



**Light at the end of the  
tunnel? Moving into the  
next programme phase**

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Report to the 51st IQ-Net Conference (Online), 29 November 2021



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## PREFACE

The IQ-Net Network promotes exchange of experience on the management and implementation of Structural Funds programmes among managing authorities and intermediate bodies. The network is managed by the European Policies Research Centre Delft under the direction of Professor John Bachtler and Heidi Vironen. The research for this report was undertaken by EPRC in preparation for the 51<sup>th</sup> IQ-Net Conference (online) on 29 November 2021. The report was written by Rona Michie and Neli Georgieva.

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The partners in the IQ-Net network are as follows:

### **Austria**

- ROK Secretariat – Austrian Conference on Spatial Planning

### **Belgium**

- Flanders Innovation & Entrepreneurship

### **Czechia**

- Ministry of Regional Development

### **Denmark**

- Danish Business Authority

### **Finland**

- South and West Finland (Etel- ja Lnsi-Suomi)





## **Greece**

- Management Organisation Unit of Development Programmes S.A., Ministry of Development and Investments

## **Ireland**

- Southern Regional Assembly, EU and Corporate Affairs Division
- Northern & Western Regional Assembly

## **Netherlands**

- Managing Authority Kansen voor West
- Managing Authority Noord, Northern Netherlands Alliance (SNN)
- Managing Authority OP Oost
- Managing Authority Stimulus (OP Zuid)

## **Poland**

- Marshal Office of the Warmińsko-Mazurskie Region

## **Portugal**

- Agency for Development and Cohesion (ADC)

## **Spain**

- Provincial Council of Bizkaia/ País Vasco (Basque Country)

## **Slovakia**

- Deputy Prime Minister's Office for Investments and Informatization of the Slovak Republic

## **United Kingdom**

- Scottish Government
- Welsh European Funding Office

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## **Disclaimer**

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.





## LIST OF ABBREVIATIONS

<b>CF</b>	Cohesion Fund
<b>CLLD</b>	Community-led Local Development
<b>CP</b>	Cohesion Policy
<b>CPR</b>	Common Provisions Regulation
<b>CRII/+</b>	Coronavirus Response Investment Initiative/Plus
<b>DG</b>	Directorate General
<b>EC</b>	European Commission
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>IB</b>	Intermediate Body
<b>IROP</b>	Integrated Regional Operational Programme (Czechia, Slovakia)
<b>ITI</b>	Integrated Territorial Investment
<b>JTF</b>	Just Transition Fund
<b>MA</b>	Managing Authority
<b>MS</b>	Member State
<b>OP</b>	Operational Programme
<b>PA</b>	Partnership Agreement
<b>PO</b>	Policy Objective
<b>R&amp;I</b>	Research and Innovation
<b>REACT-EU</b>	Recovery Assistance for Cohesion and the Territories of Europe
<b>ROP</b>	Regional Operational Programme
<b>RRF</b>	Recovery and Resilience Facility
<b>NRRP</b>	National Recovery and Resilience Plan
<b>SCO</b>	Simplified Cost Options
<b>SEA</b>	Strategic Environmental Assessment
<b>SME</b>	Small and medium sized enterprises
<b>TA</b>	Technical Assistance
<b>TO</b>	Thematic Objective





## COUNTRY/PROGRAMME ABBREVIATIONS

Country	Abbreviation
Austria	AT
Belgium (Vlaanderen)	BE (Vla)
Bulgaria	BG
Czechia	CZ
Cyprus	CY
Denmark	DK
Estonia	EE
Finland	FI
France	FR
Greece	EL
Hungary	HU
Ireland	IE
Ireland (Southern Regional Assembly)	IE-SRA
Ireland (Northern and Western Regional Assembly)	IE-NWRA
Latvia	LV
Lithuania	LT
Luxembourg	LU
Netherlands	NL
Poland	PL
Poland (Warmińsko-Mazurskie)	PL (W-M)
Portugal	PT
Slovenia	SI
Slovakia	SK
Spain	ES
Spain (Bizkaia, País Vasco)	ES (Biz)
Sweden	SE
United Kingdom	UK
United Kingdom (England)	UK (Eng)
United Kingdom (Scotland)	UK (Sco)
United Kingdom (Wales)	UK (Wal)





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# TABLE OF CONTENTS

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<b>1</b>	<b>FINALISING THE 2014-20 PROGRAMMES</b>	<b>3</b>
1.1	Financial and project implementation progress	3
1.1.1	Commitment rates	4
1.1.1	Spending rates	4
1.2	REACT-EU	5
1.2.1	Progress with programming REACT-EU resources	7
1.2.2	Approaches to expediting implementation of REACT-EU	8
1.2.3	Challenges with implementing REACT-EU resources	9
1.2.4	Preparation for the second tranche of REACT-EU funding	10
1.3	Factors affecting progress and programme responses	10
1.3.1	Dealing with delays and bottlenecks to accelerate implementation	10
1.3.2	Changing working practices	13
1.3.3	Programme amendments	13
1.4	Key challenges	14
1.4.1	Audit	14
1.4.2	Wider programming challenges	15
1.4.3	Managing overbooking	16
1.5	Programme closure	17
1.6	Summary - programme priorities looking ahead	19
<b>2</b>	<b>PREPARING THE 2021-27 PROGRAMMES</b>	<b>21</b>
2.1	Factors affecting 2021-27 preparations	21
2.2	Progress with PA and OP preparation	22
2.3	Programme architecture	25
2.4	Investment priorities	26
2.5	Implementation at operational level	27
2.6	Territorial instruments	28





2.7 Financial instruments.....31





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## EXECUTIVE SUMMARY

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**Heading into a second winter facing the challenges of a global pandemic, ESIF programme managers continue to juggle responsibilities across two programme periods. The tail-end of the 2014-20 programme period remains busy, particularly in terms of monitoring and processing expenditure claims and making payments to beneficiaries. This is workload now exacerbated by many projects needing extensions into 2023, due to the impact of COVID-19. 2023 is expected to be a demanding year.**

In absolute terms, significant progress has been made in the financial implementation of ESIF programmes, despite the ongoing exceptional circumstances and additional resources from REACT-EU. Programme authorities continue to maintain **high commitment rates**, with most programmes nearing or having reached/surpassed a 100 percent commitment rate. Despite the challenges, **spending rates continue to rise** across EU Member States and regions, from an average rate of 53 percent in December 2020 to 58 percent in mid-2021.

**Progress has been very positive** in implementing the new, additional, REACT-EU resources in many IQ-Net programmes, although significant challenges have also been faced, particularly in terms of the **tight timescale and pressure on staff capacity and resources**. Not all IQ-Net programmes

had committed REACT-EU funds by October 2021. Different approaches have been taken among the IQ-Net programme authorities in aiming to ensure rapid implementation and minimise stress on resources.

In general, programme managers continue to introduce responses to deal with delays and bottlenecks in programme implementation, some (but not all) of which have been caused or exacerbated by COVID-19.

It is clear that **many IQ-Net programme managers are stretched to capacity**, dealing with multiple priorities and challenges. Among the factors causing significant administrative burden and leading in cases to implementation delays, programme authorities have highlighted the issue of **rigid audit requirements and the rising number and length of audits**. Concerns also remain about how to ensure that projects are correctly matched with the **variety of (sometimes competing) funding instruments now available**, as well as ensuring that there is alignment and synergy amongst the different funding sources.

In the past six months, **progress on closure** has been made both on the side of the European Commission as well as on the side of programme authorities, with publication of the EC's closure guidelines in October 2021.



The Cohesion Policy **legislative package for 2021-27 entered into force on 1 July 2021**, including the Common Provisions Regulation (CPR) and Regulations for ERDF, CF, ESF+ and the new Just Transition Fund (JTF) Regulation. An informal dialogue between the Commission and Member States started in 2019, and negotiations with Member States have been ongoing but **significantly delayed**. It is notable that a lot of ground remains to be made up in some countries.

The Greek Partnership Agreement was the first to be approved, in July 2021. The

Commission expects around half of PAs to be submitted in 2021, with only a handful adopted in 2021. Most IQ-Net countries expected to submit their PAs in October/November 2021. **Timetables for both PAs and OPs have slipped a little further** in the last six months, by several months. Investment priorities are still being finalised for some programmes, but **additional detail is emerging** about the specific measures and operations which programmes foresee supporting under the broad POs in 2021-27. More detail is also emerging about the planned use of territorial and financial instruments.



## 1 FINALISING THE 2014-20 PROGRAMMES

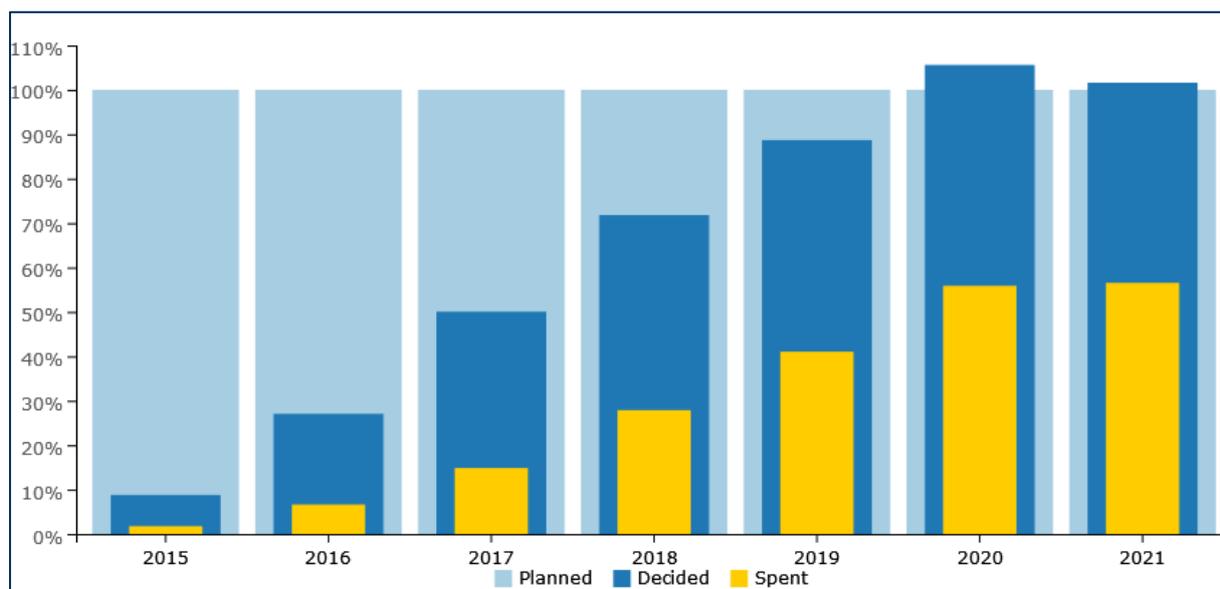
Significant progress has been made in the financial implementation of ESIF programmes, despite the ongoing exceptional circumstances and additional resources from REACT-EU. Progress has generally been very positive in implementing the new, additional, REACT-EU resources, although significant challenges have also been faced, particularly in terms of the tight timescale and pressure on staff capacity and resources. In general, programme managers continue to introduce responses to deal with delays and bottlenecks in programme implementation, some (but not all) of which have been caused or exacerbated by COVID-19.

