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The Absorption Dilemma *An analysis of the national determinants affecting the absorption capacity of EU funds.*

Master's Thesis

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Abstract

The paper investigates the domestic determinants influencing the absorption capacity of European Union (EU) Cohesion Policy funds among Member States (MS). The multilevel governance at which it operates together with the redistributive character aiming at socioeconomic cohesion, give to Cohesion Policy a pivotal role in European integration. Despite its significance, the efficiency of fund absorption differs by MS, posing a serious obstacle to intergovernmental negotiations in the field. Using data from the 2007-13 and 2014-20 programming periods, this study investigates the effect of governance quality, decentralisation, and the share of Cohesion funds in national public investment on the absorption capacity. Based on Europeanization, multilevel governance, and agency theories, the study takes a mixed-methods approach, integrating qualitative elite interviews with quantitative multivariate regression analysis. By integrating academic and practical perspectives, the paper identifies the key variables influencing the effective utilization of EU Cohesion funds, providing valuable insights for policy implementation and regional development.

Introduction

Besides being the main investment policy in the EU, the Cohesion Policy is recognized as the most comprehensive territorial development policy in the world having mobilized more than 1000 billion € since 1989 with the aim of reducing disparities among EU regions and enhance their economic and social development (European Commission, 2024a). The absorption of these funds across EU MS is a critical factor of socioeconomic cohesion in the EU's everchanging landscape. As the European Council negotiations that took place amid the COVID19 crisis and brought to the validation of the Next Generation EU (NGEU) facility proved, the political saliency level of these funds allocating policies is very high. Indeed, while the EU predominantly adopts a regulatory approach in legislating, the EU's Cohesion Policy is different from most other EU policies due to its reliance on fiscal transfers between MS (Tosun, 2014). The redistributive character of this policy is not the only fascinating aspect of studying it. Cohesion Policy represents the most evident result of the multilevel governance system of the EU by interweaving supranational, national, regional and local entities into territorially extending policy networks (Marks, 1993: 401). Moreover, this policy, which accounts for a large share of the EU budget and is designed to reduce disparities in economic development between different regions of the EU, plays a key role in European integration and gains additional political relevance every time that new accessions are under consideration, as the distribution of funds would be reassessed in favour of the new MS. The successful convergence path undertaken by the 2004 Eastern Enlargement countries, may indeed be seen as the most evident result of Cohesion Policy considering the vital role played by the direct investment support to infrastructures as well as public services and innovation to the GDP growth and improvements in the unemployment rate of these countries.

Therefore, the inability to implement such a policy once a sum of money allocated at the EU level for a local project has not been spent is a great loss, not only because of the missed opportunity, but especially for the EU and the spirit of cooperation and redistribution between MS that this policy requires. This problem of EU funds' absorption has increasingly acquired relevance with the political debate around the impact of the NGEU plan (Darvas, 2020). And while the issue has already been at the centre of academic attention, previous research has seemed unwilling to delve into an analysis of both structural and agency causes, mostly limiting itself to comparative studies or focusing on the new MS that have joined the Union. Moreover, having assessed absorption capacity by looking at the MS absorption rate at a single point in time, usually the conclusive year of implementation, past studies provide little explanatory value regarding the absorption process and efficiency of these funds. Taking advantage of the newly available data from the 2014-20 programming period and using them in conjunction with data from the other period (2007-13) where they are available for all 27 MS, this

research frames absorption capacity as the pace of financial implementation over multiple points in time and aims to answer the research question of “*What domestic determinant better explains the variation of EU funds absorption capacity among EU MS? Why?*”.

To this end, the paper relies on theories of Europeanization, multilevel governance and agency to formulate the three hypotheses guiding the analysis. After a brief literature review and having set out the overarching structure of the policy, and how it relates to the different levels of governance of the EU, the paper delves into the national level drawing on these theories to understand both structural and agency rationales behind the absorption capacity of MS. While Europeanization theory is instrumental to investigate how the quality of governance, which includes administrative capacity and political stability, affects absorption capacity; multilevel governance theory is instead used to investigate the effects of decentralisation and coordination challenges that develop within a multi-tiered governance system. Finally, agency theory sheds light on the perceived utility of Cohesion funds within the national budgets, as MS’ self-interests and different priorities may influence the absorption capacity. The three independent variables that originate from it (the quality of governance, the degree of decentralisation and the share of Cohesion Policy to the national public investment) are then analysed through a mixed-methods approach that involves qualitative elite interviews and quantitative multivariate regression analysis. Therefore, by bridging the gap between the world of academia and the perceptions of public officials who actually manage the funds, the paper is able to address, through this triangulation of data, which explanatory variables and why are most decisive in the absorption rate of EU allocated funds.

Literature Review

Defining the concept of absorption capacity is the first step in developing this research. In the current state of the art, absorption capacity has traditionally been defined as the ability of an entity to spend allocated funds (Bachtler and Mendez, 2007; Tosun, 2014; Hagemann, 2019; Moreno, 2020; Santos et Al, 2023). This definition highlights the close link between absorption capacity (used interchangeably in the revised literature with the terms “financial implementation”, “performance of funds” and “allocated funds spent”) and the process of allocating funds and implementing projects under the individual operational programmes (OPs). What this concept does not convey is the qualitative component of spending, as it strictly measures the capacity to spend. Nevertheless, absorption can be seen as a precondition for the effectiveness of the funds (Tosun, 2014), with the absorption rate deemed a critical indicator of the programmes’ performance and it has been used consistently to evaluate Cohesion Policy (Ederveen, 2006; Boumans and Ferry, 2019). Most of the literature has indeed considered the impact of the policy conditional “on the absorption capacity of the recipient regions and MS” (Wostner, 2008: 8). Indeed, in addition to delaying the positive benefits

of the policy, absorption issues might lead to a decommitment of funds as access expires two or three years after the end of the financial period of allocation (N + 2 / + 3 rule). Whether focused at the national level (as is the case of most research) or at the regional level (Hagemann, 2019; Bachtler and Mendez, 2022), studies on absorption capacity have indeed relied on the single value of the absorption rate of the MS at the end of the financial period as the best indicator of unmet spending targets.

Furthermore, the idea of absorption capacity has traditionally been associated with the good management practices of some MS. As a natural consequence, the literature in the field has been concerned with structural factors in explaining this phenomenon, as evidenced by the great interest in the face of the administrative capacities of MS (Tosun, 2014; Bachtler, 2022; Incaltarau et al., 2020; Dimitrova, 2010; Milio, 2007; Milio, 2008; Surubaru, 2017), or again the institutional set up of implementation systems of these countries (Tosun, 2014; Bachtler, 2022; Surubaru, 2017), without neglecting attention to the economic condition (Bachtler, 2022). The same interest did not involve the study of possible agency factors for managing the implementation of these funds, with only politicisation, understood as the effect of changing spending priorities given by frequent party alternation on the executive capacity of implementing the funds, being studied as a threat to absorption capacity (Hagemann, 2019). Consequently, much research has focused on case studies of newly accessed countries (Tiganasu et al., 2018; Hagemann, 2019) or by comparing them to the EU15 (Tosun, 2014; Incaltarau et al., 2020).

Theoretical Framework

Since it affects a country's ability to carry out EU-funded initiatives and to achieve European strategic goals for convergence, absorption capacity is a vital issue in Cohesion Policy. As already noted in the introduction, this policy is distinctive in the European legislative landscape for its distributive and redistributive character and the high level of financial solidarity it requires from EU MS. It is the main investment policy of the EU and it aims to reduce the economic imbalances between countries and regions. The funds subject to this policy are the European Structural and Investment Funds (ESIF), which in the 2014-20 programming period accounted for around one third of the total EU budget and comprised the Cohesion Fund (CF), the European Regional Development Fund (ERDF), the European Social Fund (ESF) and, exceptionally for this period, the Youth Employment Initiative (YEI). Among the four principles that govern these funds (programming, concentration, additionality and partnership), two of them address the fundamental politics of redistribution: concentration, that has to say where the money is spent, and programming, how it is spent (Bachtler and Mendez, 2007). These questions are addressed by the Commission, the European Council, and the European Parliament (EP) once every seven years, when the Multiannual Financial Framework (MFF) is adopted, establishing the maximum annual amounts that the EU may spend on various

policies, including Cohesion. Contrary to new institutionalist theories, this policy area relies heavily on interstate bargaining, as it requires the agreement of all 27 EU members while incorporating different needs and interests, making the EU budget a highly politicised redistributive tool (Blom-Hansen, 2005; Groot and Zonneveld, 2013). Through these negotiations between MS and institutions, each MS is granted an amount of Cohesion funds which is then implemented through OPs following the guidelines set for each funding programme.

