



# How to better support administrative capacity to improve the effectiveness of Cohesion Policy

Laura Polverari

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## **Group of high-level specialists on the future of Cohesion Policy**

The European Commission, the Directorate-General Regional and Urban Policy (lead) and the Directorate-General Employment, Social Affairs and Inclusion (associated) have set up a Reflection Group on the future of Cohesion Policy. The group includes high-level members from academia and practice and in 2023 will meet nine times to reflect on current and future needs and the functioning of Cohesion Policy.

The group will offer conclusions and recommendations that will feed the reflection process on Cohesion Policy post-2027 including through the 9<sup>th</sup> Cohesion Report in 2024 and the mid-term review of Cohesion Policy programmes in 2025.

### **About authors**

#### **Laura Polverari**

Laura Polverari is Associate Professor of Political Science at the University of Padua where she also directs the Institutional and Administrative Capacity Observatory, #CAPIS.

### **Disclaimer**

This paper is an independent input to the reflection paper. The opinions expressed in this paper are the sole responsibility of the authors and do not necessarily represent the official position of Reflection Group or the European Commission.

### **Key words**

Cohesion Policy, administrative capacity, administrative capacity gap, performance orientation, Recovery and Resilience Facility

### **Contact**

EUROPEAN COMMISSION  
Directorate-General Regional and Urban Policy  
Unit B.1 — Policy Development and Economic Analysis

E-mail: [REGIO-FUTURE-COHESION-POLICY@ec.europa.eu](mailto:REGIO-FUTURE-COHESION-POLICY@ec.europa.eu)  
European Commission  
B-1049 Brussels

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## Acronyms

CAPCOE	National Technical Assistance Capacity for Cohesion
CRII/CRII+	Coronavirus Response Investment Initiative/ Coronavirus Response Investment Initiative Plus
CSR	Country Specific Recommendations
DNSH	Do No Significant Harm
EQI	European Quality of Government Index
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
EU	European Union
GDP	Gross Domestic Product
NGEU	NextGenerationEU
NRRP	National Recovery and Resilience Plan
PA	Public Administration
POCA	Operational Programme Administrative Capacity
REACT-EU	Recovery assistance for cohesion and the territories of Europe
RRF	Recovery and Resilience Facility
SGI	Sustainable Governance Index
TA	Technical Assistance
TO	Thematic Objective
TSI	Technical Support Instrument

## 1 Introduction

This academic paper presents some preliminary reflections on the administrative capacity and implementation of EU Cohesion Policy post-2027. These reflections are intended to contribute to the work of the Group of High-level Specialists on the Future of Cohesion Policy. The report represents the views of the author and is based on the author's previous and ongoing research. It will be discussed with the Group of High-level Specialists on the Future of Cohesion Policy on 13 November 2023 and tackles the following main questions:

- Is there an administrative capacity gap and what are the consequences of this for the performance of EU Cohesion Policy?
- Why is there a capacity gap and what have been the weaknesses of past capacity building initiatives?
- What can be done under Cohesion Policy to improve administrative capacity?
- The node of performance: can Cohesion Policy learn from the implementation of the RRF?

After this introduction, the paper comprises five sections. Section 2 examines the administrative capacity gap in EU Cohesion Policy and its linkage with the policy's performance. Section 3, thereafter, reflects on the weaknesses of capacity building activities undertaken so far under the aegis of Cohesion Policy and their underlying causes. Section 4 reviews the provisions introduced in the 2021-2027 regulations and, particularly, the changes introduced to improve the effectiveness of administrative capacity building initiatives. Section 5 outlines the lessons that might be learned from the RRF, in the context of the ongoing effort to make Cohesion Policy increasingly performance-oriented. Section 6 concludes and is followed by summative box with 'take-away points and recommendations' and a brief bibliography.

## 2 Administrative capacity gap and EU Cohesion Policy performance

That Cohesion Policy has led to differentiated outcomes in different parts of the EU, and that it has sometimes underperformed, is uncontested. There is abundant literature showing that this is the case and even the periodic cohesion reports by the European Commission have been explicit in showing the policy's partial success. A variety of causes have been identified for this differentiated performance, ranging from the mix of policy tools adopted, to the level of nationalisation or devolution of programme design and implementation, to the effects of the exogenous challenges represented by the subsequent crises that have progressively layered on to each other and caused overambition and congestion in terms of the demands placed upon the policy. The existing stock of social capital, and, crucially, the institutional and administrative quality of domestic administrations and policy recipients have also been highlighted as important factors.