### 1.1 Financial and project implementation progress

The increased resources now available to ESIF programmes from REACT-EU mean that the most recent data on overall financial progress are a slightly misleading measurement of the state of play with Cohesion Policy implementation. At EU level, the rates of both commitment (decided amounts) and spend appear to have regressed (see Figure 1, showing the rates have declined), when compared to the exponential progress seen in preceding years. However, this is as a proportion of a larger total block of funding, due to the increased resources made available from REACT-EU.

In absolute terms, **significant progress has been made despite the continuing exceptional circumstances** of the coronavirus pandemic (with 106 percent of €640 billion decided by end 2020, and 101 percent of €700 billion decided by mid-2021). This progress has in large part been underpinned by the flexibilities introduced by the Commission's Coronavirus Response Investment Initiatives (CRII/+).

**Figure 1: ESIF 2014-20: Financial implementation time series (total cost)**



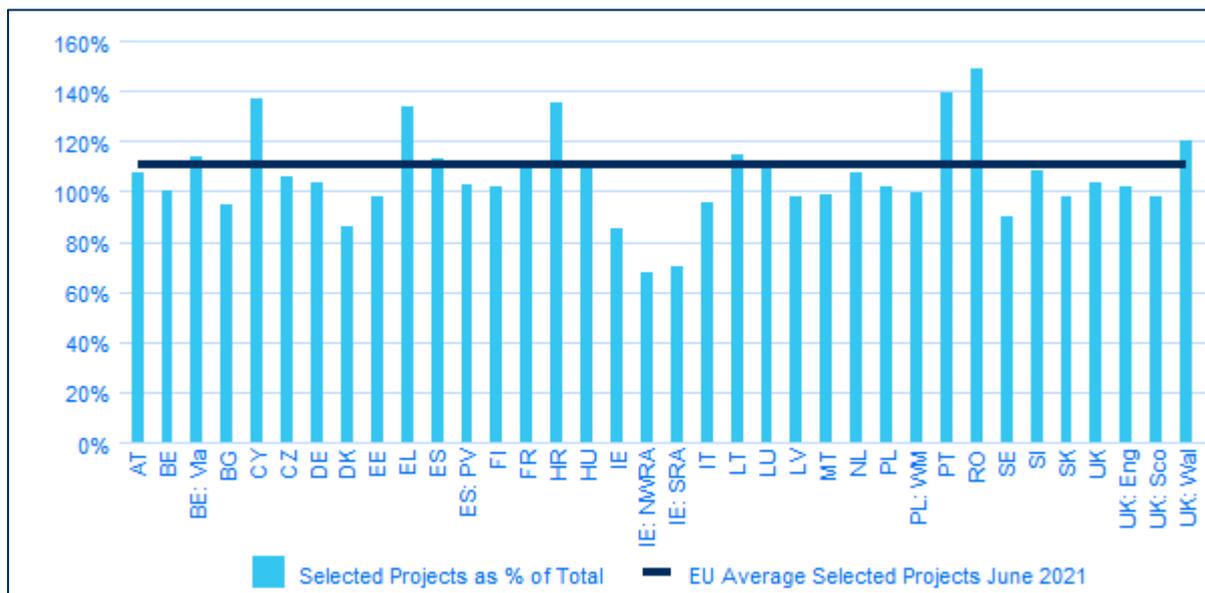
Source: <https://cohesiondata.ec.europa.eu/overview#>



### 1.1.1 Commitment rates

Programme authorities continue to maintain high commitment rates, with most programmes still nearing or having reached/surpassed a 100 percent commitment rate. By mid-2021, the EU average commitment rate stood at **110 percent** (Figure 2) when looking at total amounts, an increase from 107 percent in December 2020. However, the overall figures mask significant variation between Member States and programmes.

Figure 2: Overview of ERDF/ESF/CF implementation: selected projects as % of planned, 30 June 2021



Source: Open data portal for the European Structural and Investment Funds, ESIF 2014-20 Finance Implementation Details, data downloaded 31 October 2021. Note: The aggregated selected project amounts divided by the total allocated amounts provides the commitment rate.

The biggest increases in commitment rates can be seen in CY (26%), ES (13%), PT (12%) and UK Eng (10%), while there is no significant change in BG, FR, EL, LV and UK Wales. However, commitment levels (relative to the new larger programme amounts) have fallen in many MSs and programmes e.g. NL (-19 percent), DK (-18 percent), Austria (-7 percent) and Luxembourg (-7 percent). Commitment levels have dropped by a smaller amount also in BE (-2%), DE (-1%), EE (-1%), LT (-1%), SE (-5%), SI (-1%), SK (-2%), IE-NWRA (-2%) and UK Sco (-1%).

Despite the decreases in commitment rates for many programmes, over-commitment is still a commonly used strategy, and **many IQ-Net programmes have been over-committed for a year or more**. The highest levels of over-commitment amongst IQ-Net programmes are visible in Portugal (140%), Greece (134%) and Wales (121%). Dealing with over-commitment/overbooking can be an issue of concern for programme authorities, especially as programme closure deadlines near. This is discussed in Section 1.4.2.

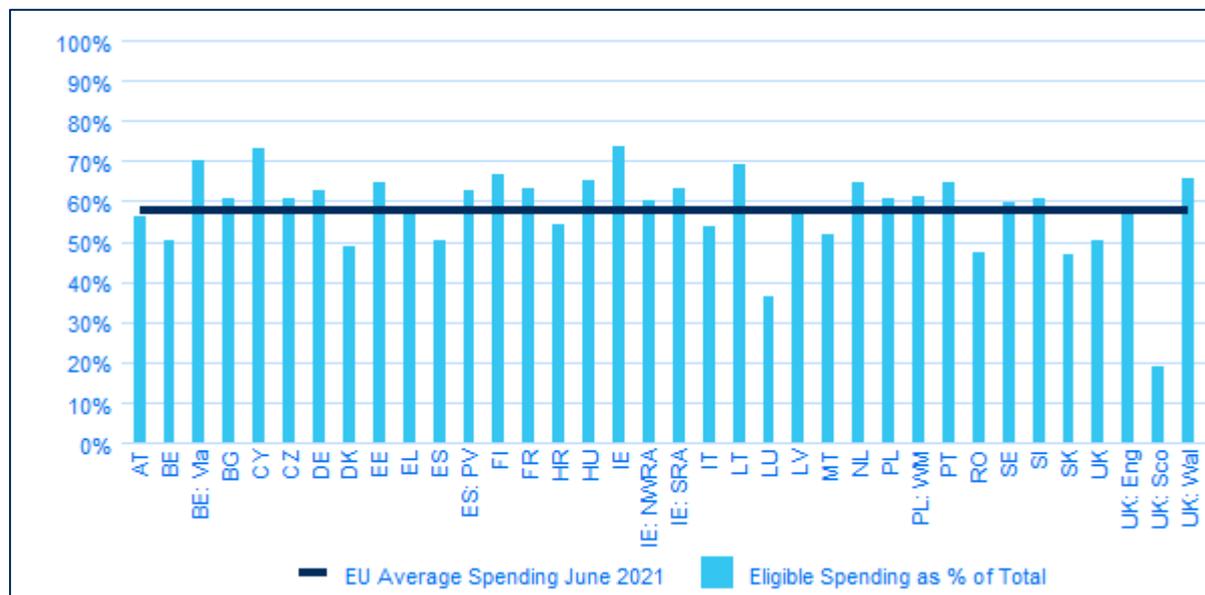
### 1.1.1 Spending rates

Despite the challenges faced, **spending rates across EU Member States and regions continue to rise**, from an average of **53 percent** in December 2020 to an average rate of 58 percent in



mid-2021 (Figure 3). As with commitment rates, the overall average masks significant variation in the experience of individual Member States and programmes.

**Figure 3: Overview of ERDF/ESF/CF implementation – eligible spending as % of planned, 30 June 2021**



Source: Open data portal for the European Structural and Investment Funds, ESIF 2014-20 Finance Implementation Details, data downloaded 31 October 2021.

In December 2020, Netherlands had the highest spending rate among the IQ-Net programmes, at 73 percent, but has since experienced a decrease of 10 percent, to a rate still above the EU average of 65 percent. Most IQ-Net programmes have rates higher than or equal to the EU average, while the highest spending rate among the IQ-Net programmes is in Vlaanderen (70 percent). Large increases in the payment rate can be seen in Pais Vasco (26%), IE-SRA (25%) and IE-NWRA (17%). Note that the EU payment rate may slightly differ from the spending rate as reported by MAs based on project claims.

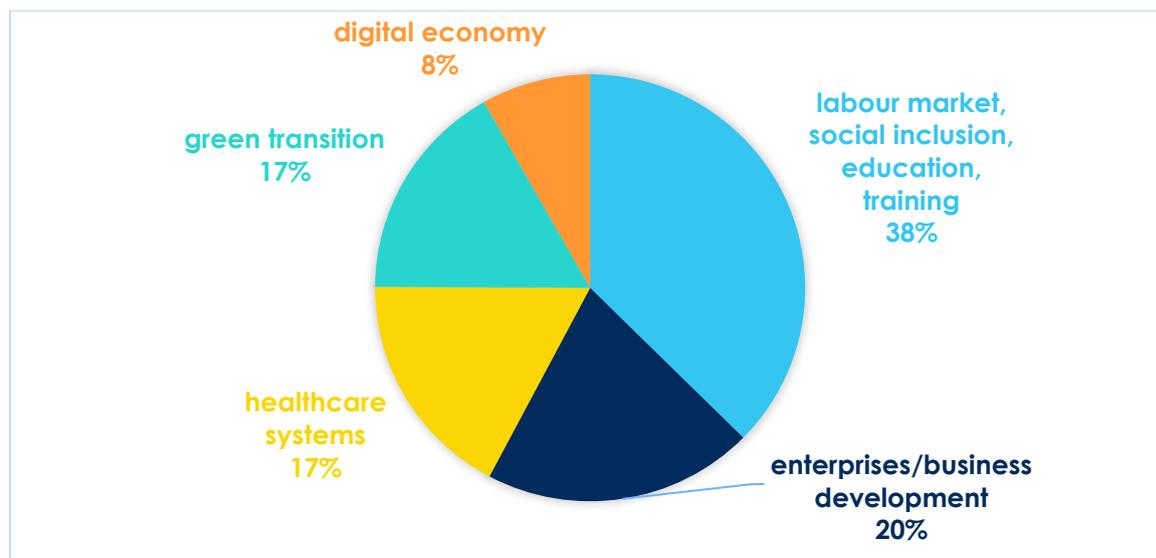
## 1.2 REACT-EU

As of 5 November 2021, the total EU amount of REACT-EU resources mobilised to top up existing Cohesion Policy programmes amounted to **€36 billion allocated through ERDF and ESF**, invested in the following themes (Figure 4):

- the green transition (€5.5 billion ERDF), of which €4.7 billion targets climate action;
- digital economy (€2.7 billion ERDF);
- enterprises and business development (€6.7 billion ERDF);
- healthcare systems (€5.7 billion ERDF); and
- labour market measures, social inclusion and education and training (€12.3 billion ESF).



