

Maximisation of Synergies between European Structural and Investment Funds and other EU Instruments

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This article is based on a study for the Committee on Regional Development of the European Parliament. It provides a comprehensive and systematic analysis of the existing scope for synergies between European Structural and Investment Funds (ESI Funds) and other EU instruments contributing to Europe 2020 goals. It identifies different arenas for the pursuit of synergies (regulatory settings, governance arrangements, strategic frameworks and implementation approaches), noting achievement thus far, and, looking towards 2020, assessing the potential for maximising synergies. This analysis is based on a review of academic and evaluation evidence from the 2007-2013 period, recent research, legislation, EC and Member State policy papers and guidance for the 2014-2020 period as well as evidence from EU, national and sub-national stakeholders on the degree of change in approaches to synergistic working and the associated benefits and challenges. The study identifies a shift from focusing on the demarcation of Funds and instruments to avoid overlaps and duplication towards a push for more synergistic working in the design and implementation of initiatives under specific themes and objectives. However, this process is not uniform: there is strong variation in the scope for and extent of synergistic working at different stages in the policy process, in different thematic fields and in different territories.

I. Introduction

This paper provides a comprehensive and systematic analysis of the existing scope for synergies between ESI Funds and other EU instruments contributing to Europe 2020 goals. It is based on a study conducted on behalf of the European Parliament's Committee on Regional Development.¹ Creating synergies is a

central objective of the ESI Funds reforms introduced for the 2014-2020 period. The need to maximise impact and efficiency of public investment through achieving synergies between funding instruments is pressing. In the context of EU-funded investment, the European Parliament and Council made it clear that this approach to creating synergies is no longer considered a 'nice to have' but is seen as a 'need to implement', directed at all layers of stakeholders, at Member State level as well as European Commission services level, including intermediaries and facilitators' networks. This push for strengthened synergies is particularly relevant to ESI Funds due to the increasing emphasis on their contribution, alongside other instruments, to broader EU development goals. ESI Funds are broad both in terms of their scope and thematic priorities and there is overlap with the objectives of other EU funding instruments. The Europe 2020 jobs and growth strategy is being implemented by several instruments (Horizon 2020, the COSME programme, RIS3, CEF, EFSI etc.) and the potential for ESI Funds to contribute in synergy with

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The opinions expressed herein are those of the authors and do not necessarily reflect upon the institution for which they work.

¹ Ferry M, Kah S and Bachtler J (2016) *Maximisation of synergies between European Structural and Investment Funds and other EU instruments to attain Europe 2020 goals*, Report to the European Parliament's Committee on Regional Development, Brussels.

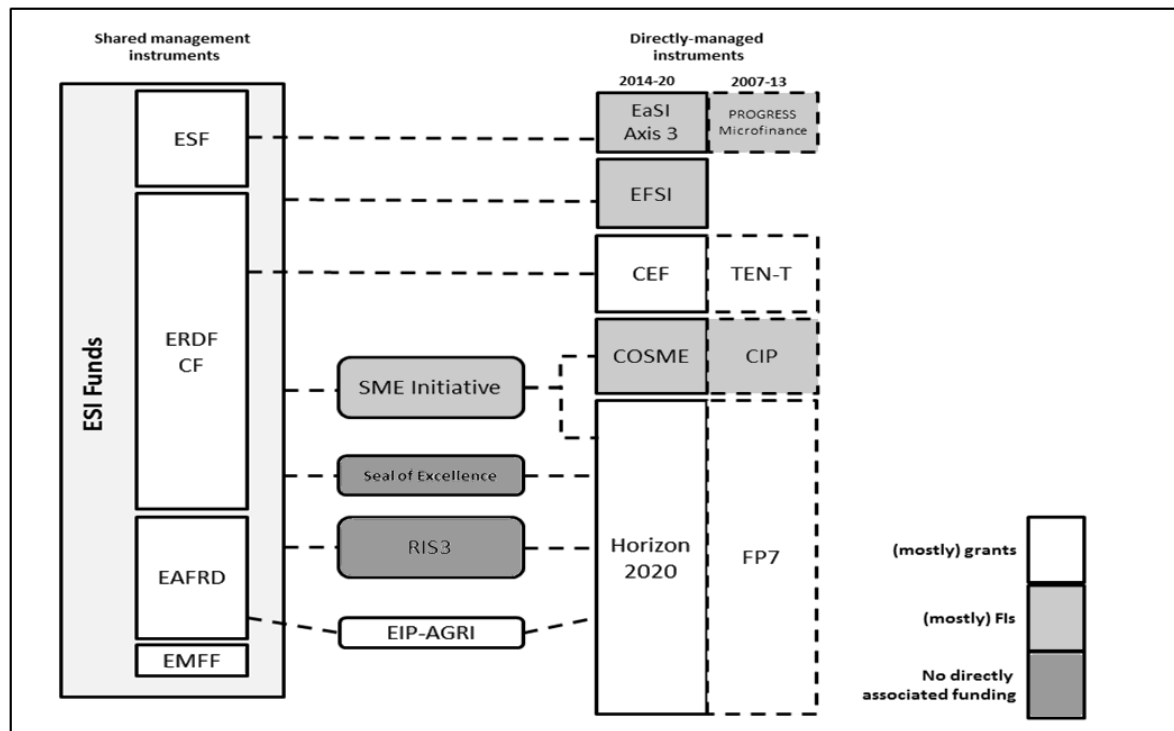


Figure 1: Relationships between ESI Funds and directly-managed EU instruments

Source: Authors' own compilation.

these must be maximised and realised. Based on a review of academic and evaluation evidence, legislation, European Commission and Member State policy papers and guidance for the 2014-2020 period as well as evidence from EU, national and sub-national stakeholders on approaches to synergistic working, the paper identifies different arenas for the pursuit of synergies (regulatory settings, governance arrangements, strategic frameworks and implementation approaches), noting challenges and achievements to date. Although not the subject of the article, it is important to note that there is not only a question of building synergies between the ESI Funds and the other instruments, but also one of harmonisation and synergetic working between the different ESI Funds. The lack of harmonisation/coordination and synergy building between the different ESI Funds can be a handicap for synergetic working between the ESI Funds as a whole and the other policies/instruments.

