

## EFC contribution to the conclusions of the fifth report on economic, social and territorial cohesion

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The European Foundation Centre (EFC), the principal representative organisation of public-benefit foundations at EU level, welcomes the consultation process launched by the European Commission to seek views from interested parties on the conclusions of the fifth report on economic, social and territorial cohesion and the future of cohesion policy.

Foundations have an important role to play in the promotion of Europe's economic, social and territorial cohesion and the development of a cohesion policy that meets the expectations of people living in the EU. In this context, the EFC is pleased to share its views on the future of EU cohesion policy, based on comments and proposals by those EFC members actively involved in the implementation of EU cohesion policy and in social integration work and community development.

### I. General comments

- The EFC hopes that the EU seizes the opportunity of this consultation to reflect upon the current use of the second largest line of community funding to ensure it has the highest impact on EU citizens and puts their needs and interests at its core.
- There is a need for **stronger links among EU funds**. Intensifying the coordination of the ESF, ERDF and EAFRD will help increase effectiveness, facilitate an integrated approach and achieve a greater impact of actions financed by the funds. Regulations should explicitly reinforce the coordination and combined use of EU funds, providing the mechanisms and instruments required for a more effective implementation of programmes and projects.
- **EU Structural Funds are only one of the EU's instruments**. It is important to consider how EU funds can be combined with other tools e.g. coordination or regulation at different levels, (national, local) and with other resources (e.g. private funds). In this regard, issues such as co-funding and leveraging of additional resources, and therefore the development of partnerships with other funding organisations in order to pool resources, is critical. With their own funding sources spent on projects for public benefit and their independence, the role of foundations as partners should be acknowledged.
- The use of funds must be based on principles of **transparency, accountability and partnership**.
- The role of **foundations and other civil society organisations (CSOs)** in the future cohesion policy should be fully acknowledged and supported. CSOs in general are close to the grassroots and can therefore have a high impact. **Structural Funds should be CSOs-friendly**. Cohesion policy needs to empower them to play an active role as partners in all aspects of EU policy, from design to implementation to evaluation. Partnership with civil society should not only be implemented, but it should also be broadened and deepened as all too often Member States merely include the more established or familiar organisations, whereas it should involve the diversity of population and citizens' interest groups, including women's organisations, minority and ethnic communities to name but a few.
- Cohesion Policy should have a more **inclusive approach and targeted actions towards the most disadvantaged groups** disproportionately affected by social exclusion and discrimination. Ring-fencing funds for vulnerable groups should be considered in this context. Conditionality provisions creating incentives for reforms, which are foreseen in the proposal, should include objectives such as the reduction of social exclusion.
- **Taking better account of the key role of territories with particular geographical features in development processes** is welcomed. Besides the urban example which is given, the rural areas and in particular marginal rural areas should also be given proper attention. Also the new additional places focus should be sensitive to groups such as the Roma who move from place to place.
- **Taking stock and learning from previous programming periods** and the initiatives undertaken in their context is essential. Evaluations should be seen as a key tool in this sense. Structural Funds should also

review and, whenever appropriate, further develop and promote initiatives, working methods and projects that have been already tested and that have proven their value. The promotion of networking and the training or support for exchange of knowledge and best practice should be promoted in this sense as well as the development and promotion of specific methodological suggestions that take account of the knowledge and lessons extracted.

## II. Specific questions set in the consultation questionnaire

- **How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels?**

In order to be effective it is essential that Structural Funds are aligned with national policies and strategies (i.e. National Reform Plans, Employment Strategy, etc.) as well as regional and local policies. Structural Funds are not mere financial instruments but policy instruments and tools for policy change.

In this sense, the EFC welcomes the proposals for a new strategic programming approach to closer integration of EU policies to deliver the Europe 2020 Strategy and the Integrated Guidelines, namely: a common strategic framework (CSF), a development and investment partnership contract, and the operational programmes (OP). This could prove an efficient approach, through appropriate governance, to bring the EU2020 Strategy closer to the national arenas at all levels.

In addition, there is a need to acknowledge that clear and measurable operational programme targets contributing to national targets in the framework of the EU2020 Strategy would need to be accompanied by proper **indicators**. Indicators are an important way to know if programmes are effective, efficient, and impactful.