The Institutional and Legislative Framework of Cohesion Policy: a Multilevel Policy

While having showcased the relevance of this policy and the reasons behind its high instrumentalization in European intergovernmental negotiations, this research does nevertheless not seek to study the processes defining which body, whether the Commission or the Council, has greater influence over EU Cohesion Policy, nor does it aim to comprehend the factors that determine how funds are allocated (Dellmuth, 2011; Citi and Justesen, 2021). Nonetheless, it is crucial to do an assessment of the EU level of governance by looking at the functioning of the policy as well as the major actors engaged and their effects on absorption capacity before delving into the domestic determinants causing the variation among MS. Indeed, the redistributive character of this policy is not the only fascinating aspect of studying it. Cohesion Policy represents the most evident result of the multilevel governance system of the EU by interweaving supranational, national, regional and local entities into territorially extending policy networks (Marks, 1993: 401). The EU Cohesion Policy comprises two levels of governance: an EU level and a MS one which includes both national and regional administrations (Chalmers, 2013). The framework for the Cohesion Policy is set at the EU level once every seven years for each budget cycle. In this decision making process, it is the Council and the EP that jointly decide on a proposal from the Commission for the policy budget (part of the MFF) and its regulatory framework, respectively, through budgetary and ordinary legislative procedures. At a regulatory level, even though each fund has specific regulations specifying its aims, the Common Provisions Regulation (CPR) provides a broad regulatory framework that outlines the primary policy goals and directions for the management of these Funds.

Reviews by the European Court of Auditors (ECA) have demonstrated how crucial these institutions are at this stage to ensure the timely start of the funds' implementation and the consequent financial execution. Indeed, a postponed MFF agreement is reflected in a postponed debate in the Council and the EP on the adoption of the priorities and regulations governing these funds. Therefore, in the absence of a defined set of guidelines, the single MS programming documents that need to be approved by the Commission will also be delayed, leading to a late start in expenditure. This applied to the 2014-20 programming period, where the CPR was adopted on the 17th of December 2013 (Regulation (EU) No 1303/2013), as well as for the 2021-27 one, where the PCR was agreed six

months after the start of the period (Regulation (EU) 2021/1060), causing delays and uncertainty throughout the stages of ministries and local authorities planning. Even though each MS has shown to be affected differently by this externality, these institutions must avoid a scenario where a significant amount of money has to be absorbed at the end of the programming period, as the consequences could be detrimental to the delivery of quality results and alignment with the strategic objectives of cohesion policy (ECA, 2018).

Beyond the legislative stage that involves the three aforementioned EU institutions, the European Commission continues operating in close cooperation with MS overseeing the execution of the single national plans. The implementation of Cohesion Policy is indeed a joint responsibility of the MS and the Commission. Following the adoption of the legislative framework, the Commission must reach a Partnership Agreement with central governments to distribute these funds among regions, ensuring that the overarching investment priorities of the funds are met. These funds are then channelled through OPs that bring together a diverse variety of regional and sub-regional actors (Chalmers, 2013). The Commission does indeed suffer a reputational damage for the missed absorption of the funds (Dellmuth, 2011). This is crucial because guaranteeing the timely and successful use of these funds is not only a question of technical support and administrative oversight, but also a political concern. When the funds are not absorbed efficiently, the political discourse surrounding the Cohesion Policy is affected by questioning the Commission's methods and strategies for allocating and distributing funds, drawing criticism from other MS and scrutiny of resources, endangering the goal of the policy fueling the negative narrative that puts it under constant revision talks (Molica and Salvai, 2019; Sorgi, 2024). To reduce the risk of decommitment, the Commission maintains daily contact with national and regional governments in charge of the funds and offers continuous communication and monitoring to identify and address any bottlenecks in the implementation process.

Having clarified the framework in which Cohesion Policy operates by identifying the involvement of the institutions at the supranational level of governance and the main implications of their failures on the financial implementation of Cohesion Policy, the research now delves into the level of governance under study. Indeed, while legislative delays at the EU level undoubtedly have an impact on programme planning and implementation, the differences in absorption rates between EU countries can only be explained by looking at the national level. The OPs are indeed managed at the national level by a managing authority (MA), usually a national ministry or regional government. In addition to organising calls for projects, communicating with beneficiaries, and executing the OP, the MA is responsible for submitting periodic reports to the European Commission. At the end of the projects, beneficiaries file claims to the MA for reimbursement of their expenses. Before being sent

to the Commission for payment, these claims are reviewed by a different domestic organisation called the certifying authority (CA). The whole process being overseen by an audit authority (AA), also at the national level, which is responsible for verifying that the management and control systems are working as intended (Hagemann, 2019). In conclusion, the programme is deemed absorbed when the Commission approves these claims and issues the necessary funding.

Absorption Capacity: Description of the Dependent Variable

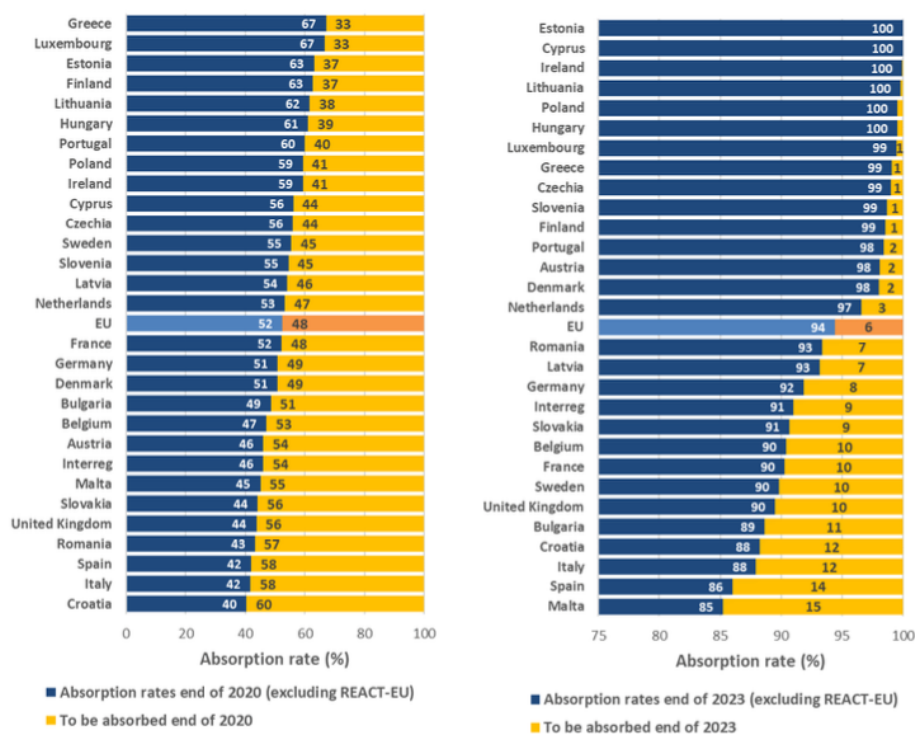
At the national level, the study of the inherent domestic determinants affecting the variation in absorption capacity between MS has already attracted the interest of many researchers. Particularly, since the eastern enlargement the main concern has been towards analysing the possibility of an “eastern problem”. As Cohesion funds rely on the principle of reducing economic imbalances, new less developed MS are by nature among the most important net recipients of the policy, raising attention over their capability to comply with EU policies and legislation. As Incaltarau (2020) nevertheless demonstrates, a grouping of newly accessed countries to compare to the EU15 is ineffective as these MS have been shown to possess distinct absorption features and the difference in absorption capacity between the new MS and the original EU-15 is barely noticeable anymore. For this reason, this study does not pose attention to the East-West divide but aims to assess countries solely based on their absorption capacity.

Another central issue for the purposes of this research is the level of governance at which the analysis should be conducted. While acknowledging that research focusing on the national performance of the funds transcends the regional differences within a MS, a country level analysis allows for the cross-country comparison object of this research. Furthermore, besides enabling for a more generalizable understanding of the factors influencing absorption capacity across different national contexts, this approach captures the broader national framework in which Cohesion funds operate, providing a more comprehensive understanding of the dynamics driving absorption capacity. This choice is further supported by multilevel governance theories, which have extensively studied the European model of governance, arguing that while governmental power is increasingly shared with actors operating at sub-national and supranational levels, these levels of governance remain ultimately dependent on governance at the national level, since it is the political structures of nation states that provide the means for decision making to bypass the national level through localization or globalization, thus justifying the choice of operating the research at the national level and being looking at decentralisation as a factor based on the individual decisions of MS (Bulkeley et al., 2003).