The article concentrates on four directly-managed EU funding instruments and two EU-driven strategic frameworks or structures: Horizon 2020, Com-

petitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), Connecting Europe Facility (CEF), European Fund for Strategic Investments (EFSI), Research and Innovation Strategies for Smart Specialisations (RIS3) and the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI). It is based on desk research and interviews in the European Commission and selected Member States (Austria, Czech Republic, France, Germany, Poland, Spain and United Kingdom). Figure 1 shows the relationship between ESI Funds and the other EU instruments and frameworks discussed above. While ESI Funds are governed under the shared management model, the other four funding instruments described are directly-managed by the EU-level. EFSI can interact with all ESI Funds while the CEF is closely related to the Cohesion Fund (CF). COSME and Horizon 2020 can have relations to all ESI Funds, but have most potential connection to the European Regional Development Fund (ERDF), also jointly via the SME Initiative. The Seal of Excellence links Horizon 2020 and ESI Funds directly, as does RIS3, which in spite of its focus on

Table 1: Synergy and related terms

Term	Summary definition
Synergy	The interaction of two or more agents, resources or activities such that the product is worth greater than the sum of the component parts ($1+1>2$).
Complementarity	Activities or policy efforts that build on the strengths and account for the limitations in each other ($1+1=2$).
Coordination	A process by which donors share information about or identify their respective resources, goals, processes and timelines to each other in order to reduce duplication and increase complementarity.
Coherence	Where two or more distinct policies or programmes are logically consistent and do not counteract each other.

Source: Based on Graves S, Wheeler V, Foresti M, Burall S and Highton N (2008) *Synergies between Bilateral and Multilateral Activities, report for Evaluation Department, Ministry of Foreign Affairs/Danida, Denmark, 2008/2.*

Horizon 2020 can involve a wide range of EU-level and domestic funding sources.² Also, EIP-AGRI links Horizon 2020 to ESI Funds, but exclusively to the European Agricultural Fund for Rural Development (EAFRD). The type of funding varies and can be exclusively in the form of grants (CEF) or predominantly (ESI Funds, Horizon 2020, EIP-AGRI), or mainly in the form of financial instruments (EFSI, COSME, SME Initiative).

II. Defining Synergies

Definitional clarity is important to understanding what synergies can achieve, how they can be realised, and what the challenges are. In this respect, it is use-

ful to compare 'synergy' with other related terms (see Table 1).

Assessments of the pursuit of policy synergies have developed an analytical approach related to the policy cycle, identifying different arenas or stages where synergies can occur, from 'high level' regulatory or strategic planning to implementation 'on the ground'.³ Recognition of the need to reinforce synergies between EU Structural Funds and other EU policies was emphasised in the context of the Lisbon agenda at the beginning of the 2000s, particularly in the field of innovation policy.⁴ Subsequent Cohesion Reports reiterated that synergies between cohesion policy, Horizon 2020 and other EU programmes were 'critical'.⁵ For ESI Funds, the findings of research, as well as practitioner experience, have gradually accumulated, highlighting efforts to pursue synergies with other EU-funded instruments in different phases of the policy process (see Figure 2):

- *Harmonised regulatory settings.* A fundamental issue to be addressed in the strengthening of synergies is the regulatory context. EU budgetary instruments are institutionalised in diverse regulatory frameworks. This creates divisions between funding streams (e.g. in terms of different strategic goals, time-frames, implementation procedures and eligibility rules). Divisions between EU budgetary instruments, for example, are institutionalised via the EU Financial Regulation which has different financial management rules for Funds under shared versus centralised or joint management, as well as in the different regulations and

2 The 'Seal of Excellence' scheme allows regions to recognise the quality label awarded to promising project proposals submitted under Horizon 2020, the EU's research and innovation programme and promote their access to different funding sources like the European Structural and Investment Funds (ESI Funds) and other national or regional investment programmes, <<http://ec.europa.eu/research/regions/index.cfm>>.

3 OECD (2009) *Building Blocks for Policy Coherence for Development*, OECD, Paris, <<http://www.oecd.org/pcd/44704030.pdf>>.

4 European Commission (2003) *Innovation policy: updating the Union's approach in the context of the Lisbon strategy*, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, COM(2003)112 final, Brussels, 11 March 2003.

5 European Commission (2014a) *Investment for Jobs and Growth – Promoting Development and Good Governance in EU Regions and Cities: Sixth Report on Economic, Social and Territorial Cohesion*. Publications Office, Brussels, p. xvi.

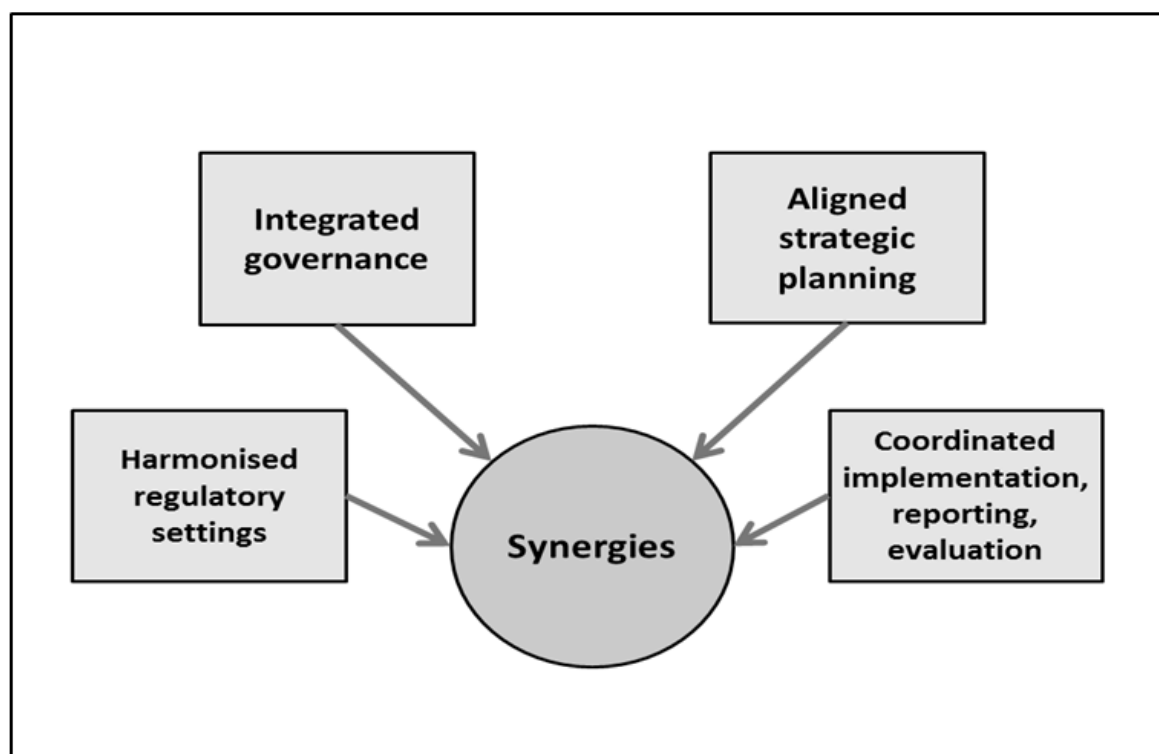


Figure 2: Pursuing policy synergies
Source: Authors' own compilation.