General indicators at EU level, to be translated into **national indicators** by Member States, are deemed necessary in an attempt to enhance OPs' successful implementation and contribution to the EU2020 objectives. Indicators should reflect specific regional needs (for instance in terms of human resources), specific and global impacts (linked to overall objectives); results (reflecting immediate effect on beneficiaries); and outputs (that refer to activity, and are connected with the operational objectives). These should be wider than the GDP per capita criterion and easy to measure.

Most indicators in the Structural Funds are output indicators, which are readily measurable, for example measuring the number of persons trained, comparing 2007 to 2013. General experience shows that these indicators are not enough or are too weak for certain areas, notably in the social field. Measuring social inclusion outcomes is more subtle, and should involve a mixture of 'hard' and 'soft' indicators.

It is of the utmost importance to maintain and enhance the **pluri-regional programmes** that generate strong partnerships and tackle intraregional disparities while guaranteeing sustainable interventions across the territory.

Reinforcing **horizontal as well as vertical coordination of Managing Authorities** with different stakeholders will contribute to an increase in effectiveness of Cohesion Policy and will work better towards helping to achieve EU2020 objectives.

- **Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?**

The scope of the development and investment partnership contract should be **focused on Cohesion Policy**, while incorporating other policies and financial instruments that are connected with the latter. The focus of the partnership contract should be flexible but remain targeted to cohesion policy objectives contributing to the success of the EU2020 Strategy.

- **How could stronger thematic concentration on the Europe 2020 priorities be achieved?**

The Commission's proposal to promote a stronger thematic concentration is an interesting idea which should be further explored and considered carefully.

While concentrating EU and national resources on a small number of priorities can help ensure funding is targeted and therefore improve its effectiveness, the **thematic concentration approach should include a degree of flexibility** which allows taking into account the diverse realities and challenges across the EU. Priorities should be aligned with the objectives and priorities of the Europe 2020 Strategy but also take into account the societal challenges facing Europe such as health, ageing, environment and climate change.

There is also a need for **legal clarity**. All thematic priorities, stemming from the Integrated Guidelines and the EU2020 Strategy flagships, should be clearly mentioned and explained in the Cohesion Policy Regulations. In this respect, expenditure categories should be explicitly recognised in the spirit of Annex IV to (current) Regulation 1083/2006 (as referred to in Article 9(3)).

The choice of priorities must involve a bottom up approach where regions can address their key concerns based on a menu of priorities decided in partnership with EU, national, regional and local actors.

The pluri-regional approach of **Operational Programmes** is an asset to respond to specific economic, social and territorial needs, therefore dealing with intraregional disparities affecting specific groups in the labour market.

In line with the key priorities and objectives of the EU2020 Strategy, a number of horizontal clauses -such as equal opportunities and non-discrimination, gender equality, environmental issues, social inclusion and accessibility - should be considered for all Funds. In this sense, **social inclusion**, one of the EU's core policy priorities, should be considered a **horizontal priority for all EU funds**, not only the ESF. Furthermore priorities linked to employment, social inclusion and accessibility for vulnerable groups should actually be addressed. It is understood that national level policies sometimes cover these priorities erratically and, on many occasions, insufficiently.

Understanding that the Structural Funds are the main financial instrument for social cohesion, the future regulations should also ensure that they have a particular focus on those groups that are harder to reach or that face disproportionate obstacles or are affected disproportionately by social exclusion and discrimination due to different reasons such as age, disability, social situation, ethnic origin or nationality. Cohesion Policy should not only have a more inclusive approach, but explicitly refer to **targeted actions towards the most disadvantaged groups** disproportionately affected by social exclusion and discrimination.

The thematic concentration approach should leave room for experimentation and innovation. The notion of innovation should also be widened to include "**social innovation**" in order to foster social capital which is important both for competitiveness and social cohesion. Social innovation and other targeted interventions to reach the 'hardest to reach groups' should be promoted and adequately financed across all EU regions.

- **How could conditionalities, incentives and results-based management make cohesion policy more effective?**

The principles of **additionality, co-financing and the need to support experimentation and networking** set out in the Commission proposal are all important. In particular networking and exchange of learning are key in the context of the principle of subsidiarity. Indeed there is a risk that Member State governments only focus downward on their own in-country concerns, missing out on best practice from other countries and regions.

The Commission proposes that with a view to supporting the new economic governance system, new conditionality provisions are introduced creating incentive for reforms. Member States would be required to introduce the reforms needed to ensure effective use of financial resources in the areas directly linked to cohesion policy, for example environmental protection, flexicurity policies, education, research and innovation.

