

HIGH LEVEL GROUP REFLECTING ON FUTURE COHESION POLICY

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PERFORMANCE ORIENTATION FOR COHESION POLICY

This document has been prepared by DG Regional Policy and DG Employment as the basis for a discussion with experts as part of a general reflection process on the future of cohesion policy. It does not prejudge in any way the final position of the two Directorates-General or the Commission on these questions.

1. INTRODUCTION

Both the Budget Review and the Fifth Report on Economic and Social Cohesion stress the importance of strengthening the performance orientation of cohesion policy. The Budget Review calls for "a disciplined concentration on the objectives of Europe 2020, and a rigorous concentration on results".

This note addresses four aspects of performance orientation:

- higher-quality, better-functioning monitoring and evaluation systems to move towards a more strategic and results-oriented approach to cohesion policy;
- defining a performance framework;
- reviewing and incentivising performance; and
- introducing output- or results-based elements for disbursement of the EU contribution to operational programmes or parts of programmes as foreseen in the Budget Review.

Much progress has been made in the last 18 months on how to move towards a stronger results focus for Cohesion Policy and a stronger alignment with the achievement of the Europe 2020 targets. This note presents some ideas on how a results-focus can be built into the process from top to bottom and bottom to top.

2. IMPROVING MONITORING AND EVALUATION

The starting point for a performance orientation is the ex-ante setting of clear and measurable indicators and targets. Indicators must be clearly interpretable, statistically validated, truly responsive and directly linked to policy intervention, and promptly collected and publicised. Indicators and targets should be agreed in the discussions on the programming documents in addition to common fund-specific indicators for all operational programmes linked to the Europe 2020 framework.

2.1. Outputs and results

Outputs are tangible or intangible goods or services delivered by the supported investment or reflect the participation of specific target groups in interventions under the control of the project responsible.

However, public interventions typically find their justification in the wish to do more than just produce outputs, and relate to citizens' concerns such as higher productivity or better accessibility. These effects are usually influenced by several factors, not just by the planned public intervention. They are measured by result indicators.

Change in result indicator • effect of intervention + effect of other factors

Monitoring the change in the result indicator (policy monitoring) allows policy makers and citizens to focus on policy aims. It allows a judgement on whether needs are being met.

For the ESF it should be underlined that result indicators can be defined at various levels: either very closely linked to the intervention (e.g. persons finding a job immediately after leaving the support) or at a more aggregate level where they are usually influenced by several factors, not just by the public intervention at stake. Both types of variables are results indicators for the ESF.

One can also attempt to isolate the effect of the intervention from the effect of other factors – the impact. This is a task for evaluation.

The definition of appropriate result indicators that reflect the intervention logic of each priority-axis or sub-priority is central to the new results based approach to cohesion policy. All priorities should therefore *specify one or more result indicators for each priority-axis or sub-priority*, expressing the change sought.

In line with the alignment of cohesion policy with Europe 2020, priority axes and their corresponding objectives in programmes will be determined by the selection of thematic objectives from the menu in the CSF and eventually the regulations. However, the way in which these objectives are to be achieved will depend on the specific situation in Member States and regions. Each programme will therefore have to set specific objectives and corresponding result indicators that translate the Europe 2020 thematic objectives in a national or regional context. Annex 1 provides examples of possible result indicators for the ERDF in line with EU2020.

2.2. Compulsory common indicators

The Commission needs to aggregate information across several hundred programmes in order to demonstrate progress and the success of the policy, including its contribution towards EU2020.

Common indicators are essential for monitoring of interventions. Setting targets should be a legal obligation. Common indicators should be linked to the categories of expenditure. Proposals are being developed in cooperation and discussion with Member States These proposals will be accompanied by guidance from the Commission.

For the ERDF and the CF, a proposal for 35 obligatory common indicators to this end for all programmes is provided in annex 2. They are a direct reflection of the EU2020 strategy.

For the ESF, a proposal for a limited number of common indicators for all programmes is provided in annex 3. The Commission will provide guidance on these compulsory common indicators.

3. A PERFORMANCE FRAMEWORK

Timely and complete submission of accurate data related to the indicators and on the progress towards the specific objectives would be central to the annual implementation reports. The timing of the annual reports monitoring process would be aligned with the Europe 2020 governance cycle. On this basis, a regular political debate in the relevant Council formations and European Parliament committees would improve transparency, accountability and assessment of the effects of Cohesion Policy.

However, without clear benchmarks against which progress can be assessed there is a risk that it will difficult for policy makers and programme partnerships to judge performance. At the same time, programmes will be generating a large amount of data related to result and output indicators that may be difficult to interpret. This could be addressed by the establishment of a performance framework within the Partnership Contract to establish critical milestones toward the achievement of Europe 2020 goals. These milestones would be agreed between the Commission and the Member States in the context of the negotiation of the programmes.

In order to assess performance, these milestones could be established on the basis of a limited number of programme indicators. These could be on input indicators (e.g. amount of money committed to key TENs interconnectors), output indicators (e.g. number of cooperation projects between enterprises and research institutions) or results (e.g. number of new employer enterprises started). In all cases, the progress towards milestones should provide a clear indication of progress towards delivery of investment priorities linked to Europe 2020 and provide policymakers and programme managers with robust information on delivery.