Administrative capacity, in particular, has been central in the discussions about the policy's differentiated effectiveness and it has been so for good reasons, especially for the largest recipient countries and regions. Research has shown that regional (and local, although there is less literature on this) levels of institutional quality are predictors of regions' economic performance (Rodríguez-Pose and Ketterer 2020, Rodríguez-Pose 2013, Rodríguez-Pose and Garcilazo 2015), and that regional levels of government quality influence the absorption capacity, regularity and effectiveness of cohesion policy funds (Mendez and Bachtler 2022,

Bachtrögler-Unger et al 2022). Further, Cohesion Policy itself has some characteristics that make the availability of competent, skilled and numerically sufficient human and instrumental resources paramount for its implementation (Polverari et al. 2022). Its shared management approach, multi-level nature and operating principles mean that civil servants dealing with the policy must possess vertical and horizontal coordination abilities, brokerage and communication skills, and that they must be able to integrate different visions of regional development (Bachtler et al. 2014; Bailey and De Propriis 2004; Dąbrowski 2013; Potluka and Liddle 2014). Those working on Cohesion Policy design and implementation should also be able to think cross-sectorally, to cooperate within and across government structures (Catalano et al. 2015; Bachtler et al. 2016; Polverari et al. 2017). They should possess the complex set of skills that is needed to effectively formulate and implement integrated policies (Domorenok et al. 2021a and b). They should also have the vision and competences that are needed to confront ever changing global challenges at a local scale.

Add to this the complexity of financial management, public procurement and other delivery rules (e.g. abidance with the DNSH principle, see Michie and van der Valk 2023), and it is no surprise that, against this background, it has become increasingly apparent that investing in administrative capacity is necessary for Cohesion Policy and that it needs to be a continuous and long-term endeavour, in order to enable an evolution of capacities that goes hand in hand with the evolution of the policy. For the public managers and officials engaged with the policy, learning is by definition an on-going and never-ending process.

### **3 Factors hindering effective administrative capacity building and the weaknesses of past capacity building initiatives**

Effective capacity building requires a diagnosis to identify with precision the actors, territorial levels, and the aspects of policy formulation, implementation and delivery that should be targeted, recognizing that priorities about where, whom and what to target might not be the same across the EU and even within single countries and regions. How this should be ensured, and how it could be ensured specifically utilising the levers of Cohesion Policy, is yet an open question. I would argue that this has been due to a number of factors.

The first is the lack of understanding of what administrative capacity actually is, compared to other similar but not equivalent concepts (Polverari et al. 2022, 2020). This confusion has implied a difficulty to disentangle those factors that can be addressed from within the public administration from the wider, institutional or contextual factors that are more difficult to control through the policy's levers (e.g. the quality of politics rather than of bureaucracy, the sprawling of legislation, the structural factors that constrain the work of civil servants, the excess of procedures required by legislation etc.). As we have written elsewhere (Polverari et al. 2022; Polverari 2020), all too often administrative capacity has been equated with wider concepts of State capacity, good governance, government quality or institutional quality, and measured as such<sup>1</sup>. This has implied a lack of clarity about which aspects of the policymaking process can be directly linked to the organisation and functioning of public

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<sup>1</sup> Think of the indicators that have been produced to measure different aspects of institutional performance – like the European Quality of Government Index (EQI – Charron et al. 2019, 2021), Bertelsmann Stiftung's Sustainable Governance Index (SGI); Hammerschmidt et al.'s (2014) Management capacity index; the World Bank's Worldwide Governance Indicators (WGI).

administrations, and thus could be addressed by policy, and those which are outside its scope. Failing to recognise the demarcation that separates what pertains to the public administration in the strict sense and what affects it but is part of the wider institutional framework has made it difficult to disentangle the specific levers that can be mobilised, the prioritisation among different types of measures, and the necessary complementarity with wider PA reforms and institutional strengthening measures. Besides this, even though administrative capacity has been the focus of analysis, the term has been interpreted 'too narrowly to be understood as the simple training of employees', while it embraces much more than that (El-Taliawi and Van Der Wal 2019: 9).