**Conditionality provisions** creating incentives for reforms should include areas such as **the reduction of social exclusion**, which should be cross-cutting to all thematic priorities in all EU regions. The involvement of civil society actors in the process of developing the National Reform Programmes and Development and Investment Partnership Contracts should be included as a condition for Member States to have their programmes approved by the Commission.

While we agree with the need to leave room for adaptation of the key principles, established for each thematic priority so that they are adapted to national and regional contexts, we should be careful that they are not diluted in the process. As in the other stages of the process, **CSOs should be involved**. Compliance with these rules should be monitored by the evaluation process and checked in payment claims.

When it comes to the financial sanctions and incentives linked to the Stability and Growth Pact, more clarity is needed as regards the impact on the end beneficiaries. The European Commission must **clarify how potential suspensions or cancellations of EU funds** to Member States would not compromise the funding certainty of EU projects. It would also be essential to set up enough preconditions to avoid a situation where regions and cities, and therefore the end beneficiaries, are affected due to the delays or malfunctions at other levels of responsibility.

Intensifying the **coordination of EU funds at national and European level** will surely increase effectiveness of Cohesion Policy, facilitate an integrated approach of actions and achieve greater impact.

The **level of co-funding should be reviewed** and possibly differentiated to reflect better the level of development, EU added value, types of actions and beneficiaries.

The suggestion that co-financing might be differentiated given different Member State resource potential should be given due consideration. In cases where it was a one size fits all situation, it worked potentially to the benefit of the wealthier states with a greater ability to co-finance.

Rules on co-funding requirements should be more flexible taking into account the type of action and project managers. As far as the level of co-funding is concerned, there should also be more transparency on the rationale behind the chosen ratio and more flexibility. Difficulties experienced by NGOs in Structural Funds rounds include requirements for co-funding, guarantees, annual rather than multi-annual projects and lack of transparency.

The Commission calls for the Member States and the regions to make a more extended **use of “new financial instruments”** and in particular a new mix of funding, i.e. - grants and loans rather than just grants, already developed in the 2007-2013 programming period. This is seen as a good proposal in general, however this may act against the poorer groups that have no asset base to obtain loans, particularly where banks are less likely to extend loans.

- **How could cohesion policy be made more results-oriented? Which priorities should be obligatory?**

A successful result-oriented policy lies mainly in the right approach. The interrelation between the CSF, the partnership contract and the OPs should be governed by relevant **specific and measurable targets and useful output and result indicators**, which can make interventions measurable and comparable at EU level. Funds should be measured and evaluated in terms of real impacts rather than in terms of mere inputs. The effectiveness of interventions financed by Structural Funds should be strengthened in Regulations by establishing standard evaluation criteria based on impact and results, not only on fulfilment of financial control mechanisms.

These indicators should allow for a final assessment to measure progress made and impact on **specific areas and target groups** (Roma, people with disabilities, migrants, etc.) and how they benefitted from Structural Funds interventions. Structural Funds indicators should be in line with those used to achieve the EU 2020 Strategy measuring social inclusion outcomes. At the same time, OPs should incorporate a result-oriented logic, as is the case, for example, of the Spanish ESF OP ‘Fight Against Discrimination’.

Intermediate and impact evaluations are necessary to measure ongoing performance and results and should be encouraged although, as it happens for the intermediate evaluation, they are no longer required. Different stakeholders, including civil society organisations, should be involved and consulted in the evaluation process, which is not often the case. **Evaluation should include a number of horizontal issues such as equal opportunities and non-discrimination, gender equality, environmental issues, social inclusion and accessibility** and should be ultimately seen as a tool to learn what works and whether we can apply those lessons to national programmes and the next round of the Structural Funds. Arrangement should also be made to disseminate the knowledge and to check how to transfer the learning to national programmes and to the next round of Structural Funds.

Moreover, enhancing the **partnership principle** can help leverage additional resources from other public and private sources, thereby contributing to a more efficient implementation of the EU funds. A mandatory partnership approach within each thematic priority should apply.

Regulations should reinforce the monitoring role of the European Commission not only for the management and control procedures, but also at the level of evaluation of impact and results of interventions financed by Structural Funds. Technical Assistance should be considered as a valuable tool to achieve this objective.