guidelines agreed for each funding stream. Regulatory factors have long been recognised as a constraint to the pursuit of synergies. Compliance with regulations is a fundamental priority for EU policy administrators (who are themselves in this respect under strict surveillance and pressure from the European Court of Auditors and the European Parliament's Budget Control Committee). Indeed, research has indicated that implementation 'is first and foremost strongly guided by criteria of good management rather than the pursuit of complementarities'.⁶

- *Integrated governance.* Even if coordination and communication mechanisms are set up to facilitate a more integrated approach to policy-making, in complex policy fields such as ESI Funds and other EU-funded instruments, governance challenges remain. Institutional divides are also inherently political, with different sectoral interest groups claiming ownership over certain budgetary instruments, and governmental organisations at different geographical levels perceiving an

interest in maintaining certain funding streams, laws/rules/procedures, and relationships with recipients. Within the EU, institutional frameworks may also reflect tensions among the Member States and EU institutions on the appropriate role and scale of EU funding for certain themes and sectors.

- *Aligned strategic planning.* Setting and prioritising objectives, involves specifying the aims of the policies and determining which objectives take priority in the event of incompatibility. In this context, a key aim of the legislative proposals for the 2014-2020 Multiannual Financial Framework (MFF) was the establishment of a more integrated strategic approach across EU Funds and policies to counter the 'existing fragmented approach', identifying complementarities as well as orientations on the articulation of ESI Funds with other

6 EDATER and SEGESA (2010) *Analyse de la contribution des Programmes Opérationnels régionaux 2007-2013 au développement des territoires ruraux*, Rapport final, p. 59.

EU policies such as Horizon 2020, the CEF, COSME etc.⁷

- *Coordinated implementation.* Synergies rely on policies being implemented in an integrated way. Studies have highlighted different approaches to this, including the alignment or ‘phasing’ of funding for projects under different instruments, the participation of representatives of other instruments in project appraisal or selection processes, the incorporation of the aims of other instruments in programme priorities or project selection criteria or joint monitoring and feedback about the impact of different instruments etc. At the same time, research has highlighted the implementation challenges involved: administrative costs, lack of transparency or accountability, the need to raise awareness among potential beneficiaries etc.⁸

III. The Pursuit of Synergies in 2014-2020

1. Regulatory Reform

For the 2014-2020 period, legislative changes have been introduced into the regulations governing cohesion policy and other EU instruments. The desire to ‘deliver European added value’ led the European Commission to propose in the draft regulations for the programme period 2014-2020 provisions to reinforce the co-ordination of Funds with each other, as well as with other Union policies and financial instruments. These aim to address regulatory barriers to synergistic working, created by the application of separate and sometimes contradictory rules for managing and implementing different Funds and instru-

ments and the complexity and uncertainty this has created for programme authorities and beneficiaries.

The Commission has launched various initiatives in support of simplification. This includes a High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESI Funds⁹ to assess Member States’ take-up of simplification measures, analyse their implementation, identify good practice, and make recommendations. This remit includes work on the strengthening of synergies.¹⁰ The most important regulatory reforms are as follows:

- *Requirements for greater clarity on synergies in strategic frameworks and programme documents.* Under ESI Funds, in the Partnership Agreements (PAs) and Operational Programmes (OPs), Member States and programme authorities were required to describe the policy areas where a coordinated use of Funds, and coordination with other EU policies and instruments was deemed necessary.
- *Possibility of cumulating grants, pooling funding from different EU instruments* for the same beneficiary or the same project, provided that the same expenditure/cost item does not receive support also from another EU Fund.
- *A renewed push for harmonisation and simplification of some regulatory areas.* This includes the potential to align cost models (scales of unit costs, lump sums and flat rates) for corresponding costs and similar types of operations and beneficiaries in different EU instruments.¹¹
- *Increased scope for structural or organisational initiatives to facilitate synergies.* As one particular aspect, Art. 123 (8) of the Common Provisions Regulation (CPR) mentions the option to set up – at an initiative of the Member State – an authority responsible for the coordination of EU funds.
- *Potential role of financial instruments in achieving synergies.* The new regulatory framework contains substantially more detailed provisions regarding financial instruments, aimed at increasing their use and widening their scope of application, including through the contribution of ESI Funds to EU level instruments.

There is a general consensus among representatives of EU DGs and the Member State programme authorities interviewed that the new suite of regulations is broadly supportive of the promotion and enabling of synergies. First and foremost, these regulatory pro-

7 Mendez C, Bachtler J and Wishlade F (2012) *Cohesion Policy after 2013: A Critical Assessment of the Legislative Proposals*, Report to European Parliament Committee on Regional Development, DG for Internal Policies, Policy Department B: Structural and Cohesion Policies, European Parliament, Brussels.

8 Davies S (2011) ‘Interactions between EU Funds: Coordination and Competition’, *IQ-Net Thematic Paper 28(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

9 See <http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/high-level-group-simplification/>.

10 Sabatini M (2016) ‘Access to EU funding for SMEs’, Third meeting of the High Level Expert Group on simplification for beneficiaries of ESI Funds, Brussels, 2 February 2016.

11 Yet, the alignment of costs models is low. Only 14.5 per cent of the OPs (only 11 per cent of regional OPs) refer to it (interview with policymaker, DG REGIO).

visions have helped to reinforce existing awareness that EU funding instruments should work closely together.¹² The regulatory balance between the demarcation of different Funds and instruments and the pursuit of synergies between them has changed to a certain extent, in favour of the latter. However, it is still the case that separate regulatory regimes govern different EU instruments and Funds. There are tensions, gaps and inconsistencies in these different regulatory frameworks that inhibit synergistic working. Programme authorities, while acknowledging progress in the regulatory environment for 2014-2020 have called for further harmonisation of rules between ESI Funds and other EU instruments.¹³

State aid rules remain a major barrier in the pursuit of synergies. There is now more scope for automatic approval of aid, more flexible aid ceilings for large individual aid measures, greater legal certainty for public-private R&D-collaboration and for demand-side measures that foster innovation.¹⁴ Nevertheless, substantial impediments remain. There are fundamental differences between instruments managed centrally at EU level which are not subject to State aid regulations and those with shared management between EU bodies and Member States.¹⁵ The different applicability in terms of State aid compliance is a disincentive for synergies, as the combination of ESI Funds with funding from directly-managed instruments can cause regulatory uncertainties. The situation is complicated further when definitional issues arise. In the State aid framework, there is different treatment of categories of research aid, depending on whether the type of research is more or less remote from the market.¹⁶ The varying impact of State aid rules for different instruments creates the potential for rivalry between instruments that provide similar support.