A second, and related, factor is linked to the tendency to provide responses across the board without sufficiently recognising the wider institutional influences that affect the operation of bureaucracies. They include the public administration practices and procedures deriving by the administrative traditions (career v. recruitment-based systems, incentives, mobility), the overall public sector endowment (number of staff relative to population/GDP, relative age of civil servants, distribution among different types of skills available, internationalisation of bureaucracies), and the potential for civil servants to affect the organisation and structure of the administration in which they operate. These issues affect the room for bureaucratic leadership, the level of trust among civil servants and between bureaucracies and civil society, and the attitude towards cooperation within and across administrations, all of which have an impact on policy implementation and performance.

Related, a third factor has been a lack of recognition of the vast differentiation of the capacity building needs entailed by Cohesion Policy implementation, and of how this would vary not only territorially but also by policy area (of which Cohesion Policy 'contains' many). The very term "administrative capacity" is misleading, as one should more precisely talk about "administrative capacities".

A fourth element is the underestimation of 'agency' (and, with it, of the power of motivation and individual aspirations), and of the positive catalyst effect that can be ignited by enabling and then sustaining administrative success. In parallel to this, there can be detected an underestimation of the fragility of the improvements made if political or wider contextual conditions change: motivation can easily be gained and leveraged, but it can as easily be lost just in the same way (Polverari et al. 2022). Research on a variety of countries has shown the negative effects of political change, reorganisation and lack of stability on the performance of Cohesion Policy programmes and of parts thereof (Nykos and Vrstova 2023, Bachtler et al. 2016) and the vulnerability of reform attempts - even when introduced through binding conditionalities - to changing political preferences, lack of political commitment, and administrative under-resourcing, as my ongoing research on the Italian RRP is uncovering.

A further factor that has hindered the identification of effective responses to administrative capacity gaps has been the overestimation of the effectiveness of measures such as sharing good practices, opportunities for peer learning and communities of practices, whose practical impact cannot be taken for granted. Not only this: these measures entail the risks of perpetuating an 'administrative capacity paradox' whereby those administrations that are already better able to take advantage of these capacity building opportunities develop their capabilities further, while weaker administrations, overburdened by the day-to-day, struggle to even partake in the opportunities on offer (Polverari et al. 2022).

All of the above listed factors have had an impact on the design of capacity building initiatives within Cohesion Policy in the past. Overall, there has been a lack of strategic, comprehensive thinking about administrative capacity building. Previous studies on the use of Technical

Assistance (Polverari et al. 2020) and on the implementation of Thematic Objective 11 (Comitato di Pilotaggio 2019, 2018) have shown that administrative capacity building interventions within EU Cohesion Policy have not always been part of a strategic design but have tended to focus on contingent needs. Under TO11, at least in Italy, institutional strengthening measures have at times contained disconnected projects, which had not been conceived as a result of a pondered diagnosis of needs linked to the tasks that public servants ought to perform (the automatic de-commitment rule certainly played a role in this).

With regards to TA specifically – which, it should be remembered, in 2014-2020 represented a relatively small share of the ESIF funds (just about 3.1% on average across the EU28) - it has been utilised mostly to fill capacity gaps in management and delivery arrangements, rather than to foster capacities. 80 percent of TA funding in 2014-2020 went for management interventions (Intervention Code 121) and of this an overwhelming proportion went for the payment of staff salaries (91,6 percent), with only 7 percent devoted to staff professional development (Polverari et al. 2020).