Absorption capacity, the dependent variable of this study, has traditionally been operationalised by examining the absorption rate. This measure represents the percentage of allocated EU funds that have been spent within the agreed timeframe and it has been used consistently in

previous studies covering the 2000-2006 and 2007-2013 financial periods. While the decommitment rule, which allows a maximum of three years after the end of the programming period to spend the committed funds, should already make it possible to take note of the final data for the 2014-2020 programming period, this is not yet the case. Indeed, based on Article 135 of Regulation (EU) No 1303/2013, 2023 is only the final year of eligibility on the ground. This means that projects must have incurred expenditure, but then have until 31 July 2025 to submit the final interim payment claim (and thus be reimbursed). Accordingly, looking at Figure 1 drawn from the Cohesion Open Data Platform on ESIF, while some countries are still far behind in the spending of the planned programmes, they could still be expected to reach full absorption of their funds. The figure does not include REACT-EU funds, additional EU resources exceptionally financed by the NGEU and allocated to existing ERDF and ESF programmes only in 2021 and 2022, as, with an absorption rate of 62.2% at the end of 2023, it would affect the perception of absorption capacity and distort from the objective of this analysis (Ciffolilli and Pompili, 2024).

Figure 1: Absorption rates of Cohesion Policy funds (ERDF, ESF, CF, and YEI), as of the end of 2020 (left), and the end of 2023 (right), by country



Note: REACT-EU funds are not included
Source: [Cohesion Open Data Platform](#), database on [EU Payments](#)

Therefore, to operationalise absorption capacity, this study uses the pace of financial implementation. This measure is a primary indicator of the financial performance of the funds as it indicates the pace of disbursement. Furthermore, it is of particular interest as it allows to assess absorption capacity taking into consideration multiple points in time, going beyond the understanding of absorption capacity as the absorption rate value taken at the end of the financial period. The EP

(2018) was the first to suggest this new calculation categorizing MS into early, medium and late absorbers allowing for a longitudinal analysis that examines patterns of absorption capacity in a broader context providing a more comprehensive perspective into the issue of absorption capacity. This indicator is relevant to the strategic objective of convergence of the Cohesion Fund and hence its effectiveness, as demonstrated by late absorbers such as Italy and Spain, which have underperformed with regional GDP per capita growth well below the EU average over the last 20 years, especially when compared to traditional early absorbers such as Poland and Ireland (European Commission, 2024b). The same conclusion has been reached by the various reports of the ECA, which have noted that the rush to absorb funds towards the end of the programming period can lead to a deterioration in the quality of projects, which may result in less effective use of funds and a lower overall success of Cohesion Policy programmes (ECA, 2018). The report identified several measures implemented towards the end of the 2007-13 period to accelerate absorption. These measures included reprogramming funds between OP and adjusting co-financing rates, the phasing of projects and retrospective financing where EU funding where redirected to projects already funded nationally. Strategies that however lacked a focus on results. A situation that, moreover, creates a dangerous vicious circle in which, due to the n+3 rule and widespread delayed implementation, the capacity of public administrations is strained by this late absorption in the first three years of the new period, postponing the programming and implementation of the newly allocated funds.

Explaining Absorption Capacity: Main Determinants

In understanding the rationales behind the absorption capacity of MS, a first distinction has to be made between structural and agency determinants. While structural factors refer to the inherent characteristics of a country's institutional architecture, economic conditions, and administrative framework that define the setting in which absorption takes place; on the contrary, agency determinants are the conscious behavioural choices of MS that moved by self-interests and goals misalignment may influence absorption capacity. As this study aims to understand the domestic determinants that explain the variation in absorption capacity between MS while making a real contribution to this field of research, by drawing on the existing literature and grounding itself on agency theories it examines both structural and agency factors.

Structural Determinants

While traditionally the main research interest in the field of Cohesion Policy has been to explain the process of fund allocation, more recent research switched focus to the implementation of these funds. This shift stems from the increased attention paid to the ability of MS to comply with EU rules as a result of the eastward enlargement (Tosun, 2014). Drawing on theories of

Europeanisation, which traditionally study the influence of European integration on the functioning of national administrations, this attention is justified by the administrative transition that these countries had to undertake from the particular institutional legacies they had inherited to the alignment with EU regulations and procedures. This is particularly relevant because while Europeanisation usually refers to the study of public policies and their adaptation to EU requirements, when looking at regional policies it also entails the study of structures and patterns of governance changes (Arregui and Baraibar, 2022). As a consequence, much emphasis has been placed on administrative and governmental capacity as a crucial determinant of absorption capacity. To this end, in this study what is referred to as the quality of governance conceives both the administrative capacity (specifically, the bureaucratic, institutional, and human resource frameworks required to handle and receive this kind of money) and the quality of government to be intended as the political stability and commitment that ensures the administrative capacity to achieve the desired outcomes from the funds (Incaltarau et al., 2020). While the quality of public administrations in post-communist countries as well as in the southern European countries of Italy and Spain has been recognized as a historic weakness in the implementation of EU policies (Dimitrova, 2010; Milio, 2007); it is equally true that strong institutions can prevent the distortions caused by different interest groups, stop rent-seeking behaviour, and reduce the influence of domestic political factors on the outcomes of redistributive policies (Milio, 2008; Surubaru, 2017). Therefore, high-quality of governance, characterized by politically stable and effective institutions as well as the human capital needed in the public administration to handle the complexity of the funds, is essential for the correct and timely absorption of the funds. This reasoning constitutes the theoretical base of this study's first hypothesis on the role of the quality of governance.

H1: Absorption capacity is positively related to the quality of governance of a MS, as a qualified administrative structure and political stability facilitate effective management of the Funds.

Another factor that researchers have highlighted as an obstacle to the correct financial implementation of Cohesion Policy is decentralisation. Political and administrative decentralisation, which entails the transfer of powers and responsibilities from central governments to regional or local bodies, has been a source of contention in the field (Tosun, 2014; Bachtler, 2022). As previously noted when considering theories of multilevel governance, the degree of decentralization in which the funds are implemented is a choice made by the national governments. Although decentralisation has the potential to strengthen regional administrations and promote more targeted policies increasing a programme ownership that could promote more effective compliance and spending, there are also concerns that it could reduce absorption capacity. The growing requirement for coordination across

different governmental levels on both a horizontal and vertical level is a key concern. Decentralisation may exacerbate these coordination issues, leading to misunderstandings, poor policy implementation, and delays; while it can also increase the possibility of corruption and influence from interest groups due to the lack of oversight procedures compared to national bodies (Rodríguez-Pose and Kroijer, 2009). EU legislation has codified the partnership principle governing Cohesion Policy to describe the involvement of sub-national authorities in its implementation, but despite the empowering effect of devolution to lower levels of government envisaged by the policy, past research has consistently highlighted the predominant coordination problems inherent in this multi-level governance system (Piattoni, 2010). These problems may take the form of policy fragmentation, the administrative burden of different procedures and requirements at different levels of government, and the communication barriers that are characteristic of these funds with different stakeholders and authorities spread across different levels having the potential to undermine the successful use of the funds. It is therefore important to look at the governance arrangements in place in MS for the implementation of these funds in order to draw conclusions about their impact on absorption capacity, testing the following hypothesis.

H2: Absorption capacity is negatively affected by the coordination issues of a decentralised governance set up of the funds.

Agency Determinants

Although traditionally omitted from the literature in the field, this research aims to include the preferences of national actors to explain absorptive capacity. In order to explore possible agency determinants, agency theory provides specific and practical insights on issues related to cooperation. Extending the literature on risk sharing, this theory focuses on the principal-agent relationship that characterises cooperation at different levels of government in Cohesion Policy, as enshrined in the partnership principle that governs it. In analysing the agency structure consisting of a principal and an agent participating in cooperative behaviour, the theory has identified as a source of the agency problem the parties differing goals and risk perceptions. Therefore, taking into account the division of labour between the parties and the problems related to the information systems that inform the principal about the agent's behaviour, the literature has sought to resolve the agency problem by proposing two governance mechanisms that follow an outcome and behaviour based contract (Eisenhardt, 1999). By looking at the functioning of EU Cohesion Policy it is very clear that the contract that relates the Commission (principal) to the MS (agents) is outcome based. As noted above, funds are paid (and thus absorbed) only once the expenditure incurred by the MA has been approved by the Commission through an information system consisting of both a CA and an AA. Although performance-based contracts are considered to be the most effective way of limiting agent

opportunism, as agents are more likely to act in the interests of the principal (Jensen and Meckling, 1976), the problems of absorption capacity experienced by some MS demonstrate the need to take into account agency problems in the Cohesion Fund system of governance.

