Absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU

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The European Parliament adopted a resolution on the absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU.

Absorption capacity is the extent to which a Member State and its regions are able to spend the financial resources allocated from the Structural and Cohesion Funds in an effective and efficient manner. Parliament recalls that this capacity is necessary for making a maximum contribution to economic, social and territorial cohesion with the resources available from the EU funds.

Main problems identified: pointing out that efforts have been made to ensure an acceleration in absorption capacities and budgetary implementation of cohesion policy during 2010, Parliament points out that **absorption problems have been caused by the following main factors**: (i) difficulties with completing the compliance assessment procedures concerning the new management and control system, that generally fall at the beginning of the programming period; (ii) global economic recession, which has a direct effect in the form of the budgetary restraint measures applied to public budgets and difficulties in obtaining internal financing; (iii) insufficient resources to co-finance projects; (iv) delays in the establishment and introduction of EU and national rules or related guidance, and incomplete or unclear rules; (v) delays in the translation of the guidance notes and in obtaining clarification from the Commission, and inconsistency of Commission guidance; (vi) over-complicated and over-strict national procedures, and frequent changes therein.

Improving absorption capacity: the resolution presents a certain number of **proposals with a view to improving absorption capacity**:

- encourage and maintain an **extensive dialogue with all stakeholders** at national, regional and local level in order better to identify the needs of the labour market;
- improve awareness and accessibility of the ESF and to update project-building capacities in order to contribute to the creation of new, decent jobs and more effective social inclusion;
- give priority to the integrated approach for local and regional development projects, encouraging the development of bottom-up local initiatives for the ESF and making it possible to combine several sources of financing: operational programmes, national programmes and private resources at the individual project level;
- the ESF objectives to be brought into line with the real requirements of a labour market that is in need of investment in upgrading vocational training and in measures to protect craft trades;
- the need for **greater synergy and complementarity** between all the shared management funds (ERDF, ESF, Cohesion Fund, EAFRD and EFF) and the EDF in the case of certain European regions which neighbour ACP countries;
- **review the level of co-financing** to reflect better the level of development, EU added value, types of action, beneficiaries, their absorption capacities and development opportunities;
- an **adequate Community budget** to be allocated to cohesion policy at a time when national and local contributions are being hampered by national budgetary austerity policies;
- pay more attention to **project preparation** and to draw up a project pipeline so that the risk of cost overrun can be minimised and a high absorption rate attained;

- pay attention to **better management of human resources** by making further efforts to attract and retain qualified staff to manage EU funds, by promoting high-quality training for them, and by avoiding any replacement of staff unless this is strictly necessary and guided by the sole aim of improving their effectiveness and consequently the absorption capacity;
- establish an **Internet-based platform** for beneficiaries, local and regional stakeholders and government institutions to exchange best-practices and information on obstacles, problems and their possible solutions;
- use the **information and communication systems** to develop an early warning system on the absorption of the funds.

Important role of the European Social Fund (ESF): Parliament considers that the European Social Fund (ESF) provides vital support for labour market policies and plays an important role in promoting social inclusion, and whereas its **funding needs to be considerably stepped up**. It stresses the need to **ensure that the European Social Fund (ESF) is used more effectively** to address the challenges posed by the current economic financial downturn. It makes the following recommendations:

- ensure that the ESF is used in a more efficient way, to respond to the present socio-economic challenges brought about by the financial recession, at all levels and in all Member States;
- ensure that the future ESF makes a meaningful, targeted contribution to the implementation of the Europe 2020 Strategy in the fields of employment and social inclusion as a visible, transparent, efficient, flexible, simple and user-friendly instrument that is brought to bear to develop human capital, while reflecting the specificities and needs of Member States and regions;
- the need to concentrate efforts on a limited number of priorities – the most urgent among them being reducing record levels of unemployment in the internal market, with special reference to jobs for young people and women;
- improve awareness and accessibility of the ESF and to update project-building capacities in order to contribute to the creation of new, decent jobs and more effective social inclusion;
- on the basis of clear rules, to use the possibility of advance payments to ESF beneficiaries to a greater extent.

Facilitating access of SMEs: Parliament points out that most SMEs, and especially small and micro enterprises, cannot access Structural Funds on their own due to current administrative and financial constraints and that they need support and advice from their representative organisations at regional and national level. It considers that a **simplification of the rules and procedures** is essential to ensuring their access to Structural Funds. Members call for the Small Business Act, its ‘think small first’ and ‘only once’ principles and the proportionality principle to be applied at all levels of decision-making to define investment priorities and the design of management, audit and control procedures in order to ensure better absorption of the funds.

Lastly, Parliament reiterates that the mechanisms of **multi-level governance** and the **partnership principle** are key elements in the effectiveness of operational programmes and in high absorption capacity.