Moreover, much like in other parts of Cohesion Policy, there has been a lack of continuity and direction in the development of capacity building initiatives, with attempts to build capacities not linked to the systematic examination of evidence about what works and what doesn't. Beyond administrative capacity, the rules governing the management and delivery of Cohesion Policy have displayed a pendulum approach, where changes would be introduced, then discarded (for perceived lack of effectiveness) and then somewhat reintroduced again (e.g. performance reserve) or changed by the sides (e.g. ex ante conditionalities/enabling conditions), without having had the time to sufficiently display their effects and the time for policymakers to establish their effectiveness and the causes for this. The policy cycle has its timings and continuously changing the rules of the game without allowing the time for previous changes to have produced results can lead to incongruent solutions and even missed opportunities. The issue of conditionality is a case in point. Efforts to enhance the performance of Cohesion Policy have been strengthened since 2013 and have included the introduction of ex ante conditionalities. In 2014-2020, they were quite embryonic as performance tools and proved largely ineffectual. Where the Commission was not satisfied that the conditions required by the Common Provisions Regulations had been met at the beginning of the programming period, programmes were required to produce Action Plans by the end of 2016 and to report on them by the following June, with the provision of suspension of payments as a penalty in cases of non-compliance. However, not all required Action Plans were actually produced in reality, and even where they were, they were not always acted upon and no subsequent checks were foreseen to ensure that the fulfilled conditions would continue be met throughout the period (European Court of Auditors 2021). The regulatory framework for the period 2021- 2027 strengthened the conditionality compared to 2014-2020 by introducing the principle of ongoing monitoring of the fulfilment of applicable conditions, linked to the suspension of payments by the Commission in case of non-compliance. Yet, the enabling conditions replicate the logic of the ex ante conditionalities with regards to their focus: they too do not relate to the outcomes to be produced by the policy but to the 'conditions' that are needed to guarantee the efficient and effective implementation of the programmes. Further, if there was non-compliance in 2014-2020, the compliance to the new conditions is not to be taken for granted either, in the absence of dedicated corrective measures on the side of implementation (and thus administrative capacity).



A further issue is the unresolved tension between subsidiarity v. top-down directionality. In places where the public administration as a whole is deficient and is struggling to meet policy demands, it is unrealistic to think that Cohesion Policy capacity building initiatives can deliver results by only focusing on Cohesion Policy implementation, since the problems that the public servants working on Cohesion Policy face are linked to the bureaucratic (and political) context in which they operate. The CSRs and European semester process, and now the reforms foreseen by some of the National Recovery and Resilience Plans (NRRPs), are going in this more comprehensive direction but are also showing the weaknesses in terms of actual compliance.

Lastly, all too often under Cohesion Policy capacity building initiatives were devised without the bottom-up involvement of the intended target recipients which caused a mismatch between what was offered and what was actually needed, for example in the context of urban strategies (Polverari et al. 2020). In other cases, the capacities to implement capacity building initiatives were lacking, resulting for example in training events without the necessary specialistic and technical skills on the side of trainers.

Obviously, the overall picture is not as bleak as this review may suggest. It is important to focus on weaknesses to be able to see where improvements are needed and appraise what should be targeted and how. Yet, also the positive achievements of EU Cohesion Policy should be recognised. Past literatures (e.g. those on Europeanization and multi-level governance) and evaluations have shown that Cohesion Policy has indeed been stimulus for learning and administrative renewal. Recently, the ongoing evaluation of the Romanian OP Administrative Capacity (POCA) is highlighting a number of gains that have been achieved in the Country through the programme's training activities, seminars, workshops and tools development (Valenza and Jacob, forthcoming). However, an open question is whether the improvements made will be sustained, in a context of political instability and administrative fluctuation, and whether Cohesion Policy funding will be sufficient, or is indeed the most appropriate funding source, to achieve this.

## **4 The changes introduced by the 2021-2027 regulations**

To respond to the above listed weaknesses, the 2021-2027 regulations introduced some changes, and added to the traditional TA the possibility to utilise EU funds under the Investment for jobs and growth goal for administrative strengthening measures linked to investments (art. 3(4), ERDF and Cohesion Fund regulation) and the use of technical assistance not linked to costs (art. 37).

The first novelty might be promising in that it requires public administrations to think strategically about their administrative capacity needs and gaps with reference to the specific policy fields that are funded by the policy, thus providing room for more targeted responses and customization of initiatives. This in itself, however, might nevertheless be a problem for weaker administrations, and might require adequate support, so as not to reinforce or reiterate the administrative capacity paradox aforementioned. So, this type of funding would probably need to be accompanied by targeted support, at least in the design stages.