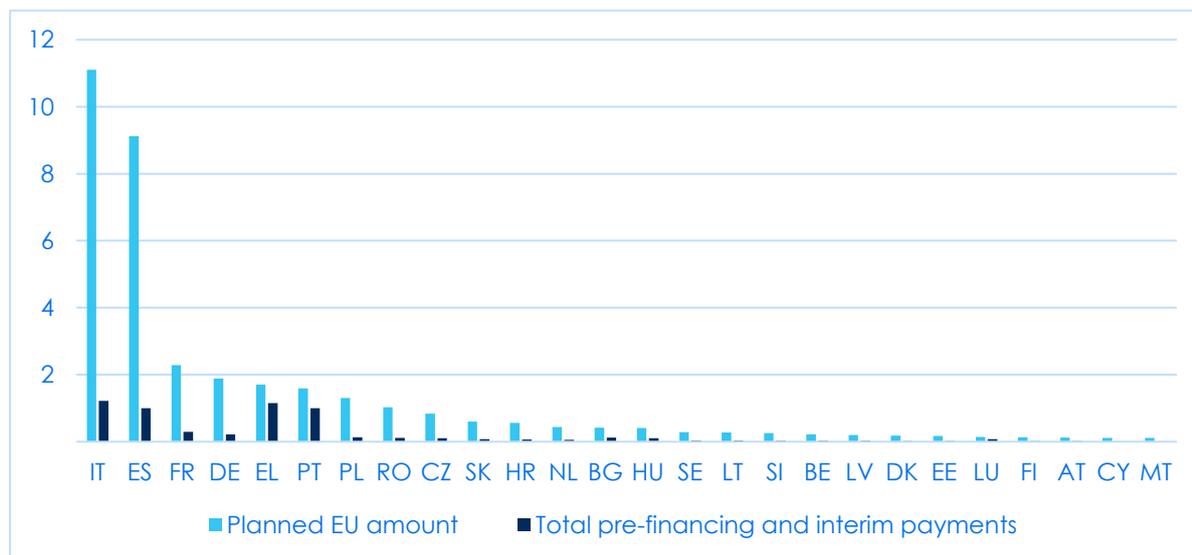
**Figure 4: REACT-EU allocations by theme**



Source: <https://cohesiondata.ec.europa.eu/stories/s/REACT-EU-Fostering-crisis-repair-and-resilience/26d9-dqzy/> Data as at 5 November 2021.

The first payments of €800 million from REACT-EU were made to 16 Member States on 28 June 2021, including initial and annual pre-financing (Figure 5). This has since been followed by interim payments. While Italy and Spain have by far the largest REACT-EU allocations, Greece and Portugal have so far received the highest proportions of EU budget payments against REACT-EU spending (68 and 63 percent respectively – the average is 17 percent). Interim payments have only been made in six Member States so far - PL, BG, HU, LU, EE and FI.

**Figure 5: REACT-EU payments vs planned EU amount (€ billion), November 2021**



Note: Planned amount = the amount so far formalised from the EU budget.

Source: <https://cohesiondata.ec.europa.eu/2014-2020-Finances/REACT-EU-EU-Budget-payments-made/74bp-8kzq> Data as at 6 November 2021



The distribution of the **second tranche of REACT-EU funding in 2022** by Member State will be decided at the end of 2021, based on the latest available socio-economic data.

## 1.2.1 Progress with programming REACT-EU resources

### A QUICK REMINDER



At the time of the last IQ-Net Paper (June 2021)<sup>1</sup>, **programming and implementation of REACT-EU funding was the main priority** for most IQ-Net programme authorities. The state of play with programming ranged from preliminary planning and preparation of OP amendments, to the opening of calls and making allocations following Commission approval of the amendments. The **additional resources and funding bridge between programme periods** were welcomed, but the tight timeframe and burden on administrative resources meant that other programming priorities were having to be temporarily side-lined.

**Table 1: Progress with REACT-EU programming**

MS/region	OP	OP amended	Submitted to COM	Approved by COM	Call launched	Funds committed	Revisions planned
AT		Jan/ Feb21	15 Feb 21	31 Mar 21	No calls	Yes	Yes
BE	Vlaanderen ERDF	Apr 21	Jul 21	Aug 21	May 21	Sep 21	No
CZ		2020	Apr 21	Apr 21	May 21	Aug 21 onwards	By end 2021
DK		Feb 21	Feb/ Mar 21	Apr 21	Jun/ Jul 21	Lighthouse call deadline 23 Nov 21, others on hold	Dec 21/ Jan 22
EL (National)	Compet/Entrep/Innov	NA	25 May 21	24 Jun 21		Yes, €1.6 bn	
EL (National)	Public Admin Reform	NA	29 Jun 21	26 Jul 21		Yes, €100 m	
FI		Dec 20	Mar 21	Apr 21	Feb 21	Apr 21	Yes
NL		Feb 21	Feb 21	March 21	Jan / Feb 21	Oct 21	
PL	W-M						
PT	COMPETE	27 May 21	4 Jun 21	28 Jun 21	Yes, 7 calls from Aug 21		
PT	Açores	5 May 21	5 Jun 21	28 Jun 21			
PT	Madeira	30 Apr 21	13 May 21	4 Jun 21			

Source: IQ-Net research

Across the EU, 19 Member States have completed their REACT-EU 2021 tranche programming, the remaining eight are expected to complete it by the end of 2021.<sup>2</sup> Among IQ-Net programmes, almost all have submitted and had approved their relevant OP amendments. Fewer programmes had committed funds at the time of writing. While very positive progress in implementing REACT-EU resources has been reported among some programmes, significant challenges have also been faced, particularly in terms of the tight timescale and pressure on staff capacity and resources.



## 1.2.2 Approaches to expediting implementation of REACT-EU

Different approaches have been taken among the IQ-Net programme authorities (depending on the programme context), aiming to **ensure rapid implementation** and minimise stress on resources. Examples include:

### Starting early and focusing on areas which do not overlap with existing support



In **Portugal**, REACT-EU implementation was able to start before formal approval by the EC, which helped progress implementation. In addition, REACT-EU's focus on financing measures minimising the impacts of pandemic does not compete with the overall, 'normal' implementation of PT2020. The first tranche was allocated to OP COMPETE and the regional OPs for Azores and Madeira. A major element is support to enterprises, focusing on support for working capital, which had not previously been covered by PT 2020. Seven calls have so far been launched under OP COMPETE.

### Allocating resources in large tranches to existing (or easy-to-set up) organisations



In **Denmark**, resources will either be used to provide additional funding to expand the reach of existing programmes delivered through the six cross-municipal business development centres, or to address eight major regional challenges (so-called 'business lighthouses'), individually set by government and to be directed by a new tier of partnership organization, the Regional Growth Teams (*Regionale Vækstteams*). REACT-EU resources have been allocated in relatively large chunks to existing (or easy-to-establish) organisations, and thus the draw on administrative resources in the MA has been less extensive than it would have been with alternative policy designs, e.g. if new calls aimed at individual SMEs had been launched.



## Implementing REACT-EU through a separate, broader, priority axis



The MAs in the **Netherlands** have implemented the REACT-EU through a separate priority axis in each of their 2014-20 programmes. The priorities included green transition and digitalisation, as well as employment mobility. The programming of a separate REACT-EU priority axis provides an opportunity to **test run some of the priorities for the 2021–27 programme period**. Overall, the MAs consider that implementation through a separate broader priority axis has probably worked better than implementing REACT-EU as part of the existing priority axes. The Netherlands MAs however took different approaches in terms of project calls. Whereas MA South took a targeted approach and kept the project call relatively low profile, MA West targeted a broader set of beneficiaries than in the regular 2014-20 programme. The West programme issued a single call for all REACT-EU project applications which received 159 applications in a single day (normally this would take three years). This changed the dynamics of project selection and put pressure on the MA's resources, but did lead to new beneficiaries applying. One of the lessons identified by MA West is that its usual process of positioning projects on a waiting list may be less suitable than using a ranking approach when funds have to be committed in very short timescales.

### 1.2.3 Challenges with implementing REACT-EU resources

Some **common challenges** have also been identified, including facing competition from other funding sources, pressure on staff capacity and potentially higher de-commitment rates.

#### Competition with other funding sources



The majority of REACT-EU support in **Czechia** (76 percent) will be channelled to healthcare. Under the IROP, there are three thematic areas for the REACT-EU support: healthcare (equipment and buildings/capacity); integrated rescue systems and infrastructure for social services (including services for seniors). Absorption related to infrastructure for social services has been slower than for the other areas and so far has reached only 35 percent of its allocation. There are two main reasons: first, there has been a long debate between the Czech authorities and the EC over the definition of "independent living" and thus the parameters of new social services infrastructure. Second, for this topic, climate requirements are compulsory and many pre-prepared projects must be adjusted to meet the low-energy use requirements for new social services infrastructure. In contrast, the large allocation for the same topic under the National Recovery Plan provides 100 percent funding and full flexibility as concerns energy savings (i.e. the requirements are not compulsory). Consequently, there is competition between the two sources of funds and potential applicants are waiting for project calls under the NRP. In **Austria**, significant domestic competition in terms of funding options has also been noted.