Second, the scope for cumulative funding is constrained. Although there is now greater potential to combine funding from different EU instruments to support specific interventions, this stops short of pooling resources in the same project. The non-cumulative principle of Art. 129 Financial Regulation prohibits a beneficiary from receiving two EU grants for a specific operation: operations can be split up into different parts with different Funds or instruments but costs cannot be financed jointly. Horizon 2020 is a potential exception, in theory if not yet in practice. Via derogations in Art. 129 of the Financial Regulation and Art. 65(11) CPR Horizon 2020 Art. 37 Rules

for Participation it is now possible in theory to cumulate ESI Funds and Horizon 2020 funds in the same project providing they do not cover the same cost item. Nevertheless, there are challenges involved in developing joint project proposals, in synchronising ESI Funds and Horizon 2020 project application procedures, in coordinating joint management and in taking into account the territorial dimension of ESI Funds. All of these challenges mean that it is easier to use successive projects that build on each other or parallel projects than to pool funding in one project.¹⁷

Third, the use of financial instruments to pursue synergies is complicated by regulations. Without full harmonisation of the relevant regulations and guidelines there is scope for instruments to compete with each other and for beneficiaries to favour grants rather than instruments that will involve some form of repayment.¹⁸ There are also challenges stemming from the fact that the rules for financial instrument implementation in different instruments are in many cases similar but not identical, complicating synergistic working. For example, different EU-funded instruments include financial instruments in the form of guarantees. However, their aims and conditions vary considerably.

2. Governance Framework

Changes in governance arrangements to pursue synergies have been limited and most have been triggered by new or changed regulatory requirements. Most importantly, the regulatory changes introduced in the CPR emphasised the need for coordination mechanisms between ESI Funds and other EU na-

12 Interview with policymaker, WEFO, Welsh Government.

13 Davies S (2015) 'Is simplification simply a fiction?' *IQ-Net Thematic Paper 37(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

14 'Supporting R&D and innovation in Europe: new State aid rules' *Competition policy brief Issue 5* | May 2014.

15 Reppel K (2013) 'Guidance on Synergies between European Structural and Investment Funds, Horizon 2020 and other innovation-related EU Funds - State of Play', presentation at AGORADA 2013+, Brussels, 19/20 November 2013.

16 da Graça Carvalho, M (2013) *HORIZON2020 and State Aid Rules*, Workshop on the revision of the Framework on State aid for Research and Development and Innovation (R&D&I), 9 January 2013.

17 Reppel K (2013) *op. cit.*

18 Interview with policymaker, DG AGRI.

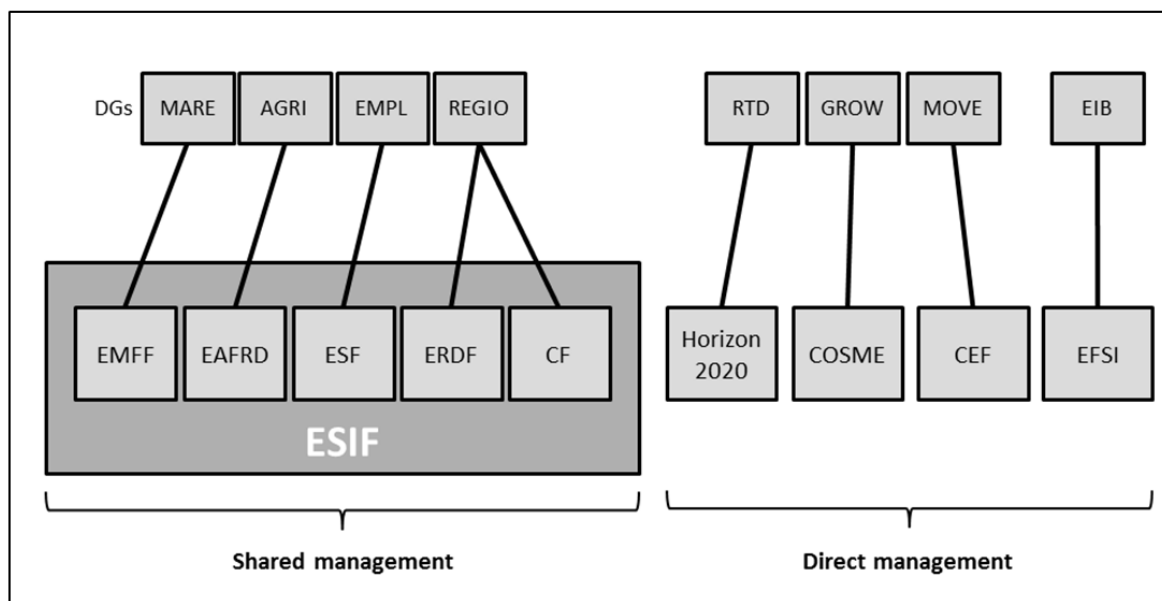


Figure 3: Responsibilities for ESI Funds and directly-managed EU instruments
Source: Authors' own compilation.

tional and funding instruments. For the ESI Funds side, the introduction of the PA at national level, which represents the joint strategic framework for all ESI Funds in each Member State, increased the scope for coordination between the responsible DGs and thereby the different Funds. PAs were required to set out arrangements, in line with the institutional framework of the Member States (Art. 15(1)b(i)). Likewise, ESI Funds programmes for 2014-2020 are required to set out some detail on this (Art. 96(6)a). Art. 123(8) of the CPR also notes that a Member State may, at its own initiative, designate a coordinating body whose responsibility shall be to liaise with and provide information to the European Commission, to coordinate activities of the other relevant designated bodies and to promote the harmonised application of applicable law.

For the 2014-2020 programme period, Commission services prepared so-called position papers in 2012 on the development of the PA and the OPs in each Member State. These position papers were intended

to provide a framework for dialogue before the formal negotiations and amongst other issues they also addressed the need for coordinating ESI Funds with other EU instruments. In several instances, the papers encouraged Member State authorities to increase their efforts of coordination in order to allow for synergies. A common recommendation was to develop stronger coherence with programmes under the 'investment for growth and jobs' goal with other EU or national programmes.¹⁹ One European Commission interviewee reported that the preparation of the position papers provided a rare occasion to meet with staff from other DGs to discuss coordination and synergies between different EU instruments.

Moreover, the introduction of new territorial instruments such as Community-led Local Development (CLLD) and Integrated Territorial Investments (ITIs), has contributed to synergistic working under at the regional or local level in the Member States. CLLD and ITIs provide territorially defined governance structures that combine different sources of funding, albeit with an emphasis on ESI Funds only.

Otherwise, governance arrangements at EU level have not changed significantly. At EU level, responsibilities for different instruments, including ESI Funds, continue to lie with different bodies (see Figure 3). Member State authorities continue to deal

¹⁹ Mendez C, Bachtler J and Granqvist K (2013) 'European Commission Perspectives on the 2014-2020 Partnership Agreements & Programmes: A Comparative Review of the Commission's Position Papers', *European Policy Research Paper* Number 84, European Policies Research Centre, Glasgow, p. 9.