- **How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?**

Actions implemented concurrently at the national and local levels have proved to achieve a greater impact. The involvement of local and regional stakeholders is an opportunity for combining action levels; but the Structural Funds can be effective policy instruments when actions implemented at the local level have a national strategic design.

In this sense, effective development and implementation of the cohesion policy requires a governance system that fully involves different stakeholders at all levels (from the European to the local level) and promotes a strong partnership between them, notably public authorities and CSOs. Future Regulations should promote the full implementation of the partnership principle and make sure that partners are involved at every stage of the process, from programming to evaluation.

CSOs are also key actors in all aspects of cohesion policy, be it regarding its development or the delivery of Structural Funds, and their role should be fully acknowledged. **Structural Funds should be CSO-friendly**

and in particular use systems which encourage and promote their participation, such as technical assistance and global grants. In this sense, we believe it would be suitable to have **specific calls for projects for CSOs**.

Indeed, CSOs have an extensive knowledge and experience in the development of social cohesion and their scope of action can range from local to transnational operations. In particular, transnational organisations have experience in the adaptation of projects to the specific needs of each Member State and can therefore be key actors for European social cohesion.

Regarding the delivery of Structural Funds, CSOs are often much closer to the population groups targeted by the Structural Funds, are trusted by them, and have experience in delivering projects that work well and use proven methods that produce positive outcomes and results. For example, projects delivered by CSOs (alone or in partnership with other organisations) have successfully reached out to large numbers of socially excluded people (e.g immigrant and ethnic minority communities), significantly improved their skills and qualifications and led to an improved quality of life. An example of a successful project is the Spanish operational programme to fight against discrimination, which is managed altogether by ten intermediary bodies, five of which are CSOs working in the fields of employability and social inclusion, namely *Cáritas Española*, *Cruz Roja Española* (Red Cross), *Fundación Luis Vives*, *Fundación ONCE* and *Fundación Secretariado Gitano*.

Legal clarity is needed in terms of local and regional stakeholders' involvement. **Guidelines and minimum requirements for their participation** should be incorporated in the General Regulation and therefore be applicable to all Structural Funds. Minimum standards could include areas such as how government involves CSOs, systems for reporting, and criteria for selecting organisations for monitoring committees, etc. The Commission could consider elaborating guidelines for Member States to work in partnership with CSOs, leaving it up to each Member State to decide the best option, according to their internal structure.

In this context, involvement should be structurally monitored by joint efforts by the European Commission, the Member States and organised civil society. Up to now it has been a significant challenge for CSOs to convince the national authorities to make them active partners, be it in the consultation process or in the allocation of seats on the monitoring committees. The Commission has asked for occasional reports on the quality of the partnership process in the Member States. These reports are sometimes of limited value, lacking analysis in their approach and being uncritical in their conclusions, with social inclusion NGOs seldom asked to present their views.

Partnership with civil society should be broadened and deepened as all too often Member States merely include the more established or familiar organisations, whereas it should involve the diversity of population groups and citizens' interests groups, including women's organisations, minority and ethnic communities to name but a few.

Active and responsible partnership requires a process of **capacity-building** within civil society and within local administrations. Increased funding for technical assistance should be considered as well as the establishment of global grants. Regional Programmes could be moreover asked to include budget lines for small and targeted projects led by local actors in the territory, in the spirit of the former Community Initiatives. It is also important to ensure that CSOs are eligible for most of the measures in the operational programmes.

The role of **local and regional authorities** should not be underestimated. They are well positioned to provide concrete responses to challenges on the ground with other local actors. Access to Structural Funds may be restricted in some cases due to lack of political interest from local and regional authorities; in other cases the latter may encounter certain constraints related to complex administrative procedures, co-financing requirements, and lack of capacity, etc. Providing appropriate support and expertise through technical assistance and capacity-building would facilitate local and regional involvement in the use of the Structural Funds.

- **How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed?**

Having a unique audit system that reflects a clear understanding of the national funds' operational rules is critical in order to reduce administrative burden and ensure an efficient financial control. Whether the management and control role relies either on the Member State or an accredited body, rules should be clear in advance for all the parties involved. The Commission's role would focus on assessing the correct implementation of those controls, according to the established rules.

In any case, it would be advisable that both national and European Commission (EC) audit authorities sign a 'trust agreement', and that third party audits would be considered valid. Otherwise, Member State - EC joint audits would be recommended.

The audits should be adapted and proportionate to both the size of the projects and the nature of the eligible activities for each of the funds.