## Potentially higher risk of de-commitment?



Even where uptake has been good, there is concern that de-commitment rates may be higher with REACT-EU funding, e.g. due to the pandemic-specific nature of targeted sectors. In the **Netherlands**, MA South has fully committed the REACT-EU funds but expects the de-commitment rate to be higher. The rate is normally between 5-10 percent, but the expectation for REACT-EU is for this to be between 10–15 percent. Several projects that have been supported target sectors that were impacted by the pandemic (tourism and leisure industry) by offering vouchers for business plan development. If the economy recovers more quickly than expected, there may be less demand for these type of measures.



In **Vlaanderen**, the expectation is that most of the REACT-EU projects will not achieve significant payment rates until 2023, which increases some of the risks, so one of the main challenges will be to implement REACT-EU projects before the end of 2023. However, the priority areas were specifically selected in order to achieve additionality in relation to domestic subsidies and funding streams.

### 1.2.4 Preparation for the second tranche of REACT-EU funding

Continuity is expected in some IQ-Net programmes relating to the next tranche of REACT-EU funding. In **Czechia**, there is already an agreement among stakeholders that the healthcare sector will again be supported, and the required steps are underway (e.g., approval by the IROP monitoring committee and by the Government). The thematic selection has been pre-negotiated with the EC; the only remaining issue is to address any potential support overlaps with the IROP2 2021-27. Similarly in **Austria**, existing measures will be continued, although procedures to amend the OP have been held up by the lack of updated Eurostat data used to calculate how much funding will be available. Any further REACT-EU funding in **Ireland** will be programmed through ESF, which is delivered through a separate centrally managed programme.

## 1.3 Factors affecting progress and programme responses

### 1.3.1 Dealing with delays and bottlenecks to accelerate implementation

Programme managers continue to introduce responses to deal with delays and bottlenecks in programme implementation, some (but not all) of which have been caused or exacerbated by COVID-19 and the additional workload involved in diverting resources to dealing with REACT-EU resources.

Responding to the impact of the pandemic, **new calls, schemes and funding re-allocations** have been launched in Czechia, Bizkaia and Warmińsko-Mazurskie:



- In **Czechia**, the OP Employment launched a call to support the **maintenance of jobs made vulnerable by the pandemic**; the OP Fishery introduced a new compensating scheme for **aquaculture entrepreneurs**; and the OP Entrepreneurship and Innovations for Competitiveness introduced a special support scheme for entrepreneurs in **regions badly affected by a tornado**.
- In **Bizkaia**, a decision has recently been taken to **reallocate funds to support care homes**, as the pandemic and its effects have lasted longer than initially expected.
- In **Warmińsko-Mazurskie**, the MA has **repeated calls** for measures/sub-measures with low levels of contracting and certification of funds.

In **Portugal**, significant efforts have been made to accelerate implementation of PT 2020. Some measures that were integrated into the OPs due to COVID are facilitating execution, as are some employment measures in the ROPs. To further stimulate implementation, an Extraordinary Anticipation Mechanism (see Box 1) was created, to continue to guarantee the financing of public policy measures with a strong impact on social and territorial cohesion and competitiveness, pending the approval of the PT 2030 OPs.

#### **Box 1: Portugal 2030 Extraordinary Anticipation Mechanism**

PT 2020 has a very high commitment rate (115% by end of June 2021), and a high level of programme implementation. Some co-financed public policy instruments are therefore constrained in their implementation, particularly from the second half of 2021, given the severe shortage of funds under PT 2020. Portugal 2030 is still under negotiation, and it is expected that the OPs will be approved by the EC only starting from the first quarter of 2022. As per Art. 63 of the new CPR, the eligibility date of expenses will be 1 January 2021.

The aim of the Extraordinary Anticipation Mechanism is to continue to guarantee the financing of public policy measures with a strong impact on improving social and territorial cohesion and competitiveness, in advance of the approval of the PT 2030 OPs.

The Interministerial Commission for Coordination of the PA has approved the following actions:

- Portugal 2020 MAs are authorised to publish calls for policy measures with an impact on the improvement of social and territorial cohesion and competitiveness, in accordance with the regime in force under Portugal 2020, for subsequent integration into Portugal 2030 OPs.
- The calls simultaneously respect the Regulations of the two programme periods and stipulate that project promoters accept the possible reclassification of operations in PT 2030.
- After the approval of PT 2030, operations subject to reintegration will be formally integrated into the system.
- Support approved under this mechanism applies to extraordinary situations, which must be identified and justified.



- The Deliberation takes effect from 16 August 2021 until the approval of the PT 2030 OPs.

Source: *Deliberation No. 27/2021: Creation of an Extraordinary Anticipation Mechanism for Portugal 2030*, 23 August 2021

**MA**s are granting extensions to projects which are now taking longer to implement for a range of reasons (e.g. CZ, IE-SRA, NL-South, Sco, Vla, W-M, Wal). Project timing and costs have been affected by the **rising costs of supplies/raw materials as well as supply chain problems, labour problems and contracting issues**. One particular challenge noted by the **CZ IROP** is due to **rapid growth of prices** in the construction market and the lack of materials globally. The situation has impacted finalised public tenders within supported projects as suppliers cannot supply the tendered services at the previously agreed price. It is anticipated that public tenders will have to be repeated and projects may not complete their activities in time.



In **Vlaanderen**, the MA notes that many projects were extended in March 2020 with the expectation that they could be carried out later in the year. This has proven not to be feasible and **project running times have had to be further extended**. The MA notes that **different types of projects have experienced delays for different reasons**. First, there are a relatively high number of infrastructural investment projects that require a longer implementation period than expected (e.g. urban cycling highway). In addition to COVID, delays for these type of projects can occur due to challenges with permits or public procurement procedures. Second, projects that involve **staff and workshops** have been delayed due to lockdown policies. Some projects have been able to pivot to digital delivery, but some aspects are not as suited to this. The MA has developed tools for beneficiaries such as online information sessions, and beneficiaries have found alternative ways to organise events, such as webinars and **virtual tours of project sites, using digital video content and online co-creation sessions**.



Similarly, many projects in Wales have requested extensions into 2023 as they have not been able to deliver at the expected pace. Others will deliver only towards the end of the programme period due to their nature (e.g. roads/infrastructure). This is creating a major bottleneck towards the end of 2023, when there will be many claims to process and audit in a short space of time. To address these potential bottlenecks, the Wales MA is **examining the resourcing of teams** within the MA to identify 'pinch points' and reallocate staff to where needed (e.g. to provide additional staff resources for payments and management verifications). Staff can potentially be redeployed from priority axes which are nearly complete. In Scotland, many programme delivery partners are **requesting extensions to the end of 2023**, and programme activity is accelerating rather than winding down. Related, in **Austria**, where entering data in the monitoring system is a bottleneck, **acceleration of reporting** has been discussed with the IBs.



In Netherlands West, the MA is considering alternative ways to deal with the delays and consequent decommitment risk in the OP's **low carbon priority axis**. The delays are associated with difficulties in relation to permits, large and complex partnerships and extensive citizen consultation processes. Options other than de-commitment include pushing the projects into the **2021-27 programme period** if they meet the necessary criteria. Re-committed funds could be allocated to **financial instruments** as in 2007-13, or to the extensive **REACT-EU waiting list**.



The Warmińsko-Mazurskie MA has enabled beneficiaries to extend the project implementation period/change the material and financial scope of projects, including product and result indicators. The MA also proposes that the approach to monitoring the implementation of indicators should be more flexible, and that it would be justified to introduce, for example, a **range of target values for the indicators to achieve**.



To identify solutions to speeding up the claims process, a **Working Group has been set up in Scotland** and an **exercise on spend profiles** has been carried out with programme delivery partners on when they can be expected to submit claims. This work is ongoing and is updated on a regular basis.

### 1.3.2 Changing working practices

Overall, the **resilience of the project actors** in continuing activities despite the difficulties posed by COVID-19 has been highlighted - project actors in **Helsinki-Uusimaa** for example have been quick to adapt their practices and processes and have shown great resilience. While there were some initial challenges at the start of the crisis, there have also been many positive outcomes from the new ways of working. In **Ireland (SRA)**, online meetings have been found easier in some respects and time has been saved with less travel. The **MA West in Netherlands** notes that the COVID-19 pandemic has led to a **more intensive use of digital approaches in programme management**, for animating, managing and monitoring the programmes. The increased digitalisation of the way in which the programme is being run offers **new opportunities and platforms**, for example, the MAs have a **very active LINKEDIN group** and it organises regular webinars and information events, which have worked very well online.

In terms of recovery, a **return to pre-pandemic practices** is reported in **Czechia**, such as a resumption of face-to-face meetings, and a return to offices from the home office. In **NL-South**, building works are starting again on large public projects e.g. for energy efficiency of buildings, and beneficiaries are reported as being more positive about their original business cases.

### 1.3.3 Programme amendments

Several programmes have undertaken programme amendments in the last six months, or are planning further programme modifications. Several relate to the re-programming required to



implement **REACT-EU** (e.g. those which have taken place in PT, and are planned in AT, CZ IROP EL and W-M), but also concern ensuring that **programme allocations are fully used** (as in W-M and as anticipated in EL, PT and Wales).

As well as the REACT-EU re-programming, there has also been a re-programming of three Regional OPs in **Portugal** (Alentejo, Centro, Norte), reinforcing the **extraordinary employment support measures** under ESF (post-layoff measures). In the case of the Norte OP, this re-programming was also used to make some adjustments to the ERDF allocation. Similarly related to COVID-19, an OP amendment was carried out in **Scotland** as part of the annual exercise to reflect the COVID-related health spend.

A significant reallocation was prepared within the OP Entrepreneurship and Innovations for Competitiveness from broadband to the Expansion programme in **Czechia**. In addition, a large revision of the OP Environment is underway, with seven partial reallocations planned among them to the priority axis to support reserve projects and air quality more intensively.

## 1.4 Key challenges

IQ-Net programme managers are stretched to capacity, attempting to deal with multiple priorities and challenges. COVID-19 still impacts the speed of implementation in some programmes; capacity challenges associated with the overlap between multiple programmes and instruments are expected to increase; evaluations regarding re-programming, over-booking and phasing of projects to the next programme period have started or are about to start in an attempt to spend all available funding and avoid de-commitments.

### 1.4.1 Audit

Among the factors causing significant administrative burden and leading in cases to implementing delays, programme authorities have highlighted the issue of **rigid audit requirements** and **the rising number and length of audits**. Audit procedures have required MAs and IBs to devote substantial human resources, that are not always available, and efforts to ensure tight coordination between programme bodies and with beneficiaries.<sup>3</sup> Some programme managers even describe the impact of audit on OPs as “fundamental”. When it comes to the audits performed by EC/ ECA, procedures are organised differently by Member States. For instance, in the **Netherlands**, the EC/ECA contacts the national audit services who are responsible for contacting the MAs. In **Wales**, ECA directly works with the MAs.