Box 1: Member State governance frameworks for synergies - the German SynBLAG group

The German SynBLAG¹ which translates as synergies working group between the federal level and the *Länder*, has been set up on the basis of an agreement reached as part of the preparation of Germany's PA.² The working group's members are all federal and *Land*-level ministries dealing with EU funding, as well as national contact points for Horizon 2020. SynBLAG has set up the secretariat 'Synergies Dialogue', which manages a web portal on synergies between ESI Funds and Horizon 2020, organises thematic workshops and publishes regular overviews of Horizon 2020 calls that are related to smart specialisation and ESI Funds.³

1 See <<http://www.eubuero.de/regionen-bund-laender-synergien.htm>>.

2 Bundesministerium für Wirtschaft und Energie (2014) *Partnerschaftsvereinbarung zwischen Deutschland und der Europäischen Kommission für die Umsetzung der ESI-Fonds unter dem Gemeinsamen Strategischen Rahmen in der Förderperiode 2014 bis 2020*, CCI Nr. 2014DE16M8PA001, 15 September 2014, p. 170.

3 See, for instance, overview table from 10 February 2016: <http://www.eubuero.de/media/content/Synergien/H2020_WP2016-2017_Querschnitt_RIS3_ESIF_10022016_Schutz.xlsx>.

with many different European Commission bodies at the same time.

A range of governance arrangements to encourage synergistic working have been introduced. These can be broadly subdivided into EU-level, EU-driven and Member State-level initiatives. EU-level initiatives include working groups or other fora for the exchange of experience and mutual information about the activities of different DGs in charge of different instruments (e.g. the 'DG RTD-Structural Funds Contact Group' is an internal platform for sharing knowledge about ESI Funds developments and Commission staff have regularly been invited to the meetings.

EU-driven initiatives are structures that allow anchoring policy themes territorially in the Member States. These cover both ESI Funds and directly-managed instruments as potential funding sources, but can go beyond these to include also to domestic support instruments. Some of these are set up at European level, such as the Enterprise Europe Network (EEN) and the S3 Platform:

- *Enterprise Europe Network (EEN)*: The network has been set up in 2008 and consists of 600 members not only from the EU28, but from over 60 countries. Members are national or regional business support organisations which coordinate access to funding. The management of EEN is funded under COSME.²⁰
- *S3 Platform*: The Smart Specialisation Platform (S3 Platform) has been established in 2011 to assist Member States and regions in developing, implementing and reviewing their Smart Specialisation Strategies (RIS3). The S3 Platform is hosted

by the Institute for Prospective Technological Studies (IPTS), part of the European Commission's Joint Research Centre in Seville. It provides information, methodologies, expertise and advice to national and regional policy makers.²¹

There are significant differences in governance arrangements among Member States. As part of the preparations for the 2014-2020 ESI Funds programme period, Member States had to provide details about coordination arrangements in their PAs, 'in line with the institutional framework of the Member States, that ensure coordination between the ESI Funds and other Union and national funding instruments'.²² There are some examples of governance arrangements to increase synergies between ESI Funds and other EU instruments in Member States (see *Box 1*).

Nevertheless, compartmentalised European Commission and Member State structures have important constraining, framing and resource-distributing effects on the pursuit of synergies. This scope for 'silo-based' approaches to management and implementation is evident in a boundary-spanning policy, such as ESI Funds, with multidimensional objectives, several funds managed by different administrative bureaux and a large budget, where battles over ideas are closely intertwined with turf wars over finance and

20 See <<http://een.ec.europa.eu/>>.

21 See <<http://s3platform.jrc.ec.europa.eu/home>>.

22 European Commission (2014f) *Draft Template and guidelines on the content of the Partnership Agreement*, <http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/pa_guidelines.pdf>.

power.²³ Member States face the challenge of dealing with different European Commission bodies with different and sometimes conflicting tasks, priorities and operating cultures. The challenge is compounded by the often complex ESI Funds governance arrangements established in different Member States. In many cases, different ministries or departments deal with different ESI Funds issues, with different and sometimes conflicting tasks, priorities and operating cultures. This picture is further complicated if the view is expanded to include other instruments outside of ESI Funds which have their own complex governance arrangements, both at EU- and Member State level. The differences and potential tensions between the governance of instruments under shared management and direct management by the European Commission is one of the main obstacles to synergies between the two types of instruments. This has significant consequences for the degree of complexity of policy delivery, political commitment and ownership from potential stakeholders and the impact of some implementation rules.

3. Strategic Frameworks

From the perspective of synergistic working, a crucial aspect of the reforms introduced for the 2014-2020 period is the strengthened strategic alignment of ESI Funds with the Europe 2020 strategy. The Europe 2020 strategy provided a reference framework for the design and programming of the new cycle of ESI Funds. A key element of the 2013 reform is the introduction of a Common Strategic Framework (CSF) for five ESI Funds (Annex I of the CPR). This in turn strengthened strategic integration in the PAs and OPs for 2014-2020, particularly through thematic concentration and alignment with Country-Specific Recommendations (CSRs). These begin with the overarching Europe 2020 strategy for smart, sustainable and inclusive growth and obliga-

tions to target funding through thematic concentration. In addition to its alignment with Europe 2020, the CSF similarly highlights the need for programming authorities to align OPs with other EU-wide strategies and instruments. This includes a dedicated section on coordination and synergies between ESI Funds and other Union policies and instruments. The vast majority of PAs identify potentials for synergy between ESI Funds and other European policy instruments and funding sources, often using correspondence tables identifying where the strongest potential lies. Different examples of mechanisms to create synergies between ESI Funds and other EU funds are highlighted in the PAs: coordinated planning of the PA involving ESI Funds authorities and those responsible for various EU Funds; enhanced coordination by setting up regular exchanges; cooperation between units and managers of different EU Funds; participation and representation of national bodies in international platforms and knowledge exchange networks; awareness-raising, information and training targeting potential beneficiaries of other EU programmes; thematic networks emphasising synergies between ESI Funds with other EU Funds. In Spain the RTDI network has made a commitment to coordination among the various Funds and Horizon 2020 in its 2014 plenary.²⁴ The Spanish sustainable development network has also been working with programming authorities to promote integrated LIFE projects funded by the ESI Funds.