Analysing the agency problems of Cohesion funds absorption capacity therefore means understanding the rational choices of MS in this governance setting. According to agency theory, these determinants should be rooted in the different objectives and risk perceptions of the parties involved. Indeed the self-interest of the MS, may not coincide with the priorities set out by the CPR. This goal conflictuality between the parties may originate from what experts have already argued to be one of the main limitations of the policy, pushing for its reform. By seeking a one-size-fits-all approach, with expenditure fragmented across 11 thematic objectives¹, as was the case in the 2014-20 programming period, the policy has often failed to align with the specific regional needs (European Commission, 2024a). The policy should instead aim at national and subnational ownership of the programmes to enhance its performance by leveraging the strengths and tackling the challenges of the individual regions. As seen in Europeanisation studies of Spain applying to regulatory policies, in cases in which a top-down approach is not operating and rules are not binding, national governments tend to support structural reforms as long as they fall within their respective political agendas; otherwise, EU initiatives are usually ineffective (Arregui, 2022). The same also applies to regional policies where, without a clear programme ownership that relies on the governance set up of the funds, the goal divergence is amplified by the nature of these policies which require co-financing by MS of up to 50%. In addition to programme ownership, this self-interest argument supports that the relevance of how MS perceives and values Cohesion Policy depends on the utility of these funds within the larger framework of national budgets. Its operationalisation is relatively straightforward, as these funds represent a significant part of national public expenditure and act as a critical resource for development and infrastructure initiatives, in some MS more than others. Therefore, a high share of these funds in the public spending of a country implies high utility highlighting the importance of efficient management and adequate absorption capacity. Perceiving the benefits and importance of proper financial implementation has a substantial impact on efficiency as it fosters motivation and prioritisation. When stakeholders understand the value of the funds, they are more committed to promote effective management. As a result, this relationship between utility and efficiency should empower agency behaviour, guaranteeing that resources are allocated and used effectively, resulting in increased absorption capacity and better outcomes.

¹ The CPR of 2013 focused investments towards 11 thematic objectives: 1) Research, technological development and innovation; 2) Information and communication technologies (ICT); 3) Small and medium-sized enterprises (SMEs); 4) Low-carbon economy; 5) Climate change; 6) Environment and resource efficiency; 7) Transport; 8) Employment; 9) Social inclusion and poverty; 10) Education and training; 11) Efficient public administration.

H3: Absorption capacity positively relates to the utility of Cohesion funds within national budgets.

Research Design

After having developed a holistic theoretically grounded understanding of the research, this chapter aims to explain the methodology used to answer the research question “What domestic determinant better explains the variation of EU funds absorption capacity among EU MS?”. To investigate which determinant gives explanatory leverage, a mixed method approach is employed. This approach applies qualitative elite interviews with data triangulation using a multivariate regression analysis. The qualitative aspect consists of semi structured elite interviews conducted with important stakeholders in the field of EU Cohesion Policy such as public officials, experts and policymakers at the different governmental levels of the EU. Meanwhile, the quantitative component is provided by an analysis of existing data on absorption capacity and the relevant domestic determinants identified for EU MS, allowing to identify trends in absorption capacity across MS.

Elite interviews play a key role and represent an innovation in this field of research, as they aim to combine the existing literature on the subject with the experiences and practical observations of those who manage and monitor these funds. In fact, these interviews are exploratory in nature, as they aim not only to gather relevant information, but also to test and strengthen the research hypotheses. As a consequence, in order to be deemed relevant, they must include the different perspectives of the different actors that operate on the funds. This representativeness was ensured by interviewing public officials from the different levels of governance having jurisdiction over the funds. Candidates were shortlisted on the basis of this principle and then contacted with an interview request that included a summary of the project objectives, information on their right to speak anonymously, to withdraw or amend their comments and on how their interviews would be used. This was done to ensure that participants felt comfortable speaking openly (Richards 1996). Interviewees were also asked to agree to the use of their data on a consent form, which they had the right to change. In total, six experts were interviewed: two civil servants working in different units of the European Commission Directorate General responsible for monitoring Cohesion policy (DG Regio), a General Secretariat of the Council expert and another official of the European Council both responsible for ECOFIN.2 (on Budget, Tax, Customs Union and Cohesion Policy), and two public officials coming from Poland and Italy involved in the programming and implementation of the funds at the national level. These public officials were surveyed through semi-structured interviews with an outline structure of some key open questions common to all, with more targeted questions varying based on the interviewees’ answers and area of jurisdiction. Open-ended questions allowed for a broad exploration of the topic and the collection of unanticipated information before moving on to a

more in-depth exploration of specific areas of inquiry (Beamer 2002). The research objective was generally met with interest and deemed relevant by the respondents; and despite their different backgrounds and duties, many elements of the inquiry reached a point of saturation with participants often providing similar responses, implying that adequate data was being collected.

The quantitative component entails assessing data on absorption capacity and the three domestic drivers established for EU MS. This is accomplished using multivariate regression analysis, a statistical tool that investigates the relationship between a dependent variable and numerous independent factors (Sykes, 1993). The quantitative analysis serves two purposes: it tests the research hypotheses and complements the qualitative findings, strengthening the overall findings of the research through triangulation. Triangulation, a scientific procedure that uses multiple methods or data sources to evaluate findings, increases the reliability and validity of research conclusions (Thurmond, 2001). By combining insights from elite interviews with quantitative patterns in absorption capacity over MS, this study gives a thorough picture of the factors driving absorption capacity. The convergence of qualitative and quantitative data through triangulation improves the validity of research findings and advances knowledge in the field of EU Cohesion Policy.

Variables and Operationalisation

In order to conduct the quantitative part of this research, it is therefore crucial to explain the variables' operationalisation. As already mentioned, absorption capacity is the dependent variable of this study. While previous studies have operationalised this variable by looking at the absorption rate of each MS, assuming that MS have until the end of July 2025 to have their 2014-2020 programme expenditure absorbed and considering that in the 2007-13 financial period the absorption rate was 97.2%, demonstrating a high degree of compliance with the funds ([European Commission](#)), this study relies on the pace of financial implementation to operationalise absorption capacity. This measure is considered more representative and accurate because it overcomes the limitations of associating absorption capacity to a value taken at one point in time. It was first calculated by the Directorate-General for Internal Policies of the EP (2018) drawing on data from the 2007-13 and 2014-20 programme periods², where, based on ESIF payment rates at three points in time (2010 and 2016 for the first period and 2017 for the second one), the study categorised MS into early, medium and late absorbers. This study keeps the same approach in studying absorption capacity based on the pace of financial implementation by updating it with data captured at the end of 2020 and 2023 while changing its operationalisation (Ciffolilli and Pompili, 2024). With the aforementioned data, the pace

² Considering the latest accession of MS to the EU, earlier periods do not provide exhaustive data for a research across the EU27.

of financial implementation has been operationalised as a proxy of absorption capacity by calculating the average MS absorption rate deviation from the EU average over the five timeframes.

$$\text{Pace of Financial Implementation}_{MS} = \frac{1}{5} \sum_{t=1}^5 (\text{Absorption Rate}_{MS,t} - \text{EU Average Absorption Rate}_t)$$

Following this formula, the pace of financial implementation has been calculated for all 27 MS producing a continuous variable with enough variation to validate the results of the regression analysis object of the study. The value that originates therefore takes into consideration the absorption capacity of MS over five different years. As a result, while the static measurement of absorption rate emphasises whether MS have met their absorption targets on time, providing little insight into the underlying process, this dynamic method allows a more thorough and nuanced understanding of the main objective of this research: the absorption capacity of MS.

According to the three hypotheses derived from the theoretical framework, having operationalised the dependent variable absorption capacity, the next step entails the operationalisation of the three independent variables: the quality of governance, degree of decentralisation and the share of Cohesion Policy in the MS public investment. In order to increase its validity, the study relies exclusively on empirical measures from established indices and government calculations, thus ensuring the application of reliable and standardized data enhancing the credibility and robustness of the research conclusions.