Specific challenging issues which have been highlighted, aside from the overarching administrative burden and delays, are:

- Exceedingly detailed auditing regarding State Aid and questioning of national eligibility rules by the EC (AT).



- EU-level audit findings are considered final and there is little space to argue against them (CZ). Similarly, national AAs could lack pragmatism when interpreting audit requirements (Vla).
- Burdensome verification of declarations made by beneficiaries, project partners and experts, which discourages the MA to recognise them in the future (W-M).
- When it comes to EC/ECA audits in particular, focus, timing and notice seem to be random and they are performed at very short notice (Wales).
- Lack of proportionality between actual fraud cases and programme size, and the administrative burden caused by the number of audits and requirements (Sco; Vla).
- AAs' approach based on expectation to identify errors and fraud (Sco; Vla).

Among the **lessons learned** and practices that could minimise burden, the following are considered to be very important:

- **Having the auditing process in mind when developing the new programmes** and when putting audit and control systems in place (IE-NWRA; Sco). This includes, for instance, aspects related to State Aid or to SCOs.
- Having a **monitoring/IT system that centralises all relevant documentation** and information on projects and schemes, which AAs can easily access when needed (CZ; NL).
- **Preparing beneficiaries** for the audit (e.g. by organising targeted meetings before the audit) (CZ IROP).
- **Good relationship** and communication **with AAs** (NL).
- **Drawing lessons from previous audits** and ensuring that previous audit findings are adequately addressed (Biz; CZ IROP; IE-NWRA).
- Increased use of **competitive calls** (IE-NWRA).
- **Taking up SCOs**, which may be less burdensome (IE-SRA; Vla).

#### 1.4.2 Wider programming challenges

There are also wider challenges potentially affecting implementation, such as the **overlap between 2014-20** (OPs, REACT EU, national/regional recovery measures) **and 2021-27 programmes and instruments** (including NRRPs, JTPs and Brexit Adjustment Facility). Some MAs (NL, Vla) expect that this would cause **capacity and absorption challenges** due to the additional workload and competitions among funding streams. Concerns also remain on **how to ensure that projects are correctly matched** with the variety of funding instruments, as well as ensuring that there is **alignment and synergy amongst the different funding sources**. This requires a good understanding of project pipelines and risks in terms of project implementation.

As noted previously, the **COVID-19 pandemic** remains a challenge. **Re-programming**, although with different intensity, continues to take place with the purpose of recovery response (e.g. in W-M, IE-SRA, Biz). The **impact on programme implementation** (e.g. in W-M, EL)



is still visible in the reduction of project activities and/or extension of the project implementation period, changes in the method of project control and limitation of activities related to recruitment. From the beneficiaries' side, the **interest in grants for business development continues to be decreased** in W-M due to the uncertain economic situation.

Other domestic challenges are linked to the **interpretation of different pieces of legislation** – e.g. on conflict of interest and on 'business in difficulty' in **Czechia**. Enforcing the rules on conflict of interest, which were recently modified to address EC requests, remains problematic due to lack of capacity and knowledge at the level of MAs. For **UK** programmes, challenges relate to **post-Brexit arrangements**, including organisational design, ensuring sufficient staff resources and closure arrangements. Finally, preparations for the next programme period in **Portugal** could be impacted by possible early elections.

### 1.4.3 Managing overbooking

Among the existing responses when it comes to ensuring full implementation of remaining funds and timely closure, the practice of overbooking has been relatively widely taken up by programme authorities. Simultaneously, there are associated concerns regarding the management of this practice.

The majority of IQ-Net managers see over-booking positively as a tool to ensure the absorption of the entire financial allocation to their OPs. Experiences among some authorities have shown that at the time of programme closure, there is often a drop in the spending rate (e.g. due to drop-outs) and over-commitment has been a way to avoid the loss of funds at the end of the programme period. For instance, in **Vlaanderen**, in the 2007-13 period, the total spending rate was 94 percent with an over-commitment of 105 percent. Other MAs and IBs do not intentionally use this practice. In **NL-West**, it is used very modestly, if at all, as programme authorities have been able to commit funds early on in this programme period, and this provided space for adjustments towards the end of the period. Finally, there are cases where overbooking has not been deliberately pursued but is present or where it may be introduced at a later stage (e.g. in **Denmark**).

Each programme authority needs to follow **concrete rules** that **determine the use of overbooking**, although these often differ across countries.



In some cases, there is **a limit** to which over-booking is allowed: **five percent** in **Czechia** (at programme level) and **Vlaanderen** (at priority level).



In other cases, **consent from an overarching body** is required (e.g. in **W-M**). As a rule, the Minister of Finance of the Republic of Poland issues approvals only for so-called temporary over-commitment (based on an agreement between the MA and EC), provided that the amount of funds contracted in a given axis over the allocation limit will be temporarily excluded from contracting under another axis of the ROP.

In **Czechia**, overbooking above the limit of five percent could also be agreed with the consent of the Ministry of Finance; Czech authorities are pursuing such an agreement.



In **Portugal**, the practice of so called 'unconditional' over-booking (to be paid under any circumstances) exists. Programme authorities monitor the relationship between the planned approvals and the predicted break rates, so that they can accommodate all upcoming commitments within the existing programme resources. More recently, the Government discussed the possibility of 'conditional' overbooking. It implies that MAs commit to pay funds only if there is financial availability. In other words, there are payments only if there is release of funds in the OP due to drop-outs etc., which would allow the overbooking to be paid. This measure, if approved, is intended to facilitate closure.



Over-booking also occurs at project level – e.g. in **NL-West**, a small number of projects are over-committed but it is the responsibility of the beneficiaries to cover over-booked amounts (i.e. they can choose whether they want to over-commit funds and they are responsible for any shortfalls).

Several IQ-Net programme managers (**IE-NWRA, IE-SRA, W-M**) report that they are preparing to declare overbooked amounts in the final accounting year, which is also compatible with the provisions of the Closure Guidelines published by the European Commission in October 2021 (see Section 1.5). At the time of writing, however, a number of concerns exist among programme authorities, due to:

- wider developments such as rapid growth of prices in the construction sector, which could put pressure on overbooking (e.g. in **CZ**);
- lack of options to phase projects to the next programme period (e.g. in **Wales**); and
- the different conditions brought about by REACT-EU (e.g. in **AT**).

## 1.5 Programme closure

### A QUICK REMINDER

At the time of the last IQ-Net Paper (June 2021), **closure was still not high on the agenda for most IQ-Net authorities**. There has been a general hesitation to proceed with the closure process before the final guidance had been received from the EC (**CZ IROP, IE-SRA, Vla, W-M**) and there had been a need for further clarification on a few existing issues (the appeals process and how these will be addressed in the final year (**Wal**), the deadlines for submitting payment claims (**AT**) and Annex IV on the final balance calculation (**W-M**)).





- The preparation for programme closure was evident in the revision of closure guidelines with the certifying authority (**IE-NWRA, Wal**) and the development of recommendations, timetables and designated working groups (**CZ, Sco, Wal**).
- Programme authorities anticipated starting preparations for closure in the second semester of 2021 (**DK, FI, ES: PV**) or in 2022 (**SK**).
- The impact of REACT-EU on timely closure was seen by some authorities as problematic in terms of creating additional absorption pressure (**AT, FI, NL**) and increased workload (**W-M**). **Portugal** highlighted concerns regarding the share of resources allocated to the environment component where implementation was not yet underway.

In the past six months, progress on closure has been made both on the side of the European Commission as well as on the side of programme authorities. On 14 October 2021, the European Commission published its Guidelines<sup>4</sup> on the closure of Operational Programmes for the 2014-2020 programme period. The finalised Guidelines include minor changes to the draft Closure Guidelines from March 2021. There are several clarifications (e.g. regarding replacement of irregular amounts, including such that are identified in ongoing OLAF investigations, with overbooked expenditure) and inclusion of additional references to legal documents. However no major additions or changes are introduced.

In the meantime, some programme authorities have managed to advance work in terms of **preparing national recommendations, timetables** and setting **deadlines (CZ; EL; FI; Wal)**. Others have not been able to progress as much as anticipated (**Sco**) or have had to postpone closure planning due to the implementation of COVID-19 response measures (**Vla**) and REACT-EU programming (**NL**).

At the time of IQ-Net fieldwork, a number of programmes were working around the EC's draft Closure Guidelines (EGESIF\_20-0012-01, 08/03/2021) (**AT, EL, Wal, W-M**) and were awaiting the publication of the final version (**AT, IE-SRA; NL, Vla**) not least in order to develop domestic closure procedures/guidance documents. Preparations for closure raised several concerns among programme authorities:



A much **tighter timetable** between final eligible expenditures and annual closure procedures, after which the final submission of the closure package will be possible (Wal; IE-NWRA; DK)



**Delays in operational audits** due to pandemic containment measures/working from home (Wal)



**Problems with absorption of remaining funds** under certain measures and spending full programme allocations (W-M; PT, Wal). In the case of Portugal, this might potentially relate to the share of resources allocated to the environmental component of REACT-EU (as they are lengthier), while in W-M this originates in the limited flexibility to transfer funds between investment priorities and the lack of general rule allowing overbooking. Similarly, in Wales authorities will not be able to phase operations to the next programme period.

A number of IQ-Net programme managers expect to finalise last projects and schemes around mid-2023 (**FI; IE-NWRA**) and are confident that REACT-EU resources would not necessarily impact negatively or significantly the timetable of closure (**CZ; FI; NL; PT**). Among others, this is due to the experience they possess from previous periods and efforts to make closure procedures more efficient (e.g. in **NL**) as well as due to quick utilisation of REACT-EU funds. Preparations for closure also include continuous and active monitoring of ongoing projects in order to estimate if there are needs for re-programming or re-allocation of funds between projects, or a need for project transfers to the next programme period (**DK; EL; PT**). This involves procedures of **simulating the closure of each OP** and **creation of a pool of projects** for transfer or segmentation in the new period in **Greece**; and **understanding where the flexibility of 10 percent between axes is sufficient** and which areas require any **financial re-adjustments** to ensure smooth closure in **Portugal**. These processes call respectively for close cooperation and coordination between different MAs, national coordination authorities and the European Commission.

