraph 123.

[141] 2013 annual report, paragraph 10.61.

[142] 2016 annual report, paragraph 3.73 - 5.

[143] 2017 annual report, paragraph 3.2.

[144] Opinion No 6/2018, paragraph 67.

[145] Opinion No 6/2018, paragraph 66.

[146] Research for REGI Committee: Implementation of Cohesion policy in the 2014-2020 Programming Period, 2016, EP p. 8.

[147] Special report No 3/2010, paragraph 86.

[148] Special report No 17/2015, paragraphs 69 to 72 and box 9. Other examples illustrating this point are: Special report No 12/2017, paragraph 109, Special report No 20/2014, paragraph 64, Special report No 21/2018, paragraph 74, Special report No 1/2017, paragraph 84, Briefing paper No 2/2018, paragraph VI.

[149] Special report No 12/2018, paragraphs 79 and 87. Other examples illustrating this point are: Special report No 23/2018, paragraph 84 and 2017 annual report, paragraph 3.81.

[150] In this section we do not cover the "mid-term" evaluations of programmes as we consider that, while they may be useful to adjust, if needed, the programme implementation/take corrective measures this does not directly impact performance.

[151] Special report No 16/2018, paragraph 83.

[152] OECD Regulatory Policy Outlook 2018 p. 68-69.

[153] Opinion No 6/2018, paragraph 5. Another example is Special report No 3/2015, paragraph 89.

[154] Opinion No 6/2018, paragraph 55. This is also covered in Special report No 02/2017, paragraph 83 and Opinion No 1/2017, paragraph 87.

[155] Final Commission Staff Working Document Impact Assessment accompanying the document "Proposals for a Regulation of the European Parliament and of the Council on the ERDF and on the CF on a mechanism to resolve legal and administrative obstacles in a cross-border context on specific provisions for the European territorial cooperation goal (Interreg) supported by the ERDF and external financing instruments", p. 12. Other examples are: Special report No 05/2017, paragraph 181 and Special report No 21/2018, paragraph 82.

[156] Special report No 16/2018, paragraphs 87, 88 and 91. Another example illustrating this point is Special report No 02/2017, paragraph 152.

[157] *Ex post* evaluation of Cohesion policy programmes 2007-2013 focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), Work Package 12 "Delivery system" – pages 135 and 143.

[158] Article 39(4), COM(2018) 375 final.

[159] Special report No 8/2018, paragraph 10.

[160] Special report No 8/2018, paragraph 8. The legislation obliges beneficiaries to maintain the projects for a period for at least 5 years from the date of completion, to avoid recovery of the paid co-financing. For the specific cases of SMEs, this has been set at 3 years and, since 2014-2020, for large infrastructure if relocated outside the EU to 10 years.

[161] Special report No 8/2018, paragraph 44.

[162] Special report No 8/2018, paragraph 11.

[163] Special report No 8/2018, paragraphs VIII and 100.

[164] Special report No 2/2015, paragraphs 106 and 118. Another example illustrating this point is Special report No 3/2016, paragraph 57.

[165] The Value Added of *Ex ante* Conditionalities in the European Structural and Investment funds, COM(2017), p 19.

[166] Special report No 8/2018, paragraph 101.

[167] Article 67(3)(d), COM(2018) 375 final.

[168] For example, Special report No 5/2013, paragraphs 14, 15 and 52.

[169] Other rules apply for different scenarios. E.g., Article 71 of Regulation (EU) N°1303/2013. For SMEs the payback is 3 years and, since 2014-2020, for large infrastructure if relocated outside the EU, 10 years. And since 2014-2020, beneficiaries have to maintain the projects for a period for 5 years from the date of the final payment to the beneficiary.

[170] Special report No 8/2018, paragraph 96.

[171] Special report No 7/2014, paragraph 84.

[172] Special report No 8/2018, paragraphs 11 and 68.

[173] Special report No 8/2018, paragraphs 26, 74 and 76.

[174] Study on "Aspect of durability in the assessment of effectiveness of support for businesses under Structural and Cohesion Funds", EP, 2013 p. 8 and 67.

[175] Special report No 8/2018, paragraph 76.

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