The drafting of strategies in response to conditionalities has had an impact on the strategic framework for synergistic working, as demonstrated by RIS3. Under RIS3, strong emphasis is placed on the need for alignment of ESI Funds research and innovation funding with the Horizon 2020 programme through joint funding and close collaboration among the competent authorities. Under ESI Funds Thematic Objective 1, the thematic conditionality requires a domestic R&I strategy for smart specialisation. The aim is to provide a strategic framework for investment in RTDI from different sources, including ESI Funds and Horizon 2020. The drafting of RIS3 strengthens the strategic framework for synergistic working in several ways. Generally, any kind of priority setting contributes to awareness raising, making future investment plans more transparent and identifying potential synergies. In theory, one of the clearest indications of synergies between different funding sources in the RIS3 comes in the budgetary frame-

23 Mendez C (2013) 'The post-2013 reform of EU cohesion policy and the place-based narrative', *Journal of European Public Policy* 20:5, pp. 639-59.

24 Building on previous periods, Spain has six ESI Funds networks in place addressing specific themes and horizontal priorities (RTDI, gender equality, sustainable development, urban development, social inclusion and rural development), which provide a forum for coordination and exchange of experiences between the regions, central government and experts.

work which should outline available budgetary resources for RTDI, including prioritisation of investment from different resources, linked to EU priorities. Moreover, the process of developing a smart specialisation strategy has drawn regional policy and innovation policy communities together.²⁵ Wales has made significant inroads for developing synergies between ESI Funds and Horizon 2020. RIS3 can also be used to strengthen strategic synergies at the operational stage. For example, in the Czech Republic, the ESI Funds Research Development and Education OP will allow co-financing of projects under Horizon 2020 and financing of quality projects which passed the appraisal under Horizon 2020 but owing to limited funding were not financed from Horizon 2020 (so-called shortlisted projects). The financed projects must comply with the RIS3 priorities. The aim of the activity is to increase the still low participation of Czech research teams in framework programmes.²⁶

There has also been emphasis on using strategic programming to pursue synergistic use of funds at the level of ESI Funds OPs. This is demonstrated in several ways.

- The involvement of representatives and stakeholders of different Funds and instruments in the drafting of OPs. For instance in the Czech Republic, representatives from Horizon 2020 authorities were involved and consulted with during the programming process. Similarly, ESI Funds authorities in Wales actively considered synergies between ESI Funds and Horizon 2020 in the programme planning process.
- Another approach is to strengthen the synergistic use of funds through joint strategies or programmes that incorporate multiple funds or instruments. A prominent example of this is provided by the SME Initiative (SMEI). SMEI builds on financial instruments under COSME and Horizon 2020. In effect, participating Member States agree to allocate a proportion of ERDF or EAFRD to a national SMEI programme, managed by EIF and EIB, which will also draw in COSME and/or Horizon 2020 resources, sharing the risk involved. Each participating Member State is required to provide the European Commission with a single dedicated national programme. SMEI as a vehicle for synergies it is at an early stage of implementation and the option has been taken up only in a limited number of Member States. However, it offers a potentially higher leverage effect on the ESI Funds

contribution than might be achieved otherwise, due to a combination of various resources and no requirement of co-financing.

- OPs may also include priorities or measures covering different EU-funded instruments. For instance, in the Czech Republic, the Research Development and Education OP will allow co-financing of projects under Horizon 2020 (complying with the ban on double financing of the same budget items and also adhering to the principle of not replacing national co-financing of a part of the Horizon 2020 projects with ESI Funds funding).

Despite explicit reference to coordination arrangements in PAs and OPs there are several gaps and weaknesses. There is often limited information in the PAs on the specific mechanisms for coordination between ESI Funds and other EU instruments. Arrangements for complementarities at the level of operations, including possibilities for complementary support from multiple funding sources within one operation, are only mentioned in a limited number of PAs. It should be noted that there has been some criticism of the use of *ex-ante* conditionalities related to domestic strategies and that these have implications for their role in strengthening synergies. The complexity of building joint strategies or programmes that incorporate multiple funds or instruments has been noted by interviewees as a disincentive for this form of synergistic working. Despite the emergence of interesting initiatives, the challenges involved in bringing ESI Funds and other EU-funded instruments together in programmes or priorities, notably administrative costs, timing issues and worries about lack of flexibility for OP authorities, should not be underestimated. A clear example of this is the limited uptake of the SME Initiative.

4. Implementation

Examples of concrete synergies between ESI Funds and other EU instruments ‘on the ground’ are often difficult to identify, particularly at a relatively early stage in the 2014-2020 period. Nevertheless, among

²⁵ Interview Austrian policymaker, Federal Ministry of Science, Research and Economics.

²⁶ Interview with Czech policymaker, ESI Funds and Horizon 2020 context.

Box 2: NRW bridge-building

The ERDF MA of North Rhine-Westphalia is carrying out the project 'NRW Bridge-building' (NRW Brückenbildung). Launched in October 2015 and with a budget of € 1.5 million (ERDF: € 750 000) it brings R&D actors and businesses closer together in order to explore potential synergies between ERDF and Horizon 2020. The project objectives are the improvement of the framework conditions for synergies, increased transfer of results from EU-funded research into the regional economy, increased successful participation of actors from North Rhine-Westphalia in Horizon 2020 as well as in domestic schemes, and increased awareness among all players for potential synergies. The project is based on the interplay between upstream and downstream measures, as suggested in the European Commission guidance on synergies.

Source: Janson B (2016) Brückenbildung NRW. Synergien zwischen EU-Forschungsrahmenprogrammen und ESI Funds, presentation at Enterprise Europe Network event on 27 January 2016, <http://nrw.enterprise-europe-germany.de/public/uploads/downloads/veranstaltungen/08_BrueckeBJ.pdf>.

ESI Funds authorities, the pursuit of synergies through programme implementation is apparent at various stages (with important differences between the Member States/Regions): cooperation in planning and setting the parameters of calls for proposals, particularly through membership in the Monitoring Committees and platforms for planning calls; cooperation in assessing the acceptability of the project to the relevant programme in terms of its focus; i.e. in the form of 'cross-participation' in project selection; and joint data collection and cooperation on monitoring and evaluation.²⁷ An example of initiatives by ESI Funds authorities to operationalise synergies comes from the 'Bridge-building' project in Germany (see *Box 2*).

Among authorities involved in the implementation of other EU-funded instruments various means of strengthening synergistic working with ESI Funds are being pursued:²⁸

- Actively cooperating with ESI Funds managing authority structures of support, interlinking websites and providing information to beneficiaries on ESI Funds funding opportunities.
- The organisation of workshops can bring together the relevant managing authorities and bodies in charge of instruments, to brainstorm about possible synergies, to regularly exchange information

and mutually learn about the state of implementation.

In preparing work plans and call specifications, instruments can contact the managing authorities of relevant ESI Funds programmes to explore synergy potentials and synchronicity of project calls. In this context, it is possible to highlight interesting initiatives in place for the 2014-2020 period (see *Box 3*).