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***This process is dynamic, but it is a crucial parameter for the planning of the actions that will be followed with the aim of the safe closure of the programmes.***

*Greece - Ministry of Economy and Development*

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Nevertheless, competition between 2021-27 programme preparations and closure efforts are noticeable among several IQ-Net programmes (**IE-SRA; NL; Vla**). This includes both the prioritisation in time of 2021-27 programme preparations as well as the consideration to assign more experienced staff to programming tasks. Programme authorities anticipate the year 2023 to be demanding and have considered approaches to speed up spending if needed. For instance, in **Czechia**, MAs will place demands on projects targeting the purchase of instruments, in case spending of REACT-EU is delayed.

## **1.6 Summary - programme priorities looking ahead**

Programme authorities are dealing with multiple current and near-future priorities. After swift programming of **REACT-EU** resources, programme managers **aim to ensure that these funds**



**are quickly committed.** At the same time, they are working towards final OP revisions, especially when it comes to the second tranche of REACT-EU. Within this priority, programme managers aim to work closely with beneficiaries in order to facilitate rapid launch of projects, to communicate to them the importance of timely implementation and respectively achieve early declaration of project costs (e.g. in **NL-South** and **Vla**).

**Ensuring a full implementation of remaining resources** under the 2014-20 programmes continues also to be a priority for many IQ-Net managers. This includes:

- working closely with (key) projects to ensure implementation and spending (Wales; EL)
- maximising project claims (Sco, IE-SRA; IE-NWRA)
- achieving annual expenditure targets (EL) and
- ensuring that targets under the performance framework are achieved (W-M; IE-NWRA).

Tied to these efforts, **preparations for closure** of 2014-20 OPs are increasingly on the agenda of a number of IQ-Net managers (DK; EL; IE-SRA; NL-South). Efforts within this priority include monitoring of projects, in order to identify operations that require additional support or need re-programming (NL-South; EL; PT; DK). For instance, in **Greece** technical meetings are being held between MAs and the EC and special thematic meetings and collaborations are carried out for individual issues and projects/actions when required. Preparations for closure have also been intensified following the publication of the Commission's Guidelines on the closure of OPs (see Section 2.5).

Priorities have also been shifting towards the **full-fledged preparation of programmes for the 2021-27 period**. This includes also more substantive thinking and efforts regarding:

- Setting out calls: CZ; NL-West
- Developing related procedures and technical guidelines, as well as rules for reporting and monitoring: NL-West; W-M
- Evaluating strategic project proposals to be annexed to the programme: W-M
- Finalising Strategic Environmental Assessments and public consultations: CZ (IROP).

Beyond the above mentioned priorities, programme authorities have been pursuing several other objectives:

- **Creating a more centralised approach to implementation** in the Netherlands. Building on the 2014-20 single IT system, an update is planned for the 2021-27 period, together with the development of **more uniform procedures and guidelines**.
- Preparations for implementation of **Simplified Costs Options** in the Netherlands.
- **Capacity building** for the 2021-27 period (IE-SRA).



## 2 PREPARING THE 2021-27 PROGRAMMES

The Cohesion Policy legislative package for 2021-27 entered into force on 1 July 2021, including the Common Provisions Regulation (CPR) and Regulations for ERDF, CF, ESF+ and the new Just Transition Fund (JTF) Regulation. The delay continues to have some knock-on effects, but adoption of the legislative package in July surmounted an important delay factor (although it has been noted that the EU's SFC system only became operational in August 2021).

Programming of REACT-EU and the ongoing impact of COVID-19 have involved a complex web of 'push' and 'pull' factors – some slowing down programme development, but others showing unexpected benefits. Nevertheless, a lot of ground has to be made up in some countries – for example, the delay is estimated to be **between 1 and 1.5 years in Austria**, i.e. in terms of preparations for 2021-27, the Austrian MA is now at the stage at which it had planned to be in April 2020.

### 2.1 Factors affecting 2021-27 preparations

#### A QUICK REMINDER

At the time of the last IQ-Net Paper (June 2021), **progress was slow with the programming and adoption** of the 2021-27 Partnership Agreements and Operational Programmes in many countries. The delays were due to a combination of factors:



- the long process of approving the legislative framework, which took 36 months compared to 24-26 months in the previous two reforms, and, related, the prolonged negotiations on the Just Transition Fund;
- the prioritisation of the programming of the RRF in order to meet the May 2021 deadline for submitting NRRPs; and
- the demands of implementing the 2014-20 programmes during the COVID-19 crisis, combined with the programming of additional funding under the REACT-EU recovery instrument.

The extent to which **REACT-EU programming** is considered to be a significant delaying factor varies – it has not affected programme preparations in **Czechia**, while in **Finland**, REACT-EU has provided a **welcome breathing space**, as it enables a continuation of funding between programme periods and avoids a funding gap. In **Ireland** (NWRA), the decision to programme **all REACT-EU resources through ESF** has simplified the process and minimised delays, especially related to ERDF programming; this is likely to be the case again in 2022.

**Proceeding in parallel** has been possible in **Vlaanderen**, which has prioritised the implementation of REACT-EU but has been able to progress 2021-27 programme development at the same time. The introduction of other funds, particularly the RRF, means that there has



been **less pressure from stakeholders** to start the new programme period as soon as possible. **Warmińsko-Mazurskie** is also preparing their new regional programme in parallel with programming REACT-EU funds, involving the same human resources, although the process was still ongoing and causing significant delays.

As in daily life, **COVID-19** continues to have an impact on programming processes, and the availability of the additional REACT-EU and RRF resources, as well as redeployment of OP resources, have helped address the funding needs arising from the crisis. Moving meetings and consultations online has in some cases helped the efficiency of the process overall. However, challenges persist:

- capacity challenges at Member State and MA levels (NL; DK)
- the new online ways of working sometimes being less effective in terms of discussion compared to in person (IE-SRA)
- a lack of coordination meetings with other OP actors (Biz).

## 2.2 Progress with PA and OP preparation

### A QUICK REMINDER

At the time of the last IQ-Net Paper (June 2021), **programme preparations were at a more advanced stage than previously**, but with some continuing postponement of schedules.



The state of play with **PA and OP finalisation and submission varied widely**, but final versions of the OPs were in most cases expected over summer or autumn 2021.

Informal dialogue between the Commission and Member States started in 2019, and negotiations with Member States have been ongoing but significantly delayed.

The first PA to be approved was for **Greece** in July 2021. It was approved quickly after submission (15 working days) as the Greek authorities had submitted a fully mature draft PA for informal exchanges with the Commission in December 2020, six months ahead of most countries. At the time of writing, only **Austria** and **Germany** had joined Greece in having submitted their PA to the Commission.

In common with the rest of the EU, **most IQ-Net countries expected to submit their PAs in October/November 2021**, with the exception of Spain, which expected to submit in early 2022 (Table 2). Some **timetable slippage** can be seen; before the summer MSs had expected to submit their PAs by September, but this target was being extended by a month or two to October/ November (e.g. CZ, NL). The Commission expects around half of PAs to be submitted in 2021, with only a 'handful' adopted in 2021. The delay is fairly significant when compared to



2014-20, as all PAs had been formally submitted by this stage, and all had been approved by the end of 2014.

**Table 2: Expected schedule for PA finalisation & approval (October 2021)**

	PA finalised/submitted	PA approval
<b>AT</b>	28 July 2021	-
<b>BE</b>	Q4 2021	-
<b>CZ</b>	PA finalized and approved by the Government (October), in informal negotiations with the EC. Submission anticipated by end November.	-
<b>CZ</b>	October 2021	-
<b>DK</b>	Both PA/OP drafts nearly finished, public consultation till end-December, informal version of the text to Commission end 2021	-
<b>EL</b>	12 July 2021	29 July 2021
<b>ES</b>	Q1 2022	
<b>FI</b>	PA to be submitted to the Finnish Government on 28 October 2021 and thereafter to the Commission	-
<b>IE</b>	Q4 2021/Q1 2022	-
<b>NL</b>	November 2021	-
<b>PL</b>	Likely to submit PA to COM in November 2021	-
<b>PT</b>	Q4 2021	-

Source: IQ-Net research

As with the PAs, the **timetable for submission of many IQ-Net OPs has slipped 1-2 months** since the summer (Table 3). Formal submission had been expected to begin in September 2021, with an expectation that the majority of programmes would be approved in the first half of 2022. At the time of writing, the Austrian ERDF OP was alone among IQ-Net programmes in having been formally submitted to the Commission (early October), with approval expected at the end of the first quarter of 2022, or the start of the second quarter.



Many more OPs were nearing the stage at which they would be formally submitted to the Commission. In **Finland**, the first draft of the OP was submitted to the Commission at the beginning of April 2020. However, since the first submission, significant changes have taken place (e.g. inclusion of PO2 to the programme, which was not initially recommended by the Commission). The OP was in public consultation in Spring 2021 and thereafter submitted to the interservice assessment carried out by the DGs. At the time of writing, the OP was in the process of being submitted to the Government (October 2021) and thereafter to the Commission. The OP was expected to be ready to be launched, in theory, on 1 November 2021. However, in practice, for example in the South, the Regional Councils are not planning to start with the first calls until in the middle of January 2022.



The new OPs were also almost finalised in the **Netherlands** (West and South), where the **programmes start date is expected to be delayed by around six months**. The expectation is that as soon as the PA is ready the MAs will be able to submit their OPs. The MA West's timeline anticipates a start date of 1 April 2022 but there are some doubts about whether this is still achievable (the initial expected start date was 1 October). The delays to the PA have also had an impact on the finalisation



of the OP in **Vlaanderen**. Although the content is largely ready and the targets have been set, it is difficult to finalise concretely without budget allocations.



The date of submission of the **Warmińsko-Mazurskie** ROP to the Commission also depends on the PA negotiation schedule. A first draft was adopted by the Board of the Voivodeship in September, and public consultations will take place between October-November. This will be followed within 30 days by a report on the results of the consultations. Before the programme is sent for negotiations to the Commission, it will be submitted for an opinion of the Minister of Funds and Regional Policy, and it will be subject to a Strategic Environmental Impact Assessment.