To determine the effect of the quality of governance on the absorption capacity of Cohesion funds, the choice fell on an indicator that encapsulates the management and implementation skills related to absorption capacity. The dataset selected to measure this variable is the Worldwide Governance Indicators (WGI) research project of the World Bank (2023) already chosen by Tosun (2014) in its comparative analysis of regional funds absorption. The WGI is based on data from over 30 credible organisations reflecting the diverse governance views of many stakeholders and providing measurements for all EU MS over the period 1996-2022 on six dimensions of governance: voice and accountability, political stability and absence of violence/ terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption. For the purposes of the study, which interprets governance quality as both the administrative capacity and the institutional stability necessary for the successful implementation of the funds, “government effectiveness” is selected out of the six indicators because it captures “perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies” (Kaufmann and Kray, 2023). Thus, by using this indicator we meet the theoretical

expectations uncovering how the ability to execute public services, the autonomy of administrative entities, and the commitment to policy execution contribute to Cohesion fund absorption.

For the second explanatory variable, which aims to study the influence of decentralisation on the absorption capacity, available indicators measure the extent of a region’s autonomy based on the degree of independence of sub-national entities (self-rule) and participation in decision making at the national level (shared rule). In order to respect the national outlook of the research, the Regional Autonomy Index per Country (RAI-Country, 2020) coded by the European University Institute is employed. It assesses the official authority of intermediate or regional governments by combining measures of self-rule and shared rule. Self-rule includes institutional depth, policy scope, fiscal autonomy, borrowing autonomy, and representation, while shared rule shows the relevance of regional authorities in national decision making involving law-making, executive control, fiscal control, borrowing control, and constitutional change (Hooghe et al., 2020). The decentralisation dynamics operationalised by the RAI country index provide a clear assessment of the different national degrees of regional autonomy that could affect the absorptive capacity of MS.

In conclusion, the last independent variable to be operationalised is the rate of Cohesion Policy in MS public investment. This indicator is calculated by comparing Cohesion funds (i.e., ESIF) with the public investment of the MS, which is considered as Gross Fixed Capital Formation (GFCF) of the general government in the national accounts. This metric, calculated by the European Commission DG Regio, must be interpreted correctly as it does not represent the contribution of Cohesion Policy financing to the MS public investment. Indeed, some Cohesion Policy interventions are not considered public investment (training programmes financed by the ESIF), while some MS public expenditure is not considered as Cohesion Policy (defence). Rather, the statistics assess the size of Cohesion Policy in relation to the economies and public sectors of the MS. Therefore, a large share of these funds in a country's public spending indicates high utility, emphasising the significance of effective administration, which in turns allows this to be calculated as an agency determinant of absorption capacity. The descriptive statistics of the operationalised variables are available in Table 1 below.

Table 1

Descriptive Statistics

Variable	Mean	Median	SD	Min	Max
Pace	12.72	13.40	4.54	1.20	19.00

Gov. Effectiv.	79.07	80.19	14.12	42.92	98.58
RAI-Country	11.99	9.51	10.97	0.00	37.67
Share (%)	30.15	28.20	26.57	0.90	89.90

Results

Analysis of the Regression Analysis Data

The results of the multivariate regression analysis are available in Table 2. Following the operationalisation explained in the research design, this model studies the regression of the absorption capacity proxy “Pace” with the independent variables “Government Effectiveness” for H1, “RAI-Country” for H2 and “Share” for H3.

Table 2

Multivariate Regression Analysis of Absorption Capacity for EU27 MS

Variable	Coeff.	St. Error	p-value	[95%	CI]
Gov. Effect.	0.1956	0.0733	0.014	[0.0439	0.3472]
RAI-Country	-0.1399	0.0765	0.080	[-0.2981	0.0182]
Share	0.0373	0.0419	0.384	[-0.0496	0.1241]
Number of Observations	27				
R-squared	0.3588				

Note. Own Calculation

While the overall model is statistically relevant with over 35% of the variability in “Pace” explained by the independent variables, proving the meaningful relationship of the chosen variables with absorption capacity, not all the results show the same significance. Nevertheless, the first finding concerning H1 aligns with the theoretical expectations. The positive and statistically significant results confirm the hypothesised relation between the quality of governance and absorption capacity, as the coefficient of “government effectiveness” variable reveals that a one-unit gain in government effectiveness corresponds to an increase of around 0.196 units in the pace of financial implementation, hence increasing absorption capacity as represented by the regression line in Graph 1. Concerning H2, the model shows that decentralisation, as measured by the “RAI-Country” index, does not produce a significant coefficient at the 5% level. Nevertheless, its p-value remains very close to the threshold, indicating significance at the 10% level. Therefore, considering the negative

relationship indicated by the coefficient with a one-unit increase in the “RAI-Country” variable resulting in a decrease in the pace of financial implementation of approximately 0.140 units, it is possible to conclude by stating that there is some support for H2 and for the theoretical argument predicting the negative impact of decentralisation on government performance. Finally, in this multivariate regression analysis, “Share” has a very small and statistically insignificant coefficient of 0.037. This suggests that variations in “Share” have a little and statistically meaningless effect on the rate of financial implementation, thus demonstrating the H3 does not hold and that the perceived utility of Cohesion funds by MS cannot be accounted as an agency determinant of absorption capacity.



However, by looking at Table 1, it is possible to denote the range of the dependent variable “Pace”, which in this analysis allows for a discrete degree of variation ranging values from the 1.2 of Croatia, the least effective MS in terms of absorption capacity, to the 19 of Estonia. What this value tells, and what can be seen in Graphs 1 and 2 (about the downward sloping regression line expressing the relationship between decentralisation and the pace of financial implementation), is the presence of an outlier. Indeed, despite scoring discretely well in both explanatory variables, the very low value associated with Croatia as its proxy for absorption capacity deviates significantly from the overall trend observed. This anomaly can be explained by the fact that Croatia was the latest country to join the EU in 2013, almost at the closure of the first financial period taken in consideration in this analysis, and may still be in the process of adapting to the administrative, regulatory, and operational frameworks of these funds (Bachtler et Al, 2013). Rerunning this analysis excluding Croatia and focusing solely on an EU26 thus further supports the findings. The revised analysis, shown in Table 3, produces significantly stronger results explaining above 50% of the variability in “Pace”. Although the coefficients remain relatively stable, the revised regression yields improved statistically significant results for all three variables. This enhances the support for hypotheses H1 and H2, demonstrating the good influence of government effectiveness and the negative impact of decentralisation on absorption capacity, while indicating a rejection of H3, suggesting that variations

in the share of Cohesion funds in national public expenditure do not have a significant impact on absorption capacity.

Table 3

Multivariate Regression Analysis of Absorption Capacity for EU26 - Croatia excluded

Variable	Coeff.	St. Error	p-value	[95%	CI]
Gov. Effect.	0.2237	0.0557	0.001	[0.1082	0.3393]
RAI-Country	-0.1146	0.058	0.061	[-0.2349	0.0058]
Share	0.0799	0.0332	0.025	[.011	0.1489]
Number of Observations	26				
R-squared	0.5291				

Note. Own Calculation

Analysis of Interview Data

Having acknowledged the empirical results coming from the regression analysis, this research equally relies on the opinions of experienced public officials employed at the different levels of governance of the EU in the implementation and in the programming of Cohesion Policy to bring a contribution to the field. Guided by the three hypotheses this part therefore examines the data collected in the six semi-structured elite interviews conducted. As the interviews had an exploratory focus, they were not only aimed at testing the hypothesis but especially at putting the research into perspective considering the inputs of experienced policymakers in the field. The first added value that they brought was towards the correct understanding of absorption capacity. Indeed, while there was common agreement towards the relevance of the topic of absorption capacity as it is a recurrent theme in the discussions and negotiation around the EU budget both for the “financial solidarity” and the “credit element” [1] it represents, interviewees have pointed out at how the discourse should move from an obsession “that every single euro is spent correctly” [2]. Measuring absorption capacity by the absorption rate at the end of the programming period was thus put under discussion, especially as MS are not responsible for when receipts are sent out for reimbursements [4, 6]. Another concern and prevision shared by most experts is the effect that the NGEU funds will have on absorption capacity as they constitute an additional administrative burden to be in “competition” [3] with Cohesion Policy as both funds are dealt with by the same administration.

Moving on to the real object of the research, hypothesis 1 has been met with approval by the experts who have agreed on the positive relationship between the quality of governance and absorption capacity already confirmed by the regression analysis. While previous research has usually referred to this determinant as administrative capacity, these interviews have broadened the concept in order to explain the relationship to absorption capacity. The issue is not only about “the skills of the people in administration” [4] but it is more far reaching. It has to do with the attractiveness of the public administrations in being able to retain qualified workers, as “it doesn't give them interesting working conditions compared to what they can find in the private sector” [1]. But also with the familiarity of MS with EU funds and it is a question of governance and stability as “frequent staff changes create problems” [5] as “good governance (...) really need to know the rules and really need to know how to interact with the commission” [3]. This stability enables better knowledge and implementation of EU policies, which is critical for efficient fund absorption. Furthermore, it verifies Europeanization theories, as the successful absorption of EU funding is also determined by how well the administrative structure integrates European norms and practices into domestic policy, as evidenced by Poland's gradual capacity growth at all administrative levels [5]. This demonstrates the notion that high-quality governance, defined by stability, expertise, and familiarity with EU processes, is critical for absorption capacity and maximising the advantages of EU Cohesion funding.