4. REVIEWING AND INCENTIVISING PERFORMANCE

The existence of a performance framework linked to Europe 2020 goals within the partnership contract or the OPs could form the basis for a number of different incentive mechanisms:

- It could provide the basis for a peer review process in the context of an annual political debate.
- Satisfactory progress could be linked to disbursement at an EU or national level. Where progress was unsatisfactory, resources could be held back and, in severe cases, reallocated between priorities or programmes.
- It could form the basis for the allocation of a national or EU reserve. In this case, the main objective of the reserve would be to ensure that additional available resources are not allocated to poorly performing programmes.

Peer review and disbursement mechanisms could be organised on an ongoing basis. Alternatively, they could be linked to one or two reviews during the lifetime of the programmes. This would also be the case for a performance reserve.

Other processes to enhance the performance of Cohesion Policy have been discussed at various meetings, but are not the subject of this note (e.g. conditionalities).

5. LINKING PERFORMANCE TO DISBURSEMENT OF THE FUNDS

Different options exist to encourage a focus on performance by linking it to the disbursement of the funds. These options share the common principle that the reimbursement of beneficiaries by the managing authority would not be linked any more to the expenditure of projects but triggered by outputs or results. This would, beyond bringing a stronger performance focus, be an important simplification for beneficiaries and managing authorities.

Further facilitating the use of standard scales of unit cost and lump sums for operations. This could be done, for example, by using existing national standards or by including standard scales of unit costs in the European legislation, providing legal certainty and reducing the burden of establishing them at national and regional level.

Q1: Do Member State experts agree that the general approach to results orientation and indicators will improve the monitoring and evaluation of programmes?

Q2: Would a performance framework with a limited number of milestones provide a sound and more strategic basis for assessing progress?

Q3: How can performance and the delivery of Europe 2020 best be incentivised?

Q4: On what level and how could performance and fund disbursement best be linked?

Annex 1

Examples of possible result indicators

This list is a suggestion of the Commission services, using the work of an expert group¹. The examples reflect the thematic objectives of Cohesion policy in line with Europe 2020. The public authorities responsible for the development of a programme will need to apply and complement the examples in a way that reflects their needs and development objectives.

Strengthening research, technological development and innovation

1. Percentage of SMEs introducing product or process innovations (Eurostat-CIS)
2. Percentage of SMEs introducing marketing or organizational innovations (Eurostat-CIS)
3. Growth of employment in knowledge intensive sectors (Eurostat-CIS)
4. Increase in human resources in science and technology. (Eurostat) or R&D personnel at the regional level (Eurostat CIS, RIS)
5. Business expenditure on R&D (BERD) as a percentage of GDP (Eurostat)
6. New to firm sales of all enterprises as a % of turnover (Eurostat, RIS)²

(RIS: research and innovation scoreboard; CIS; Community Innovation Survey)

Enhancing accessibility to and use and quality of information and communication technologies

1. Percentage of enterprises taking up advanced on-line public services (Digital Agenda Scoreboard).
2. Percentage of enterprises purchasing and selling on-line (Digital Agenda Scoreboard)

Removing obstacles to the growth of SMEs

1. Number of start-ups (Eurostat)
2. Growth in employment in small firms (Eurostat)
3. Gross Fixed Capital Formation in SMEs (Eurostat)

¹ Expert working group led by F Barca and P. McCann, 2011.

² New or significantly improved products to the firm as a percentage of total turnover. These products are not new to the market. Sales of new to the firm but not new to the market products are a proxy for the use or implementation of elsewhere already introduced products (or technologies). This indicator is thus a proxy for the degree of diffusion of state-of-the-art technologies.

Supporting in all sectors the shift towards a low-carbon, resource efficient and climate resilient economy

1. Energy intensity of the economy (Eurostat)
2. Greenhouse gas emissions by sector

Promoting renewable energy sources

1. Share of renewables in gross final energy consumption (Eurostat)
2. Electricity generated from renewable sources

Promoting sustainable transport

1. Energy consumption of transport relative to GDP (Eurostat)
2. Average CO₂ emissions per km from new passenger cars (Eurostat)

Removing bottlenecks in key network infrastructures

1. Time saved – reduction in journey time
2. Accessibility gains - accessibility allowed by new /upgraded transport infrastructure
3. Modal shift - traffic flow of freight using the new infrastructure and withdrawn from road

Correcting and preventing unsustainable use of resources

1. Greenhouse gas emissions, base year 1990 (Eurostat/EEA – EU2020 headline indicator)
2. Total greenhouse gas emissions by sector (Eurostat/EEA); see also Air Emissions Accounts by activity (NACE industries and households) (Eurostat)
3. Share of renewable energy in gross final energy consumption (Eurostat – EU2020 headline indicator)
4. Energy intensity - Gross inland consumption of energy divided by GDP (Eurostat – EU2020 headline indicator)
5. Resource productivity (Eurostat); see also Domestic Material Consumption (Eurostat)
6. Urban population exposure to air pollution by particulate matter (Eurostat/EEA)
7. Treatment of waste (Eurostat, NUTS 1)
8. Resident population connected to wastewater collection and treatment systems (Eurostat)