The usefulness of the second novelty is yet unclear. The Italian Programme Capacity for Cohesion (CAPCOE) 2021-27 is trialling this path, with c. 80% of the resources for administrative capacity building implemented via the use of technical assistance not linked to costs (art. 37). However, preliminary evidence suggests that the intended procedural

simplifications and performance-orientation are not so straightforward in practice (interview): First, there continues to be a strong emphasis on procedural compliance and controls, quite similarly to the system in place for traditional funding schemes, disbursed based on actual costs. Second, the difficulty to design (and agree with the Commission) indicators and targets that relate to issues that it is hard to quantify ex ante, such as the financial capacity of municipalities to deploy the human resources hired via the programme after the programme's end, or the achievement of a set percentage of improvement in spending rates by a given date (which might be linked or hampered by unforeseeable contextual factors). And, third, the impossibility to strictly separate-out the work that the human resources hired by the programme carry out for the Cohesion Policy programme from the wider activities that they would have to carry out beyond Cohesion Policy, simply because they are public sector employees that work within existing public administrations.

Moreover, the programme did not build on comprehensive evaluation evidence on the effectiveness of the previous programme, with the final evaluation report concluding, for example, that

“Due to the fact that many projects are still on-going, it is difficult to provide a final assessment of the results in terms of capacity building. A significant share of resources has been allocated to projects that can be classified as capacity building; most of these resources went to infrastructure projects to digitise some Ministries or to spread e-government. Although the results are not yet available, it can be assumed that these interventions targeted to a single administration will achieve their objectives.” (ISMERI EUROPA 2022, 21)

If it is not possible to discern the capacity building achievements attributable to the programme, as this statement candidly recognises, then what lessons that could be learned from it? And, thus, what justified the changes introduced in the 2021-2027 programme?

## **5 The node of performance orientation: can Cohesion Policy learn from the implementation of the RRF?**

As is known, the main pillars around which the policy is constructed remain largely anchored on the framework that had been set-out in its landmark reform of 1988 with: regulations negotiated by the Commission with the Member States, strongly informed for all distributive aspects by the traditional alliances of country coalitions (essentially net-payers v. net-recipients); approval by the Commission of national overarching strategies (Partnership Agreements) and of operational programmes based on theories of change, outlining the development goals to be achieved with the provision of indicators and targets; abidance with long-established principles such as programming, concentration, additionally, co-financing, subsidiarity, partnership and thematic concentration; and the application of a number of reporting, financial accounting, monitoring and evaluation requirements, as specified in the general regulations and in the regulations applicable to each fund.

In this comprehensive framework, which has resulted from a succession of “multi-layered reforms” (Petzold 2021: 1), decisions on Cohesion Policy allocations and on key applicable rules – such as those that define the regions' eligibility, co-financing rates, thematic concentration and eligible expenditure – have been closely linked to the discussions on the multi-annual financial frameworks which, as is known, require unanimity within the Council

(Petzold 2021). This has constrained radical reform towards results-orientation and entrenched allocative decisions, allowing for financial change to be introduced only 'by the sides' i.e. via additional tools (like the Just transition fund and the CRII, CRII+ and REACT-EU).

On the operational side, the Cohesion Policy framework includes stringent obligations, controls and sanctions linked to the financial progression and regularity of expenditure, through an automatic decommitment rule, and frequent and multi-layered audits, both of which can lead to a loss of funding. This has led programme authorities to focus especially on these two dimensions, sometimes at detriment of effectiveness (Mendez and Bachtler 2011; Piattoni and Polverari 2019). Results-orientation was introduced starting in 2013 via a number of tools. The most important among these were novel ex-ante conditionalities: thematic, that is linked to specific policy areas, and horizontal, linked to the institutional and legal context needed for the policy. There were also: a (re-introduced) 'performance reserve' linked to the achievement of milestones and targets; the possibility to implement 'Joint Action Plans' with payments as lump-sums or standard unit costs, linked to the achievement of milestones and targets; and the above mentioned 'financing not linked to costs' similar to the mechanism that would be later put in place for the RRF. These, however, were largely unutilised and met the resistance of the Member States (Interview; European Court of Auditors 2021). Beyond the intended results-orientation, the regulatory framework places strong emphasis on performance accountability, which is ensured by provisions for the ongoing monitoring of expenditure (financial and physical), ongoing and ex-post evaluation, including impact evaluation carried out at Member State level (Casula 2021; Polverari 2016). This strengthens performance and impact accountability (Polverari 2020), without however necessarily strengthening performance in itself.