With regard to the second hypothesis, which envisages the decentralised management of the Funds as a source of absorption problems for the coordination complications that this entails, the experts are divided. On the one hand, there are those who argue in favour of a greater degree of decentralisation, considering the territorial dimension of Cohesion Policy to be fundamental to "programme ownership" [1] in order to "ensure that you are efficient and that you are relevant to the needs of each and every region" [1]. This is the case in Poland, where a Coordinating Committee for the Partnership Agreement in which stakeholders such as regions, NGOs and ministries are involved in the process of programming so that they can later “take the responsibility of monitoring and implementation seriously” [5], and it is this degree of decentralisation that “allows regions to handle their programmes effectively” [5]. This view is not commonly shared and instead, there is also who finds the origins of the variation in the absorption capacity of MS in the shared management and decentralised governance set up of MS [3]. To this end, many examples were made, such as the case of Hungary, where a very strong central state “can better coordinate what exactly needs to be done” and not be influenced by “too many regional interests” [2], or again the decision of Slovakia for the 2021-27 programming period to “have one single programme” to “improve their absorption rhythm” [1] after the many difficulties experienced with a more decentralised approach. Coordination issues have also been mentioned in the experience of Poland where, despite the clear distributional

principles and the process being transparent with all the players involved, the part of allocating funds between regions “generated some pressure and intense discussions” [5]. In conclusion, the overall understanding developed from the interviews seems to support the results of the regression analysis, as “the more the local authorities are involved, the more it gets complicated” [3], with more government “layers” that can complicate coordination and affect the absorption and implementation of the funds.

The third hypothesis aims to include an agency perspective in the research and suggests that absorption capacity is positively related to the utility of Cohesion funds in national budgets. The interview data provides insights into this relationship, emphasising how the perceived utility and strategic integration of these monies within national budgets can play a role in increasing absorption capacity. As noted by experts, countries that are more targeted by Cohesion Policy have a higher share of Cohesion Policy compared to the overall public investment and tend to prioritise EU funding because national and regional resources “will never be enough for their needs” [1]. Conversely, richer MS, such as Denmark, which have less need for, and receive a smaller share of, external funding, further do not prioritise the absorption of EU funds due to their relative complexity and onerous requirements. The question in this case is therefore not that much about the quality of governance or decentralisation but more about the “incentive” for spending “if there was more money at stake for them” [2]. The agency problem further arises when there is a misalignment between national and EU priorities. Hence the importance of programme ownership and involving all stakeholders in the programming phase, because as the Polish case demonstrates “when everyone agrees on the general aim, it makes it easier to achieve the desired outcomes” [5]. In conclusion, while the regression analysis results have demonstrated that there is no relationship between absorption capacity and the utility of Cohesion funds within national budgets, interview data have actually supported the hypothesis.

For the sake of clarity, it should be noted that these were not the only data collected in the interviews. Given their exploratory and semi-structured nature, the topics covered ranged from the politicisation of the implementation process of these funds to the impact of the complexity of the rules governing them, to the programming phase and organisation in the MA more specifically in the MS. While the most relevant information were the one relating to the hypotheses, another finding which may be relevant in answer the research question is the practice of “gold-plating” [1, 3]. Relating to the complexity of accessing the funds, the term describes the additional legal and administrative requirements that are imposed at the local, regional, or national level on top of the standards established by the ESIF regulations. This approach, which is already anchored in complicated and inconsistent regulatory frameworks, can further complicate the process of obtaining and

administering ESIF resources [1, 3]. It originates in the national authorities' inclinations towards risk aversion and audit fear, but while designed to avoid mistakes, this practice may inadvertently result in higher administrative expenses, postponed funding payments, and increased error rates (EP, 2017). It was not possible to operationalise the variable and use it in the regression analysis, but it should nevertheless be considered in future studies in the field.

Discussion

The combination of regression analysis and qualitative interviews provides an in-depth comprehension of the elements affecting absorption capacity in the EU's Cohesion Policy framework. The findings not only corroborate the hypotheses (H1 and H2) but thanks to the qualitative part provided by the experts, also offer deep insights into the underlying mechanisms and their implications for policy and practice.

The regression analysis shows that the quality of governance is positively correlated with absorption capacity (H1). This finding emphasises the necessity of stable, efficient, and well-functioning administrative institutions to handle EU funds. Interview data support this, underlining the importance of high quality governance, which includes institutional stability, experience, and familiarity with EU processes, for efficient money absorption. This is consistent with theories of Europeanisation, which argue that the effective incorporation of EU standards and procedures into national structures improves absorption capacity, as it is further enhanced by the case of Croatia. As expressed in the formulation of the hypothesis, this result adds relevance to the field of research by better contextualising what previous research has referred to as administrative capacity. Through the quality of governance, it is therefore possible to understand absorption capacity as a function of the bureaucratic and human resource frameworks required to effectively manage and receive EU funds as well as the institutional stability and commitment necessary for the public administration to operate, thus providing a more comprehensive explanation of what affects absorption capacity. What the interviews indeed suggest is that there is not one root cause that explains absorption capacity. It is a question of stability and commitment, as you have to ensure that public administration jobs are stable and well-compensated to retain skilled workers. These workers, through experience and training, develop the skills necessary to keep up with the complexities of the funds. However, it is equally a question of having a robust governance structure that is flexible in handling crises and effective in negotiating with the Commission.

The negative relationship between decentralisation and absorption capacity anticipated by the second hypothesis (H2), is confirmed by the regression analysis. Nevertheless, the impact of decentralisation, as measured by the RAI-Country index, is made more complex by the nuanced perspective offered by the interview data. Experts are indeed divided on the advantages and

disadvantages of decentralisation, with some claiming that decentralisation increases regional ownership and relevance of programmes, while others pointing out to the coordination issues that limit absorption capacity. The difference reflects the complexities of handling EU funding at several administrative layers, as well as the differing efficacy of decentralised techniques in different national contexts. And while the coordination problems associated with decentralisation have been confirmed as an exploratory mechanism for the misuse of funds, future research could focus strictly on the specific challenges faced by decentralised administrations and investigate the most effective ways to strengthen their capacity to handle EU funds. This may include comparing the effects of sectoral, more centralized approach where a national ministry is usually responsible, and regional programme implementations, and how different administrative set ups affect absorption capacity. Such research would help to develop tailor-made solutions to the particular difficulties associated with decentralised governance, which would ultimately increase the overall effectiveness of EU fund management.

Regarding the third hypothesis, the regression analysis did not produce the expected outcome. Considering the vital role of Cohesion Policy for countries with limited financial resources demonstrated both by the data (with countries like Portugal where the share of Cohesion Policy funds accounts for 89.9% of the total public investment of the country) and the interviews, this variable was considered a good proxy of agency to include in the study. It is indeed relevant to take into consideration the agency problems of absorbing these funds, not only to study the commitment that has been proven to affect the quality of governance, but especially to evaluate the shift that is taking place from an outcome based governance approach of EU funding to a behaviour based one. As already explained, thus far Cohesion Policy has followed an outcome based approach where funds are paid (and thus absorbed) only after approval of the expenditure incurred by the MA. The NGEU funds have shifted this approach to a behaviour based one, where funds are conditional to national policy reform projects. This “cash-for-reforms” model, which is characteristic of a behavioural based approach to solving the agency problem, is equally set to become a reality in the next financial period (Sorgi, 2024). Studying the agency determinant from this approach thus seeks to evaluate the need for a policy change. Therefore, it is no surprise that while the regression analysis results have demonstrated no relationship between absorption capacity and the utility of Cohesion funds within national budgets, interview data have actually supported the hypothesis. This might be due to the proxy used (share of public investment) which, while giving a glimpse of the perceived utility of Cohesion funds, does not account for the level of programme ownership that affects the self-interests of each MS.