**Table 3: Expected schedule for OP finalisation, approval & launch (where known)**

	OPs finalised/submitted	OP approval	OP launch	First projects approved/commitments made
<b>AT</b>	Early Oct 2021	Apr 2022		
<b>BE (Vla)</b>	When PA has been finalised (potentially Dec 2021)	Mar 2022	Apr/May 2022	Autumn 2022
<b>CZ</b>	By the end of 2021 to the Government, submission to EC in Jan 2022		After EC approval	
<b>DK</b>	Both PA/OP drafts nearly finished, public consultation till end-December, informal version of the text to Commission ultimo 2021		Launch early 2022, first calls expected in Q2 prior to final approval of OP by Commission	
<b>EL</b>	9 sectoral OPs			
<b>FI</b>	Multi-fund ERDF/ESF/JTF (please note also inclusion of JTF) 'Renewing and Competent Finland OP'	OP submitted to the FI Government in Oct 2021 and thereafter to the EC. EC approval of OP expected around Mar-Apr 2022	1 Nov 2021	In many cases, first calls are not expected to be launched until the middle of January 2022 (e.g. Regional Councils in South Finland). First funding decisions are expected to be taken in Spring 2022.
<b>IE-NWRA</b>		Mar-Apr 2022		
<b>IE-SRA</b>	Mar-Apr 2022	May-June 2022		
<b>NL</b>	As soon as PA is submitted (expected Nov 2021)	Earliest approval Apr 2022	Apr – Jun 2022	Summer 2022
<b>PT</b>	Submission of informal drafts end Nov 2021-Jan 2022			

Source: IQ-Net research



If programmes have not been submitted by 15 October 2021, they will not be approved by the Commission until after 1 April 2022 (i.e. approval will take longer than the usual three months). The timing of the OP adoption has a potential impact on n+3 (see Box 2).

### Box 2: Financial impact of delayed adoption of OPs

If an OP is not approved by the end of 2021, there are two options:

- A carry-over of appropriations. If the OP is nearly ready for adoption by the end of 2021, adoption is possible starting mid-February 2022, and it should be adopted before 30 March 2022. There will be no change in the financial plan, the 2021 tranche should be committed when the OP is adopted.

OR

- If the OP is not adopted before 30 March 2022, reprogramming will be required, where the financial plan should be revised and the 2021 tranche split into 4/4 across the years 2022-2025.

Thus, the timing of OP adoption has an impact on n+3:

- OPs adopted in 2021: the first year of n+3 is 2024, to cover the 2021 allocation in the financial plan;
- OPs adopted in 2022 by 30 March: financial plan remains unchanged and 2021 tranche is committed in 2022; n+3 first applies in 2025 with a double tranche;
- OPs adopted after 30 March 2022: reprogramming will be required, with the 2021 allocation being split 4/4 across 2022-2025. The revised 2021 allocation (1/4 of 2021) is subject to n+3 in 2025.

Source:

<https://ec.europa.eu/transparency/expert-groups-register/screen/meetings/consult?lang=en&meetingId=29018&fromExpertGroups=true>

## 2.3 Programme architecture

### A QUICK REMINDER

At the time of the last IQ-Net Paper (June 2021), most countries anticipated **limited changes to programme architecture** in 2021-27. Where changes were occurring, the main change factors included:



- **categorisation of regions** influenced changes in the Netherlands, Vlaanderen and Finland;
- changes in mobilisation of **different ESI Funds'** support in West Netherlands, Portugal and Vlaanderen;
- changes in the **number of OPs** in Greece and Portugal;
- introduction of a **stronger regional or sub-regional** dimension in Greece and Vlaanderen;
- inclusion of the **JTF**, either as a newly designed OP or within the new OPs.



Among IQ-Net programmes, the main new development reported concerns the agreement on the **allocation of funding to the regions in Finland** in September 2021. This process has been more challenging and politically sensitive than in previous periods. The process was led by the regions and, in 2021-27, concerns ERDF, ESF+ and JTF. Traditionally, a large share of the funding has been concentrated on the North and East Finland due to their special status as sparsely populated regions. However, regional development disparities in Finland have changed and while the overall disparities between the regions have narrowed, **disparities within the regions have increased**, with regions in South and West Finland now also in need of funding. The decision on the funding allocation takes this into account and the relative share of South and West Finland will increase slightly.<sup>5</sup> Funding will continue to be allocated to the North and East comprising of remaining/returned funds from the 2014-20 programme period, as well as the special funding allocated to sparsely-populated areas, which will be allocated to the North and East in its entirety.

## 2.4 Investment priorities

### A QUICK REMINDER

At the time of the last IQ-Net Paper (June 2021), **programming by policy objective was still ongoing with some final decisions yet to be made**, pending the results of stakeholder and public consultations and discussions within government, and the finalisation of other strategic and evaluation work (e.g. broader socio-economic strategies, regional and integrated territorial strategies, sectoral strategies, SEAs).



Most countries anticipated a **significant degree of continuity in terms of their investment priorities**, with no major thematic shifts from 2014-20:

- in part due to the thematic concentration requirements, but also reflecting domestic priorities, a **strong focus on PO1 (Smarter Europe) and PO2 (Greener, carbon free Europe) was anticipated**;
- the medium and long-term **recovery from the COVID-19 crisis** was expected to be **an important horizontal priority** for many programmes;
- thematic concentration requirements were proving challenging in some cases.

Investment priorities are still not finalised for some programmes. **Finalisation of national strategies** on social services are awaited in **Warmińsko-Mazurskie**, as these strategies are important for the interventions planned under the programme. Further, not all the **conditionalities** required for the implementation of measures under the OP have yet been met, e.g. a regional transport plan and a transformation plan related to health are still under preparation.

However, more **detail is emerging about the specific measures and operations** which some programmes foresee supporting under the broad POs in 2021-27. Examples include:



#### PO1 Smarter Europe – specific measures proposed include:

- **demonstration projects and living labs**, with involvement of triple-helix stakeholders to bring knowledge, policy and innovation closer together in **Vlaanderen**, with the new S3 being a precondition for projects under this priority and knowledge valorisation its main goal.
- an **increased focus on system innovation-type projects** in **NL South**, moving away from pure R&D valorisation, as Netherlands already offers a lot of support for R&D valorisation type of projects.
- a strong focus on **university-regional collaboration** in **IE-NWRA** i.e. developing university collaboration around a technological university and working with them, e.g. on Innovation training; innovation hubs throughout the region and bringing an entrepreneurial emphasis to the region. Similarly in **IE-SRA**, the focus is on higher education establishments and facilitating them working with SMEs (as opposed to direct SME support).

#### PO2 Greener Europe – specific measures proposed include:

- the deployment of **hydrogen technologies and infrastructures/networks**, complex **energy efficiency** projects and **biomass** in the context of the DNSH principle are foreseen in **Czechia**.
- **mobility and energy efficiency investments**, but also climate mitigation measures such as **water management** in **Vlaanderen**.
- support for the **circular economy (W-M)**
- a strong focus on **energy efficiency measures**, including energy performance contracts and potentially including the use of financial instruments (**IE-NWRA**).
- In **Denmark**, the new programme has **mainstreamed green sustainability issues**, and this will clearly influence investment priorities.

## 2.5 Implementation at operational level

Although much remains to be decided, new **operational-level details** are starting to emerge, relating to:

- **Operational-level guidance and beneficiary support**

**Methodological guidelines** for the 2021-27 period were issued by the NCA in **Czechia** in August 2021. The guidelines concern the eligibility of expenditure and their reporting, instructions for verifying a company in difficulty in the implementation of EU funds and instructions related to procurement. The NCA Evaluation Unit also introduced **targeted podcasts** to spread information about ESIF evaluations, with the aim of contributing to an evaluation culture. For the IROP, where the implementation structure is ready, the



**online consultation service** is expected to continue to support project applicants and related professionals (project engineers, investment specialists) who are expected to be under a lot of pressure.

- **Changes to project generation and selection procedures**

In **Ireland**, the NWRA OP will use **more competitive calls** and fewer centrally-determined schemes and less pre-financing. NWRA are also pursuing simplification measures and are investigating the **use of SCOs**, mainly off the shelf options. In **W-M**, the **assignment of a list of beneficiaries** to a given type of project will now take place at a later stage of programming than previously e.g. in detailed descriptions of priorities or call documentation.

In the **Netherlands**, the MA South aims to **target calls more thematically** and steer projects towards **public value-type projects**, for example, themes related to agricultural and health transitions that focus on sustainable and healthy food production. Related to this, the MA hopes to **increase citizens' participation** in projects, meaning that innovation projects should not only be focused on technological innovations but also on the social aspects of these innovations to improve the adoption of new technologies. In **Vlaanderen**, the width of the new PO2 will mean that project implementation (**e.g. calls**) **need to be selective**, in order to avoid applications from too many sectors.

- **Preparations for programme launch**

A road show was carried out by the MA and IBs throughout all the **Czech** regions to introduce the new **Integrated Regional Operational Programme 2** and the new opportunities to potential project applicants. Preparatory steps were made to be well prepared for a real start of the new OP in January 2022, such as preparation for monitoring committee meeting "zero" to discuss project selection criteria. The MA plans to open all project calls in 2022. In **Finland**, the regions are formally launching their programmes with various **launch events**. For example, in South Finland, the Regional Councils and the ELY-Centre of Häme are organising a series of webinars in the course November and December 2021 concerning the 2021-27 programme period. On 1 November 2021, a **kick-off event** was organised to formally launch the programme period in South Finland.

## 2.6 Territorial instruments

Planning regarding the uptake and the concrete implementation of territorial instruments – ITI, CLLD and Other Territorial Instruments – in the 2021-27 period has also been ongoing for some time. More recently, some IQ-Net programme authorities have been engaged in evaluations of the use of these instruments in the 2014-20 period, with the aim of drawing lessons and deciding on more substantive matters relating to implementation. In **Greece**, for instance, based on such a process, key directions were set (see Box 3). In other cases, such as in



**Vlaanderen** and **Netherlands**, challenges were recognised such as the failure to combine ERDF and ESF funding. An evaluation of the application of integrated territorial instruments in the 2014-20 period has also been commissioned in **Czechia** (results summarised in Box 4).

### Box 3: Case study Greece

Based on the evaluation of the planning and implementation of ITI-SUD during the 2014-20 programme period and the treatment of identified weaknesses, **the following strategic directions have been selected:**

- The interventions will focus on a **limited number of challenges** in order to fill key gaps in urban development, as part of a strategy to strengthen economic and spatial interconnections and address social imbalances. Challenges should be matched with quantified objectives in the context of a structured intervention logic.
- The sustainability of interventions will be enhanced by **concentrating financial resources on targeted strategies** with a **limited number of specific objectives**. The provision in the new ROPs of an exclusive priority axis for ITI-SUD with **great flexibility in the allocation of resources** will contribute to more effective planning.
- The use of established sectors for the development of new activities will be ensured and **specific areas will be selected** based on the nature of the ITI strategies, ITI-SUD 2014-20 and the 2021-27 priorities.
- **Long-term integrated planning** will be implemented, regardless of programme and policy periods, in order to ensure not only the construction of the projects and the implementation of the actions, but also the overall sustainability of the intervention after its completion.
- **Consultation at local level will be strengthened**, which will result in "ownership" of the strategy by a cohesive management team.
- The integrated nature of the interventions will be strengthened through **coherent strategies** with realistic visions and the achievement of which will be based on projects and interventions with **high synergies** between them and with adequate levels of funding.