- **How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes?**

Applying the proportionality principle is essential to ensure that all organisations have the same opportunities.

The complexity of administrative procedures and co-financing rules and requirements, which make the process both a very human-resource intensive and time-consuming exercise, has proven to be an obstacle for organisations which want to apply for EU funds. Simplifying the procedures should therefore be given priority in order to facilitate the access of those key actors to EU funding.

The European Commission should pay more attention to developing harmonisation in application procedures where appropriate, thereby allowing more synergies between funds.

There should be an ongoing Task Force established to receive suggestions and complaints, as the complexity of the rules - and the fact that sometimes changes are imposed retrospectively on projects - is serving to alienate community based groups from an identification with European funding.

- **How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules?**

Common rules should be adapted to each fund, in particular when it comes to audits. Difficulties emerging from the current programming period relate, to a large extent, to the **application of rules for eligible projects under one of the funds, which are disproportionate to the other fund**. For instance, on the spot verifications for projects relating to infrastructure are easier to manage, whereas on the spot verifications for training courses or courses of various kinds addressed to people are more difficult. This is due to the fact that these verifications take place even before the payment of invoices that justify the expenses.

**Clarity of the rules** is as important as the consistency of the interpretation of the rules. When the subsidiarity principle applies for Member States to establish the eligibility of the rules, they should also be the ones managing the impacts of this interpretation. The Commission could issue examples of case law regarding the eligibility of expenditure of operations, which would be very useful for the Managing Authorities, the auditors and the project operators.

Clearer rules for funds' complementarity are needed, in particular to encourage integrated approaches that are crucial to some cross-cutting areas, for instance the fight against social exclusion. Article 9 of the ERDF Regulation (1080/2006) is a good example in this respect.

- **How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?**

More and better evaluation is required to ensure financial discipline, while ensuring the right flexibility for the OPs to achieve results. In particular intermediate evaluations should be a focus, given that this programming period has not utilised these evaluations.

The application of the automatic decommitment rule has been very useful to avoid funds' losses, and should be maintained. However, it should be applied at programme level and not at priority axis level, which sometimes leads to spending the money on projects without any added value (misuse of the funds).

Financial rules for areas in transition should also be reviewed. Despite the fact that some regions should be under this transitional scheme, the scheme should be based on an even distribution of the amounts across the programme's life cycle. Currently, larger amounts are allocated during the first year, with an abrupt reduction of the funds in the last three years. This creates difficulties in the management of programmes, which require a more constant financial support in each of the years, while the aid gradually (and naturally) reduces towards the end of the programming period.

- **How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?**

As a financial instrument for supporting employment and promoting economic and social cohesion, the ESF will play a pivotal role in involving vulnerable groups in the achievement of the EU2020 Strategy.

It is clear that the ESF could be strengthened through enhancing Cohesion Policy thematic priorities linked to employment, social inclusion and accessibility. These priorities should be binding and reflected in clear investment categories under the General Regulation.

At the same time, these intervention areas should be subject to conditionality of funds for Member States, while incentives should be studied for OPs dealing with social innovation and tailored approaches to the 'hardest to reach groups'. In this respect, pluri-regional OPs entail huge added value as they operate on the basis of the territorial distribution of exclusion and poverty.

Ring-fencing funds for vulnerable groups and other targeted measures, including financial lines to promote the involvement of local actors, should clearly strengthen the ESF's role and contribution to the 'inclusion' dimension of the EU2020 Strategy.

- **How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?**

The principle of solidarity within the EU and between Member States should be respected and therefore, while the main focus of the policy should aim at reducing disparities and enhancing economic, social and territorial cohesion, **all regions** must be given the opportunity to develop their competitive advantages in order to promote the overall harmonious development of the Union.

The recognition of a new intermediate category of regions, which would include those regions that have moved out of convergence but remain below the EU average is worth considering. This category could be governed by specific thematic priorities that, in the context of the EU2020 Strategy, reflect regional needs, in particular as far as intraregional disparities and key areas of investment for competitiveness and growth are concerned. These priorities should be guided by economic and social indicators that complement the GDP information and assist the regions in the process of economic crisis recovery.



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- Playing a consultancy role with respect to legal and fiscal issues and expansion of professional development opportunities for foundations' staff
- Convening foundations to facilitate exchanges of information and expertise and fostering cooperation with national-level associations of foundations, donors' fora and other organisations serving the sector

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