Conclusion

This study answered the research question by identifying two main determinants that explain the variation in EU funds absorption capacity among MS. It addressed this question both empirically, through a regression analysis covering data from the 2007-13 and 2014-20 financial periods, and qualitatively, through elite interviews with public officials involved in policy programming and implementation. The findings confirm the first hypothesis and underline the importance of the quality of governance for the absorption capacity of a MS. Going beyond the current state of the art, the study identified the bureaucratic and human resource frameworks required to effectively manage and receive EU funds as well as the institutional stability and commitment necessary for the public administration to operate, as the main explanatory causes of this relationship with absorption capacity. These findings are consistent with Europeanisation theories and are further supported by the case of Croatia, which emphasises the adaptation of national governance frameworks to EU standards as crucial for the successful implementation of funds. The results also support the second hypothesis about how decentralisation affects absorption capacity. Decentralisation can improve local ownership and policy relevance, but it also brings coordination issues that could make it more difficult for funds to be absorbed efficiently. Different levels of decentralisation were found throughout the MS, which affected their ability to work through the intricate multi-level governance structures present in EU Cohesion Policy.

However, the third hypothesis, which looked at the relationship between the utility of Cohesion Policy funds in national budgets and absorption capacity, produced inconsistent results. The quantitative study did not find a correlation, despite the qualitative data supporting the hypothesis of an agency determinant. This disparity points to the necessity for additional study to improve agency measurement and its relationship to absorption capacity. In conclusion, this research contributes to a deeper understanding of the factors influencing EU Cohesion Policy implementation at the national level. This contribution acquires value especially from the operationalisation of absorption capacity, which goes beyond the analysis of the final absorption rate of programmes by taking into account the absorption behaviour of MS over time. The insights generated not only advance academic discourse on EU policy effectiveness but also provide practical implications for policymakers striving to optimise the use of Cohesion Policy funds across Member States.

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Appendix

Appendix A – Data Consent Form



Data Consent Form

Cohesion Funds Absorption Research Project

Contact: Gregorio Vichi, Universitat Pompeu Fabra, Barcelona – gregoriovichi@gmail.com - +39 3917703122

We appreciate your willingness to be interviewed. You have been invited to participate as you are considered an expert of Cohesion Policy. The aim of the project is to understand the main determinants of the variation of absorption capacity of EU funds across EU Member States (MS).

The answers we receive from you will be strictly anonymized, and we will not publish your name anywhere (unless you explicitly choose to waive this right). Should you ever be quoted in an academic publication, you would be referred to as ‘Expert X’, where X could be any random number we assign you. No personal details (such as gender, age, political group etc.) would ever be provided that could lead to your identification. Any data obtained from this interview will be used exclusively for academic projects.

The interviewers may choose to record the conversation exclusively for note-taking purposes. The recordings will be stored in a password-protected file and will never be shared outside of the research team, nor will they be published on any public platform.

Date:

Interviewer: Gregorio Vichi

Signed:

Interviewee:

Signed: _____

Appendix B – Interviews

a. Public Official at DG Regio

Interviewer: So I'm going to start with some more general questions, if you don't mind. And then from there we will delve into the specific. So, first of all, what's your understanding of the absorption capacity of member states? Do you agree in considering this absorbing issue or pressing topic for the functioning of the European Union?

Interviewee 1: It is a pressing issue for sure, because the negotiations between all the member states at the level of the European Union on the budget are always very, very difficult. And cohesion is represented nowadays, because what we call the cohesion funds, in general represent more or less 1/3 of the budget. So it's enormous, its enormous. But of course, the budget itself is, is around 1% (of MS GDP). So it's, if you if you take it relatively but in general, in terms of what the cohesion represents, out of all the solidarity, let's say the financial solidarity of the member states is very big. And that's why you always have this divide between the Friends of cohesion and the frugal states, right. So in the Friends of cohesion, of course, you have Spain, Portugal, Italy, Poland. Poland, is the very first beneficiary of cohesion funds. And in the frugal side, you normally have countries like the Netherlands, Finland, or Germany, Austria, Germany is the actually the biggest contributor. So and in our own directorate here, we actually are responsible for Poland, and I'm responsible for Germany, I'm responsible for Austria, but I'm responsible for Slovakia. If you take Slovakia, 85% of the public investment is co-financed by the European Union. So it's really the reality across member states is very different. So when you get near to a situation of discussing the budget, of course, you will have trouble states using the credit element or the argument of the absorption capacity to say that they want to contribute less saying why are we still pumping so much money into cohesion if Spain, Italy, or other countries are not even able to absorb all they have. So this has been a recurrent feature and a recurrent debate in cohesion throughout the years. Now it's even more difficult. And it's even more the absorption capacity issue has been even more critical. Because with COVID, you know that we have the National Recovery and Resilience Plan. So the NextGenerationEU which was a total historical novelty dictated by a crisis that surprised us all. So it started with the COVID. It continued with the war in Ukraine and the energy crisis. And so it means that with the Next Generation EU, member state had not only to absorb what was already set and allocated as cohesion policy. But they had to add a layer, which of course was a mountain, that was a very big thing for them to address in the consequent economic and social consequences of the crisis. But at the same time, it's not that they increased their teams to absorb the money, be it at the national level or the regional level. And that's you know, depending on how the member states governance is organized to manage the funds. So for the period, 2014 and 2020, but also for the period 2021 27. So these tools, let's say last program periods, it's been even a bigger challenge for member states to absorb of these values.

Interviewer: Thank you very much. So considering also the function of the European Commission, can you elaborate on the challenges you have encountered in the absorption of EU funds within the jurisdiction of your institution?

Interviewee 1: Now, we as European Commission have always been confronted to the issue of absorption capacity. And there is an issue of giving political I mean technical support to the member states and there is an issue of reputational damage. So it's a political element to avoid that at the end of the period. So you have this rule of n plus three so you adopt a certain program cohesion program at your n And you know that three years after, you will start counting the possible decommitment, in line with the funds that have been committed that far on the year end, and so every year, then you count and plus three, until the end of the on the interior of your program. And there have always been cases of decommitment. So in our it is definitely very much our,

let's say collective responsibility and our mission in the European Commission to avoid that. How do you do that, there are a number of things that that we do first, of course, we are in daily contact with the administration's that deal with the funds, at national and regional level, we try so through a regular dialogue, you and monitoring of the implementation of the programs, you want to make sure that you are aware of the possible obstacles to implementation. And the obstacles can be a that the rules that apply, because the rules are changing throughout the programming period. So every time you adopt what we call the common provision, regulation, covering all the cohesion funds, plus you adopt regulations for each and every fund, so you have a regulation for the European Regional Development Fund, you have regulation for the European Social Fund, etc. And so sometimes what can happen is that as rules change over time, they are not necessarily immediately or sufficiently understood, and then they are not applied correctly. And if they're not applied correctly, then you might have you know, corrections that have to be made. And that of course, implies delays. Secondly, you may actually have situation of what we called gold plating. And this is where the member state itself sets additional rules for economic actors that want to access EU funds. So they add to the our already rather complex and substantial set of rules, they are their own national rules. And we call it gold plating, when those rules would not be necessary to ensure a smooth and sound implementation and sound also financial management, okay. But it's because the member states are used to, to work according to certain rules. And they don't realize that this means that at the end of the line, they will delay implementation, okay. So through a constant dialogue, also through we are in the operational side where you are now but we also have our auditors. So with the auditors, you also detect a number of things that don't go. So that's sort of its within its bent in the cycle. Okay. We also are part of the what we call the monitoring committees, these are monitoring committees that are set for each and every program. So you can have countries that have one single programs, you have countries, like in the case of Poland that have national programs, but they have 16 regional programs. For each and every program, you have a monitoring committee, where you have all kinds of stakeholders sitting around the table and meeting regularly, and we have an observable observer status. And that also allows us to follow up it the implementation and detect what could be potential obstacles. And then, of course, what we also do a lot is providing technical assistance support, okay, to the administrations or to, even to the what we call intermediary bodies. So not only the, let's say, our regular counterpart, which are called the Managing Authorities that have the primary responsibility to implement the programs, but also down the line, the other economic actors, and we have an enormous constellation of channels of technical assistance. So they can be a technical assistance specifically to a certain area, you know that we have the new fund, which is called the just transition fund in the 2127 period. So there are a number of technical assistance like it's called the JT groundwork. So they are specifically dedicated to the regions that have just transition fund, and that have these additional money that they have to spend within a shorter time because all the fund that comes from the next generation EU they have a timespan which is reduced compared to the 2127 funds coming from cohesion, so coming from the new budget, so we know that the challenge is even greater. So we put in place a number of but as I say, the constellation of technical assistance, you also have the TSI, so the technical support instrument, that is big reform that is responsible for it, and we also work with the GE reform and they also give a lot of support the mistakes in terms of how to absorb the funds. They have also, they have a specific study with the OECD on the absorption of the funds and giving makes Relief support.