**To address delays that were faced in 2014-20 and strengthen coordination, it is envisaged:**

- to encourage the inclusion of a list of projects in the strategies to be adopted;
- to include urban authorities and the implementing bodies of the ITIs in the National Network for Integrated Spatial Development for exchange of know-how and problem-solving;
- to establish a special Unit in the National Coordination Authority for the Integrated Spatial Development for the provision of direct support and close monitoring of the implementation of the ITIs and the resolution of horizontal issues;
- to appoint a special team that will be responsible for the development and implementation of the projects. The team will be defined in the text of each strategy;
- to establish a monitoring system at national level with regular reports from the regional authorities.

Source: IQ-Net research



#### Box 4: Case study Czechia

The MA of the Czech IROP has commissioned an evaluation of ITIs implemented by the OP and their added value. The main finding is that there is no significant difference between projects realised under ITIs and similar projects realised without an umbrella of ITIs. There are only a very few examples of good practices in which the approach of integrated territorial instruments has brought a profound added value (e.g. a complex revitalisation of New Mills in Pardubice). The key element of ITIs success is the quality of local leaders and community. There is a great variability in the “quality” of LAGs and their objectives (from the theme of smart village to the topic of sidewalks).

Source: IQ-Net research

The majority of programme authorities have now made decisions on the use of territorial instruments and Table 4 provides an overview. As has been mentioned in recent IQ-Net research<sup>6</sup> there is a mix of continuity and change both in terms of uptake of territorial instruments and their implementation arrangements (especially in terms of spatial coverage, objectives and governance architecture).

**Table 4: Use of ITI and CLLD in the 2021-27 period**

MS/region	Use CLLD	Use ITI	Still in planning
AT	√	X	
BE (Vla)	X	√	
CZ	√	√	
DK	X	X	
FI	X	√	
EL	√	√	
IE-SRA	X	X	
IE-NWRA			√ (likely <b>not</b> to use ITIs)
NL	√	√	
PL (W-M)			√ (likely <b>to use</b> ITIs)
PT	X	√	

Source: own elaboration based on IQ-Net fieldwork – autumn 2021; Note: √ = yes; x = no

In some cases, authorities will operationalise place-based instruments that are not necessarily implemented as ITI but nevertheless serve very similar purposes and are set up in a similar model – for instance in **Ireland**.



The **Town Centre First Scheme** was launched by the Irish Government (co-funded via Cohesion Policy). The Scheme focuses on ensuring that cities and towns are vibrant places for living and working in and specifically targets the issue of underused and vacant urban building stock. The scheme is being viewed as even more relevant and linked to the impacts of Covid-19, where the scheme can serve as a platform for economic stimulus – supporting jobs while carrying out much needed public works at a cost-effective point in the economic cycle.

An interesting aspect of the scheme is the perceived need for it to involve a cross-departmental approach linking the activities of the departments of Planning, Housing, Enterprise, Transport and Finance with the actions of Local Authorities. Related to the Town Centre First Scheme, an interdepartmental group and an advisory group were established in 2020.

**Sustainable Urban Development (SUD)** will be implemented by all programme authorities, not least because of the minimum legal requirement. In some cases, this will be in the form of ITI, and in others as part of priority axes integral to OPs.



In **Finland**, the new SUD will cover the Helsinki region and 18 Universities cities. For the implementation of the SUD, Finland will conclude 15 Ecosystem Agreements (the capital cities are included under one Ecosystem Agreement rather than having their separate agreements). **The Ecosystem Agreements are one form of innovation agreements between the State and the Cities, which set out key development priorities and needs.** Finland will have one ITI strategy, which will include all the 15 Agreements. All parties involved will have **one coordination body** and the national Ministry of Economic Affairs and Employment will lead the implementation of the single ITI strategy.



In **Austria**, most of the 8 percent minimum allocation to SUD will be included in Priority Axis 3 “Territorial development”, with some parts falling under Priority Axis 2 “Sustainability” of the Austrian ERDF OP. In this programme period, the minimum SUD allocation will be implemented in a wider range of Länder, including not only Upper Austria and Vienna, but also Lower Austria, Carinthia, Styria and Tyrol.

## 2.7 Financial instruments

### A QUICK REMINDER



At the time of the last IQ-Net Paper (June 2021):

- A **range of studies was underway** exploring FI options e.g. ex ante assessments/gap analyses/online survey (CZ, IE-NWRA, W-M)
- For most IQ-Net programmes, plans regarding FIs were not yet firm, and study results were not yet available on which to base final decisions, but five main groups could be identified:
  - considering **extending the use of FIs** (W-M (more project types, combined instruments), PT (combined instruments), IE-NRWA and IE-SRA)
  - thinking about participation in **InvestEU** (CZ, FI, PT)
  - continuing at a **similar level** of FI use (NL-West, NL-East)



- anticipating **less or no use** of FIs (AT, CZ (some OPs))
- **not using FIs** at present and no change expected (DK, Vla, NL-South, NL-North).

The Commission continues to support greater use of FIs in ESIF programmes, and is especially interested in extending FI use around the themes of **sustainability** (FIs for low carbon investments and energy efficiency, including through Green Bonds) and **citizen participation** (e.g. investigating the use of crowdfunding in ESIF programmes).

More use of **combined instruments** is also supported, with simplification having been introduced in the CPR (see Box 5). **Portugal** and **Warmińsko-Mazurskie** are both interested in exploring the use of combined instruments, with **Warmińsko-Mazurskie** planning to use FIs and combined instruments in the investment areas of:

- PO1: enterprises; digitization - commercial enterprises, business environment institutions and non-governmental organizations; business infrastructure; and support for companies in the initial stage of development; and
- PO2: energy efficiency improvement projects (in enterprises) and in enterprise projects in the field of renewable energy sources.

The proposals around combined instruments (or 'blending') are very relevant for Portugal, where the 2021-27 regulations will not allow the continued use of **repayable grants** in their current form. In order to achieve the same leverage in support to enterprises, additional FIs might need to be considered instead.

#### **Box 5: Combining financial instruments and grants – changes in 2021-27**

Two types of combination of financial instruments and grants continue to be allowed in 2021-27 i.e. in one and in two operations. An **important change** is that the possible options to combine financial instruments and grants in one operation have been widened:

- Grants can be combined with financial instruments in one single operation (art. 58(5)). In the 2014-20 period, financial instruments could only be combined with grants in one operation at the financial instrument level, where the grants took the form of an **interest rate, guarantee fee or technical support subsidy. These grants could not be paid directly to the final recipient.** It is now possible to:
  - **use different types of grants**, under the condition that 'the programme support in the form of grants shall be directly linked and necessary for the financial instrument and shall not exceed the value of the investments supported by the financial product'
  - to **make direct payment to the final recipients** (and not only to the benefit of the final recipients as in the 2014-20 period).
- Grants can also be combined with financial instruments in two separate operations (art. 58(4)) at the level of the final recipient as in the 2014-20 period.



Source: *fi-compass (2021) Combination of financial instruments and grants under shared management funds in the 2021-27 programming period, Factsheet, May 2021, [https://www.fi-compass.eu/sites/default/files/publications/Combination%20of%20financial%20instruments%20and%20grants\\_1.pdf](https://www.fi-compass.eu/sites/default/files/publications/Combination%20of%20financial%20instruments%20and%20grants_1.pdf)*

More generally, **planning on FIs is still ongoing** among many IQ-Net programmes (**EL, PT**), not least because the results of ongoing analyses and discussions are still awaited. Some decisions have been made - in **Ireland**, while **NWRA** are still considering the option, especially on the theme of energy efficiency, it is no longer being pursued in **SRA**. In **Denmark**, no real gaps in the existing provision of finance have been identified.

An important lesson learned in 2014-20 related to FI use concerns the need to ensure that there is a genuine gap for FIs to fill. The Czechia IROP, for example, has found that **interest in FIs (loans) has increased as grants become harder to obtain** and that FIs work best if there is no grant tool with a similar thematic focus available at the same time. The **high level of domestic FIs** in the **Netherlands** has affected decision-making in both NL-West and NL-South. In NL-West the ex-ante assessment will be updated to identify clearly investment needs for green transition and sustainable urban development. However, the Netherlands already has a very high number of FIs addressing this theme, and the current FIs are seen to be working very well, so the expectation is that the share of FIs in the programme will not need to increase. In NL South, the Commission has raised the issue of FIs in the programme during the informal consultation. However, again due to the number of existing FIs in the Netherlands, the MA prefers not to include them in the programme.

## Notes

<sup>1</sup> Dozhdeva V and Fonseca L (2021) *Chain REACTion: Shifting Cohesion Policy Priorities in a New Reality*, IQ-Net Review Paper 48(1), European Policies Research Centre Delft. [https://eprc-strath.org/iq-net/wp-content/uploads/sites/8/2021/11/IQ-Net-Review-Paper\\_Post\\_Conference.pdf](https://eprc-strath.org/iq-net/wp-content/uploads/sites/8/2021/11/IQ-Net-Review-Paper_Post_Conference.pdf)

<sup>2</sup> Uustal K (2021) Presentation to the IQ-Net 50th Celebration Event, 14 October 2021.

<sup>3</sup> A small number of IQ-Net programmes do not consider EU/EC audits to be specifically frequent or be burdensome – e.g. NL and FI.

<sup>4</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC1014\(01\)&from=FR](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC1014(01)&from=FR)

<sup>5</sup> Ministry of Economic Affairs and Employment (2021) *Uusiutuva ja osaava Suomi 2021-2027, EU:n alue ja rakennepolitiikan ohjelma, maakunnittainen rahanjako* [https://valtioneuvosto.fi/documents/10616/56906592/Uusiutuva\\_ja\\_osaava\\_Suomi\\_30092021.pdf/025a960f-af34-76e4-4478-c36820cbeda2/Uusiutuva\\_ja\\_osaava\\_Suomi\\_30092021.pdf?t=1632997908269](https://valtioneuvosto.fi/documents/10616/56906592/Uusiutuva_ja_osaava_Suomi_30092021.pdf/025a960f-af34-76e4-4478-c36820cbeda2/Uusiutuva_ja_osaava_Suomi_30092021.pdf?t=1632997908269)

<sup>6</sup> Dozhdeva V and Fonseca L (2021) *Ibid.*