Like Cohesion Policy, the NGEU, Recovery and Resilience Facility (RRF) and the National Recovery and Resilience Plans (NRRPs) are also intended to contribute to the long-term goals of economic, social and territorial cohesion. The planning and implementation responsibility associated with this funding stream, however, are more centralised than under cohesion policy and the approval of their legal frameworks has been considerably faster, thanks to what has been termed 'coordinative europeanization' (Ladi and Wolff 2021). While there are some commonalities between the RRF and Cohesion Policy when it comes to policy design and implementation, the two policies are distinctive in their foundations and overarching aims and, as such, present major differences also in their delivery arrangements. The key difference lies in the RRF's explicit and streamlined results-orientation logic, implemented through a 'payment by results' principle (basically the 'financing not linked to costs' introduced, at least in principle, in Cohesion Policy in 2018). Payments from the EU during the implementation of the plans are based upon periodic assessments of actual progress in the achievement of set milestones and targets. When these are not achieved, the Commission can suspend the relative portion of payment for the given instalment. It is too soon to assess the effectiveness of this financing model - and a study for the European Commission supporting the Mid-term Evaluation of the Recovery and Resilience Facility is currently ongoing and will shed light on this issue - yet it is already apparent that some countries among the largest recipients, now that the implementing effort shifts from reforms and milestones to investments and targets, are starting to struggle. And they are struggling exactly because of administrative capacities deficiencies and bottlenecks.

While the debate on the institutionalisation of the RRF is still ongoing, a key question is whether Cohesion Policy could learn from the procedural innovations introduced by the RRF, and particularly the payment by results approach, notwithstanding the Treaty mission

assigned to the policy. What the early implementation of the RRF is showing is that the potential of payment by results approaches and simplified policy designs need to be taken with great caution when applied to large scale investment programmes characterised by composite goals over a multiplicity of policy areas, such as Cohesion Policy.

First, Cohesion Policy requires thought-out strategies that derive from explicit choices based on theories of change. On the one hand, Cohesion Policy is about regional development and, as such, it implies a place-based approach and strategies devised with the involvement of all territorial actors – public and private – which have a stake in the regions (Barca 2009). Abundant literature, for example that which has inspired the take-up of smart specialisation approach in Cohesion Policy (e.g. Foray 2015), has shown that the partnership-based approach that has characterised Cohesion Policy since its landmark reform and that has been strengthened in subsequent rounds of reform, allows eliciting knowledge on territorial needs and strengths, improving ownership and as such supporting better and faster implementation. On the other hand, studies have shown is that “macro-national factors remain central” in determining the policy’s economic impact (Crescenzi and Guida 2020, 17). This means that, to be successful, the policy needs to be designed with a balanced set of priorities and instruments mixes that reflect both national framework conditions, and local needs and potentials. This requires some national coordination and long-term thinking, but also the active involvement of regions, local authorities, interest groups and even civil society, making policy formulation and coordination much more complex than it has so far been under the RRF.