There is some scope for operational synergies between EFSI and ESI Funds.²⁹ EFSI and ESI Funds can combine at a project level, exploiting the complementarity between grants and market-based instruments. For instance, EFSI can finance the revenue-generating parts of an infrastructure project supported by ESI Funds grants. EFSI and ESI Funds can combine at a higher level, through a financial instrument. For instance, an EFSI investment platform can participate as investor into a financial instrument (or a 'holding fund') set up by an ESI Funds managing authority in an OP (see *Box 4*).

It is evident that these examples of new initiatives designed to operationalise synergies in 2014-2020 refer mainly to ESI Funds (and, within this, ERDF) and Horizon 2020 (although the last example concerns EFSI). For other instruments, the current emphasis is on setting out the scope for synergies in terms of strategic frameworks. At the operational level, demarcation and the avoidance of duplication and rivalry remains a fundamental aim. The pursuit of operational synergies between EFSI and ESI Funds also faces challenges. There is a broad trend towards increased use of financial instruments, including under ESI Funds, and this suggests increased scope for synergistic working with EFSI. Recent research

²⁷ Interview with policymaker, Welsh Government.

²⁸ European Commission (2014) *Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes*, Commission Staff Working Document.

²⁹ Expert group on European Structural and Investment Funds (2015) *Brochure on ESIF/EFSI complementarities*.

Box 3: 'Teaming' initiative in the Czech Republic

The 'Teaming' initiative aims to support the creation or upgrading of centres of excellence in countries with low research and innovation performance. The aim is to link partners in areas with lower levels of success in securing Horizon 2020 funding to high quality research centres and established partners in more developed countries as a means of improving performance.

The first stage of the call was issued in January 2015 and involved the development of business plans by the main applicant organisation established in a country with low levels of research and innovation performance and a university or research organisation abroad with an international reputation in research and innovation excellence.

Stage 2 focuses on the development of the research centre for successful applications. At this stage, the European Commission encourages the use of 'additional' funds, specifically mentioning ESI Funds as a potential source. With practical experience of working with FP7, the Czech Ministry for Education has participated in this initiative and this is operationalizing synergies between the OP for Research Development and Education and Horizon 2020. Three projects reached the second stage and the Ministry has issued a special call in the OP for elements of the work complementary to the Horizon 2020 funding, covering 'downstream' activities related to research and innovation infrastructure and 'harder' investments. For instance, the Czech Institute of Physics' HiLASE facility, financed by the Research and Development for Innovation OP (ERDF) and the UK's STFC Central Laser Facility have been awarded around € 500 000 in the first phase of funding for a new Teaming initiative under Horizon 2020.¹

A system is in place that means projects first go through the OP, if they meet the appropriate standards they then go through to Horizon 2020 assessment. The project is either: accepted for Horizon 2020 funding in which case it goes back to the OP and gets a lower level of ESI Funds money; or, it is not selected, in which case the project can still be funded through the OP, but possibly with some new conditions attached.

It is also worth noting that the Teaming call provides an extra incentive to Member States and regions to finalise their RIS3 strategies as alignment of a Teaming proposal with the RIS3 strategy of the Member State/region is an essential Horizon 2020 evaluation criterion.

1 Masopust L (2016) 'HiLASE Centre: Structural Funds supporting R&D projects', presentation at IQ-Net Conference 'Options and ideas for the management and implementation of Cohesion policy post-2020', Prague, 11 May 2016.

Source: Interviews with Czech policymakers and <<https://ec.europa.eu/programmes/horizon2020/>>.

among ESI Funds managing authorities indicates limited identification of synergies with EFSI.³⁰ At present, these instruments tend to operate in a parallel and separate way. There are still important fundamental characteristics and orientations in ESI Funds and EFSI that impede the pursuit of synergies knowledge of mutual operations is weak; there are differences in geographic orientation and strategic objectives.³¹

IV. Conclusions

Broadly speaking, there has been a shift from focusing on the demarcation of Funds and instruments on order to avoid overlaps and duplication towards a push for more synergistic working in the design and implementation of initiatives under specific themes

and objectives. However, this process is not uniform: there is strong variation in the scope for and extent of synergistic working at different stages in the policy process, in different thematic fields and in different territories. The following sets of conclusions and recommendations bring together the main points to emerge from the research.

In terms of the regulatory context, it is clear that reforms introduced for 2014-2020 have addressed the issue of synergies but substantial challenges remain. Regulatory advances include the possibility of cumu-

30 Bachtler J, Mendez C and Polverari L (2016) 'Ideas and Options for Cohesion Policy Post-2020', IQ-Net Thematic Paper 38(2), European Policies Research Centre, University of Strathclyde, Glasgow.

31 Rubio E, Rinaldi D and Pellerin-Carlin T (2016) *Investment in Europe: Making the best of the Juncker Plan. Studies and reports, March 2016, no 109. Notre Europe Jacques Delors Institut*

Box 4: EFSI in Nord-Pas de Calais

An EFSI financial instrument has been included in Priority 3 of the ERDF-ESF OP 'Nord-Pas de Calais' 2014-2020. The Priority will contribute to the 'Troisième Révolution Industrielle (TRI)', a programme targeting zero carbon emissions by 2050, whereby the region's energy needs would be covered by renewable energy sources. The low-carbon economy investment plan will entail job creation, economic development and more sustainable energy supply and usage. This represents a first for Europe in combining ESI Funds with EFSI in a climate action instrument, the TRI fund assists business-led investments in 'low-carbon economy' projects.¹

The FI involves a loan to an investment company set up by public and private investors to invest in the low-carbon economy in the region. EIB financing under EFSI is € 15 million. EFSI fits in the initial Priority both in terms of strategy and method of delivery (the managing authority was planning to use an FI from the outset). Nord-Pas de Calais designed its Third Industrial Revolution strategy and its ERDF-ESF OP before the creation of EFSI. The themes of the Regional Strategy could be covered by ESI Funds and EFSI. Plus, the Region had already planned to allocate ESI Funds (ERDF) in the form of financial instruments.

However, key to this integrated approach was EIB's 'double role', as EFSI manager on the one hand and provider of technical assistance for the implementation of financial instruments with ERDF co-funding on the other hand. EIB's regular contacts with the Regions and managing authorities created informal channels for exchange of information at preparation meetings for the creation of the ESI Funds-funded TRI fund in the OP. It raised the region's awareness of EFSI as an additional source of funding, while it was designing the FI and setting up arrangements between co-investors. This informal channel allowed EIB to identify favourable timing and led to its early involvement.

¹ See <<https://www.fi-compass.eu/news/2016/06/first-esi-fund-financial-instruments-combined-efsi>>.