9. Urban wastewater treatment with at least secondary treatment (Eurostat); see also Treatment capacity of wastewater treatment plants – design capacity, actual occupation (Eurostat)
10. Resident population connected to public water supply (Eurostat)

Social infrastructure

Education and childcare infrastructure

1. School dropout rate **or** *Early leavers from education and training (Europe 2020 Headline target, National level)*
2. Formal child care by duration and age group (EU SILC, National level)

Health infrastructure

1. Self reported unmet need for medical examination or treatment (EU SILC, National level)
2. Average distance of general clinic/hospital units from population centroid **or** Average travel time to hospital services

Housing infrastructure

1. Overcrowding rate ³ by age, gender, poverty status or degree of urbanisation
2. Housing cost overburden rate ⁴ by age, gender or poverty status (EU SILC, National level)
3. Housing deprivation rate (EU SILC, National level)

³ A person is considered as living in an overcrowded household if the household does not have at its disposal a minimum of rooms equal to: - one room for the household; - one room by couple in the household; - one room for each single person aged 18 and more; - one room by pair of single people of the same sex between 12 and 17 years of age; - one room for each single person between 12 and 17 years of age and not included in the previous category; - one room by pair of children under 12 years of age.

⁴ Percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).

Annex 2

Proposed List of common indicators

For all indicators targets, committed and actual values will be required. Most of the listed indicators are output indicators.

		UNIT	NAME
	Physical Infrastructure		
	Transport		
1	Roads	Km	Total length of newly built roads
2		Km	Total length of reconstructed or upgraded roads
3	Railway	Km	Total length of new railway line
4		Km	Total length of reconstructed or upgraded railway line
5	Urban transport	persons	Average number of passengers served by improved urban transport services
	Environment		
6	Water supply	persons	Additional population served by improved water supply
7	Wastewater treatment	population equivalent	Additional population served by improved wastewater treatment
8	Sewage	Km	Total length of new sewage built
9	Solid waste	Tons	Annual waste recycling capacity
10	Risk prevention	persons	Additional population benefiting from flood protection measures
11		persons	Additional population benefiting from forest fire protection and other protection measures
12	Land rehabilitation	km ²	Total surface area of rehabilitated land
	Energy		
13	Renewables	MWh	Energy produced from renewable sources
14	Energy efficiency	MWh	Decrease in energy consumption, annual average
15	GHG reduction	tons of CO ₂ eq	Estimated decrease of GHG in CO ₂ equivalents
	ICT		
16	Infrastructure	persons	Additional population covered by broadband access
	Social Infrastructure		
17	Childcare & education	persons	Service capacity
18	Health	persons	Service capacity
19	Housing	households	Population benefiting from improved conditions

20	Cultural heritage	persons	Number of visitors at supported sites
	Urban Development		
21		square meters	Area of renovated / newly developed open space in urban areas
22		square meters	Area of renovated / newly developed commercial buildings in urban areas
23		square meters	Area of renovated / newly developed housing in urban areas
	Productive investment		
	Enterprise		
24		enterprises	Number of enterprises receiving financial support (including grants, loans, venture capital)
25		enterprises	Number of enterprises receiving non-financial support
26		enterprises	Number of new enterprises supported
27		EUR	Private investment matching EU support in SMEs (including grants, loans, venture capital)
28		number	Number of jobs created in assisted SMEs
	Innovation and RTD		
29		number	Number of cooperation projects between enterprises and research institutions
30		number	Number of research jobs created
31		EUR	Private investment matching EU support in innovation or R&D projects
32		EUR	Added RTD/innovation private investment in supported companies (excluding matching EU support)
33		number	Increase in number of patents of supported companies
34		number	Increase in number of publications of supported institutions
35	Tourism	persons	Number of visitors to supported attractions

Annex 3

Common indicators for the ESF

Output		
broken down by gender	0	Total no of participants (not to be filled by MS, sum of indicator no 1, 3, 5)
	1	Unemployed, including LTU
	2	LTU
	3	Inactive
	4	Inactive, not in education or training
	5	Employed, including self-employed
	6	Below 25 years
	7	55 to 64 years
	8	With primary and lower secondary education
	9	With upper secondary and post-secondary education
	10	With tertiary education
	11	Migrants, people with a foreign background, minorities, Roma
	12	Disabled
	13	Other disadvantaged
14	Systems and structures	
<hr style="border-top: 1px dashed black;"/>		
Result		
broken down by gender	15	Participants newly in job searching upon leaving
	16	Participants in education/training upon leaving
	17	Participants gaining a qualification upon leaving
	18	Participants in employment or self-employment immediately upon leaving
	19	Participants in employment 6 month after leaving
	20	Participants in self-employment 6 month after leaving
	21	Participants with improved labour market situation 6 months after leaving