Second, when it comes to the application of a payment by result logic, it is clear that regularity and compliance remain a cornerstone of any EU spending programme and have to be ensured irrespective of the system in place to disburse funds to the Member States. Rules on public procurement, state aids, the do not significant harm principle, and about financial regularity need to be respected even in the framework of a payment by results system, and procedures have to be designed and implemented to ensure this. This limits, de facto, the flexibility that Member State authorities can enjoy when planning investments and slows down expenditure. A cornerstone of the payment by result logic is the ‘recipient discretion’, but such discretion is by nature limited in EU funded programmes by the financial and operational rules that underpin them. Are the EU and the national systems, in all EU countries, sufficiently solid to ensure that rules are duly observed? The European Court of Auditors has highlighted a number of problems inbuilt in the design and governance of the RRF, which will lead to risks in the implementation stage. While the Court found that the Commission managed the assessments of the NRRPs effectively, it also raised concerns with the non-uniform application of guidelines, traceability of documentation, assessability of the impacts expected from different components of the plans, and the fact that some CSRs remained unaddressed (European Court of Auditors, 2021: 48-49). It also raised issues with the milestones and targets foreseen in the Operational Arrangements which, in some cases, do not allow for unambiguous assessments (ibid.: 52). In a later report, dated March 2023, the Court also identified an assurance gap in the Commission’s control systems for the RRF: while the Commission’s ex-ante verifications of Member States’ payment requests and the related ex-post audits focus on the condition for payment and the evidence of satisfactory fulfilment of milestones and targets, they do not cover failure to comply with applicable EU and national rules, such as on public procurement, eligible expenditure and State aids (European Court of Auditors, 2023, p.16). The audit strategy put in place by the Commission entrusts the control of compliance with rules to the Member States, with the Commission intervening solely on serious irregularities, fraud, corruption, conflict of interest and double

funding. Based on irregularities detected in other spending areas, the Court considered this as a serious risk which “is not covered by the Commission’s systems audits and there is only little guidance for Member States in this regard” (Ibid., p.18). What will this mean in practice? Arguably that the Commission and the Member States will have to tighten their control and audit procedures in the months to come, and that there are risks of adverse audits which might result in future clawbacks of funding. In other words, the procedural simplification narrative attached to the payment by results system of the RRF might have been overstated. *Mutatis mutandis*, introducing this type of approach would entail risks as it would imply ensuring that domestic institutional and administrative systems have the required capacity to enact, supervise and deliver the policy, and that there is a rigorous methodology to counterweigh the reduced controls.

Related, and third, implementing a payment by result approach implies the ability of policymakers to identify meaningful milestones and targets, and the evidence available so far is that this ability is partly lacking still (Polverari and Piattoni 2022; Corti and Ruiz de la Ossa). Thus moving to a more generalised payment by result approach within Cohesion Policy would require even more efforts in terms of capacity building and responsabilisation of policy recipients, which might not be suitable, as yet at least, for all Member States. As already mentioned, abundant evidence has shown that the effectiveness of Cohesion Policy has thus far been largely dependent on levels of local institutional and administrative capacity (Rodríguez-Pose and Ketterer 2020; Rodríguez-Pose and Garcilazo 2015), thus introducing new approaches that require even more and novel capacities may undermine the laggards further in the absence of targeted and effective capacity building initiatives.

## 6 Conclusion

After this extensive review of past capacity building efforts and of the novelties implied by the payment by result approach, the key question remains about what to do, then, to improve capacity building measures and the future performance of Cohesion Policy.

In a recent study for the European Commission on the use of TA for administrative capacity building, we had reached the following main recommendations: first, that capacity building initiatives should rest on well-founded strategies, reorienting support from salaries to a mix of human resources support, organisational reforms and provision of efficient systems and tools that match the demands of all involved in the policy’s implementation. This could be ensured by devising administrative capacity building strategies and roadmaps with the bottom-up involvement of both policy-maker and policy-takers. This would tackle exactly to need to overcome the relevance gap and lack of acknowledgement of agency and motivational factors discussed in Section 3. Such strategies and roadmaps would have to be intended not as rigid blueprints but as iterative and flexible guides, that can be adapted where circumstances require. A second recommendation related to the need to support the entire ecosystem of ESIF management and implementation, supporting not only Intermediate Bodies, national coordinating bodies or Managing Authorities, but also implementing bodies, delivery agents and beneficiaries on the ground – that is all the actors in the management and delivery chain - since all of them can contribute to make the policy a success or a failure. A third recommendation was to ensure a more coherent management of capacity building efforts at the EU level, by guaranteeing better coordination with domestic administrative reforms and the different EU funds and tools towards administrative strengthening, including the TSI.