Source: Interviews with French policymakers.

lating grants or pooling funding from different EU instruments or the potential to align cost models (scales of unit costs, lump sums and flat rates) for corresponding costs and similar types of operations and beneficiaries in different EU instruments. However, the gaps in these reforms from the perspective of synergies are at least as evident. Each Fund and instrument still has its own set of specific regulations, some of which may or may not cohere with others. State aid rules remain an impediment to synergistic working, notably in efforts to combine directly managed instruments with those under shared management. A basic dilemma is that efforts to pursue the opportunities for synergies offered by regulatory reform (e.g. through pooling of ESI Funds-Horizon 2020 funds or standardising cost models) usually entail complicating an already complex regulatory environment.

Concerning the development of governance arrangements to pursue synergies, changes have been somewhat limited and most have been triggered by new or changed regulatory requirements. EU-level initiatives include working groups or other fora for

the exchange of experience and mutual information about the activities of different DGs in charge of different instruments. There are also EU-driven initiatives, notably the S3 Platform that aims to assist Member States and regions in developing, implementing and reviewing their RIS3. Valuable governance initiatives can also be identified at Member State level, usually in the form of working groups or networks dedicated to exploring synergies between specific instruments or under specific Thematic Objectives. Nevertheless, the shared management model of ESI Funds is very complex in itself and other EU-funded instruments are internally compartmentalised according to specific themes or activities. This research has identified significant shortcomings in governance arrangements that seek to address this complexity at different levels. Interviewees at EU and Member State level consistently noted fragmented governance at DG level: the activity of 'inter-DG' structures focused on the preparatory phase of the 2014-2020 period, there is no obligation for these structures to follow up on the strategic decisions made and the synergies pursued in a 'joined up' way.

Inevitably they become distant from ESI Funds operations 'on the ground'. This compartmentalised approach reinforces 'silo' based approaches at Member State level: different Member State ministries or departments deal with different European Commission bodies with different and sometimes conflicting tasks, priorities and operating cultures.

The strengthened strategic alignment of ESI Funds with other EU-funded instruments under the Europe 2020 strategy is one of the key advances for the pursuit of synergies in 2014-2020. ESI Funds PAs and OPs for 2014-2020 now present more explicit strategic frameworks for synergistic working, through thematic concentration, alignment with CSRs and the inclusion of dedicated sections on coordination and synergies between ESI Funds and other Union policies and instruments. The drafting of strategies in response to ESI Funds *ex-ante* strategic conditionalities, most notably RIS3, has had a positive impact on the strategic framework for synergistic working. Strategic programming has been used widely as a means of pursuing synergies at programme level, through: involving representatives of different funds and instruments in the drafting of OPs; creating joint strategies or programmes that incorporate multiple funds or instruments (e.g. OPs based on the SME Initiative); and, including priorities or measures covering different EU-funded instruments. However, there are significant weaknesses in strategic frameworks that could impede synergistic working in practice. These include: often limited information in the PAs on the specific mechanisms for coordination between ESI Funds and other EU instruments; issues related to the quality of strategies developed in response to conditionalities and their alignment with ESI Funds OPs; and the complexity and the of building joint strategies or programmes that incorporate multiple funds or instruments.

The potential for operational synergies to develop is there and it is possible to identify emerging initiatives, but these represent good rather than common practice. Some ESI Funds authorities are pursuing synergies through programme implementation at different stages: cooperation with those involved in other EU instruments in planning and setting the parameters of calls for proposals, including synergy considerations in criteria for the selection of ESI Funds operations, cooperation in data collection, monitoring and evaluation. Among authorities in-

involved in the implementation of other EU-funded instruments, various means of strengthening synergistic working with ESI Funds are being pursued: active cooperation with ESI Funds structures, interlinking websites and providing information to beneficiaries on ESI Funds funding opportunities; organising workshops bringing together the relevant ESI Funds authorities and bodies in charge of instruments; and preparing work plans and call specifications that include explicit reference and linkages to ESI Funds operations. However, it should be noted that the picture is currently partial and uneven. Much more attention has been paid to the role of programming in pursuing synergies than during implementation. This is understandable given the early stage in the 2014-2020 period but it indicates that alongside promising synergistic initiatives, compartmentalised or 'silo' type approaches are still common in Member States and regions. This uneven picture is due to variation in the focus of regulatory reforms on specific instruments and themes, varied strengths and traditions within Member States under different sectors, differences in governance approaches, administrative capacity and experience.

Different aspects of implementation approaches experienced 'on the ground' are highlighted in the research, each of which has an influence on the degree to which synergies might be achieved.

- 'Soft governance' options. For Member States, 'top down' initiatives to strengthen synergistic working, can be too mechanistic or inflexible, placing the focus on compliance or the preparation and drafting of documents rather than on implementation. On the other hand, 'bottom up' or *ad hoc* processes and initiatives can provide practical opportunities for dialogue and engagement and are more adaptable to specific circumstances.
- Familiarity with different instruments and funds among implementers, information on programme content and progress, contact between implementing agencies, can lead to joint actions, and cooperation in the management of the application processes.
- The availability of up-to-date information on the progress of different instruments. E-governance enables progress of different instruments to be monitored on an increasingly detailed and constant basis, and this facilitates the flow of information among partners on the potential for synergies.

- Synergy may be achieved because of informal, often *ad hoc* contact between actors. Those involved in complementary activities can build the personal contact networks they require to facilitate synergistic working. This can be built on proximity of offices and so ease and frequency of contact or participation in joint information seminars and/or workshops in which they have both presented their own areas and funding possibilities.
- Formal ‘linking’ structures are valuable. Collaboration at the implementation stage tends to be dependent on the additional efforts of individuals so is both extremely variable and fragile. It may be short-lived if main actors change their post or lose heart because the regulations place too many barriers in their path. This emphasises the role of formal structures linking different instruments and funds but depends on ‘joined up’ approach from European Commission services.
- Synchronicity is crucial. Fundamental differences between ESI Funds and other instruments remain and these need time to overcome at the implementation stage. Time is needed to develop and align the relevant strategies and programmes. Timing is also critical in the organisation of project calls.
- Raising awareness among potential beneficiaries is vital and there are various opportunities for this. ESI Funds programme launch meetings can be used to present the opportunities provided by different instruments, and to highlight examples of particularly innovative approaches. Workshops have been organised to present the possibilities on offer.
- Opportunities and threats to operational synergies can come from endogenous factors. On the positive side, domestic bodies (e.g. development agencies) may have a more institutionalised approach to integration with a broad remit and involvement in initiatives which are relevant to different instruments, these often being part of a pre-existing strategy. On the negative side, weaknesses in partnership, cooperation and trust among stakeholders ‘on the ground’ represent a potential obstacle: micro-level interactions may affect the achievement of more macro-level synergies between the different European funding instruments.
- This emphasises the role of capacity building among implementers and beneficiaries, particularly in new, complex fields such as financial instruments.