These recommendations are all valid and sound. Nevertheless, they should be taken in conjunction with the wider need to frame the administrative capacity building strategies

within the context of the intrinsic dependency of Cohesion Policy implementation on the domestic administrative systems of the Member States. Of course, the EU does not have competence on how Member States organise and fund their public administrations. Nevertheless, it should be recognised that Cohesion Policy support – whether as traditional TA, linked to investments, not linked to costs – can only go so far without an enabling public administration framework. It is paramount therefore to identify pathways to ensure that Member States enact the necessary wider reforms when these are needed, including by strengthening the human resources, structures, infrastructures, tools and procedures that are necessary for the implementation of all policies, of which EU Cohesion Policy is a subset.

Given the unlikelihood of a Treaty change to upscale public administration competences, a way forward for Cohesion Policy could be to pursue further differentiation among Member States, providing more flexibility to the Member States with well-functioning PAs via a simplified payment by result system, and a more hands-on approach for those countries which regularly receive recommendations on administrative strengthening under the European Semester. This more hands-on approach would have to go together with dedicated financial resources for the structural reform and strengthening of these countries' public administrations. In other words, PA strengthening in these countries and regions would have to become a policy priority under Cohesion Policy (e.g. "a better functioning Europe"), just like other policy priorities, and not simply a condition for funding or an instrumental support for the implementation of other priorities. Clearly, this would entail hard redistributive decisions, which in turn might require raising the political salience of administrative capacity. This should not be too difficult, considering that administrative capacity affects not only the performance of EU Cohesion Policy, but also that of the EU budget as a whole, and that there is already ample empirical evidence about this.

There are at least two preconditions for all of the above, of course. The first would be the need to invest more efforts to better define administrative capacity as a self-standing concept that is different than institutional quality, quality of government, good governance and so forth, and unpack the different components that constitute this concept. This is essential to disentangle the different aspects that might need strengthening in any given context, thus allowing for a better targeting of capacity building efforts. The second precondition is the pursuit better indicators and methods to measure administrative capacity, so as to be able to identify meaningful and workable targets to implement capacity building initiatives via a payment by results approach. A new study funded by the Italian Ministry of University of Research aims to do exactly this.

## Takeaway points and recommendations

- 1. Definition** - More efforts should be paid to better define administrative capacity, as a self-standing concept that is different than institutional quality, quality of government, good governance etc. and to unpack the different components of this concept. This is essential to disentangle the different aspects that might need strengthening in different contexts, thus allowing better targeting of capacity building efforts.
- 2. Evidence-based strategies** - Administrative capacity building initiatives should rest on well-founded, evidence-based strategies that comprise mixes of tools that are targeted to each specific applicable context and policy area. Compared to 2014-2020, these strategies should: (i) reorient support from salaries to a mix of human resources support, organisational reforms and provision of efficient systems and tools that match the demands of all involved in the policy's implementation; (ii) be designed with the bottom-up involvement of both policy-maker and policy-takers, so as to overcome the relevance gap and the lack of acknowledgement motivational factors in the uptake of capacity building measures; (iii) be intended as iterative and flexible guides that can be adapted where required; and, (iv) tackle the entire ecosystem of Cohesion Policy's management and implementation, supporting all of the actors that contribute to make the policy a success or a failure.
- 3. Coherence and synergy** - More coherence and coordination should be ensured at the EU level, by guaranteeing better synergy with domestic administrative reforms and the different EU funds and tools towards administrative strengthening, including the Technical Support Instrument.
- 4. Differentiation** - Since Cohesion Policy does not work in isolation from the wider policy and administrative context of each Member State, in those Member States and regions that face structural PA weaknesses Cohesion Policy should aim to support PA strengthening across the board (i.e. not only to support the implementation of the policy). This could be ensured by pursuing further differentiation among Member States, providing more flexibility to the Member States with well-functioning PAs via a simplified payment by result system, and a more hands-on approach in those Member States and regions facing structural PA deficiencies.
- 5. Prioritisation** - The strengthening of public administrations should become a policy priority under Cohesion Policy for the Member States and regions facing structural deficiencies in this area ("a better functioning Europe"), with associated dedicated funding.
- 6. Measurement** - More efforts should be paid to better understand how administrative capacity can be measured, not least to be able to identify meaningful and workable targets for the administrative strengthening initiatives funded by Cohesion Policy under a payment by results approach.

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