Interviewer: So, considering the different institutional actors involved in the implementation of the funds where do you think that the responsibility of this missed absorption lies? And which governance level does the European Commission most closely cooperate with?

Interviewee 1: Okay, so, I mean, you can set the number of sort of general reflections. The first reflection is how many how much money a country has. So talking about Spain, or Poland, or even Slovakia, and I was mentioning to you the proportion, so 85% of the public investment is CO financed by EU in Slovakia, is not the same as talking about Estonia, or Finland, or even Germany. So the challenge is obviously very different. Then, of course, there is also a question of how many programs do you have, but if you look historically, at

the end, it's not because you have more programs that you have an increased issue of decommitment risk or absorption capacity problem, because we see now Slovakia has decided for the 2017 period, to have one single program, it's what we call a jumbo program of and but that for us is not a guarantee necessarily that they will do better than the in the 2007 where they had a lot of oddity issues, financial corrections, decommitments, so But for them, they actually did it thinking that it will improve their absorption rhythm. But so for me first, the issue is how many? So how much money do you have to manage as a country, which means of course, you have to put appropriate teams in place in the different administrations that are responsible nationally and regionally, to make sure that people are quantitatively and qualitatively equipped to do this. Okay. Then, of course, another issue is the complexity, I mean accessing cohesion funds is not easy. We have a constant control from our control bodies, the European Parliament, the European Court of Auditors, the auditors in general because we are using citizens funds, okay. So you have to be able to report back that what they put into the European Union solidarity pot is being spent in a in a good way. And so that means that the rules that we have, are quite heavy because we're speaking about a lot of funds. We're speaking about projects to train people that need to be re-skilled in an in an industrial sector that is going down, but you're also speaking about building bridges, you're speaking about innovation micro finances for the firm. And so, the risk you take in the funds not going to the right beneficiaries are being diverted from their original purpose is there. So you also want to make sure that the management and control systems of member states because we are in shared management for cohesion funds, so they are the ones responsible, we monitor and support them, but they are the ones responsible.

Interviewer: So you would say that it is the member states that are more responsible than the regions?

Interviewee 1: yes, but the regions are very much responsible. So for instance, if you take two to two countries which explain and you take both, they both are big countries, they both have very, a lot of cohesion funds, okay. And then they are also divided into regions, regions that have a lot of competences, policy competencies financial. However, in cohesion funds for Spain, you have one single Managing Authority sitting in Madrid, okay, for the European Regional Development Fund, for instance, is the Ministry of Finance. You have other ministries for other funds, but so you have free time you have a single Managing Authorities, and the regions are not managing the funds. They're called the intermediary bodies. So they have other responsibilities, but the Managing Authority has an overall responsibility in the phase of Poland is different, because you have Managing Authorities for the national programs sitting in Warsaw, but each and every region has its own regional program for cohesion funds, and they are the Managing Authorities for those programs. So, it's not a uniform set, that really very much depends on how member states themselves decide what is the governance setup, what is the administrative setup? And so, and from there, what are the responsibility for from our counterparts can be can be it can be very much the region's okay.

Interviewer: Relating to this, you mentioned about the reputational stigma of the commission of not being able to spend these funds and naturally, when it comes to the allocation of funds, there is a theory by Dellmuth that recognize the commission, dealing with the allocation of funds and somehow having some preferences, on which regions and member states to allocate certain funds. Do you see some kind of patterns also happening when it comes to Absorption of funds? Yeah, what kind of like patterns or trends do you see in the way you had this agency of Member States takes place and you relate with it?

Interviewee 1: The primary aim of cohesion policy is to is to basically ensure convergence, okay. And to ensure convergence, you need to close the disparities between regions. So the Cohesion Policy and the cohesion funds will primarily go to the least developed regions, you have Least Developed transition and more developed regions. So the main bulk of the cohesion funds will go to the least developed and but it's it also covers all the member states and all of the regions. So there is a criterion that if we give something to everyone, but of course, we give more to those who are more vulnerable and needed the most to catch up. Okay, so it's

catching up, let's say two. Now, the problem is that the regions that are most in need, so they're least developed, or in transition, but the least developed are also those that in terms of administrative capacity, are often the weakest. So it means that you are pumping more money, where the absorption capacity is less. So that's where we have so many tools and efforts and mobilization to try and make it, you know, to try and make sure that the funds that go in the region, they're most needed, but they are also capable of using them.

Interviewer: So you wouldn't say there is like a cognitive bias in the way you relate to certain actors.

Interviewee 1: We relate to the actors that are in the cohesion sphere that are, you know, the usual actors, and what we have tried to do over the years, because another fundamental principle of cohesion is partnership. So over the years, we have also improved the partnership in the member states. So when I mentioned the monitoring committees. Now, if you look at the stakeholders that sit in the monitoring committees, there are more if you look at the process of negotiating the programs, which we adopted back in 2022. And also in the implementation cycle of the programs, there are many more actors involved, use organizations or kinds of NGOs than we had before. So let's say this sort of, I don't know if it that replies to the question of the community patron but certainly, the closed door that we had before has been fundamentally large.

Interviewer: Yeah, thanks for that answers. Okay, so going to look mainly at the determinants of absorption capacity based on your experience, you have already mentioned something but can you summarize on what are the key factors or determinants that you believe contribute to the variation in absorption rates among the member states?

Interviewee 1: So the first key factor is the amount of money. The second key factor is the administrative capacity within the member states. The third, factor is the let's say the understanding of the rules of the game in cohesion and How do you translate them in the in your own country in your own regions without adding any new. So the rules are already complicated at the start, but then there is an additional complication brought by the state. So we are also let's say guilty to overcomplicated, complicate the access to the funds and the needs. And that's something that I mean, in terms of administrative capacity, you should also consider that if this has been a feature, mostly of the weaker regions, and of the weaker member states are those who had more funds to absorb, we mentioned this, let's say or Poland. But then you also have to consider the country like Germany have had over the last years because of this decision. Another factor. So in terms of how many funds you have to manage, so the fact that we had the cohesion fund, we had the next generation EU, all these additional funds put on the table of the same teams in the administration to be dealt with also became also an issue for countries like Germany. And on the contrary, a country like Poland, which is the first beneficiary of cohesion fund is actually in terms of administrative capacity is actually scoring quite good.

Interviewer: Concerning administrative capacity indeed, which skills or tools, you know, are mostly required by the National Public Administration to guarantee full financial implementation of the funds. According to you?

Interviewee 1: okay, it has to do with skills. But it also has to do with how much the job in the teams in the different ministries responsible for EU funds are valued. Okay. So I, at some point, I was responsible for Malta and for Spain. And the problem there was, for instance, if you were working in the Ministry of Finance, but doing another job, then managing the funds, you will be able to have a salary or general working conditions that were higher than if you were working in the team responsible for finance, okay. So there was a difference between the Minister of Finance and the Ministry of Employment, dealing with the European Social Fund in Malta, because they had over employment, basically, people had a Quicker, quicker access to a higher salary if they stayed in the private sector, rather than going to the public administration, and in particular, dealing with EU funds. So it's also the fact that they and nowadays Germany has problems in recruiting people working

on the funds in the public administrations both at national and regional level. Because there is no underemployment, people are not necessarily interested in working for the public administration, because it doesn't give them interesting working conditions compared to what they can find in the private sector. So that's, that's the first issue because you need stability, you need motivation, and of course, then you need skills. Okay, so it's not only the skills, obviously, because, as I said, we are working in a rather complex environment. And because you need to make sure that you understand the rules in place, you understand how to apply it and you also are yourself under scrutiny of your own audit authority is not just the auditors of the Commission, or of the European Court of Auditors, it's also your own auditors at national regional level, so you are under scrutiny. So it is not an easy job to do. So you need to understand the rules, you need to be able to explain also to the beneficiaries to the intermediary bodies yourself. So you need to have skills for that. And you need to, to be ready to do that, that kind of job. So in terms of skills, we can constantly have trainings, technical assistance, we use our own people in the Commission, we use external experts, we work for instance, with the European Investment Bank, they have experts that are very good in transport in water in energy, climate, and so on.

Interviewee: Thank you. What about the degree of decentralization of governance, which is something you mentioned before, in terms of managing authority, but you didn't mention now. Do you see this as a determinant as well or what is your take on these?

Interviewee 1: My take is from the countries I'm responsible for I don't see a pattern. So, I cannot say that a decentralized system is necessarily a guarantee of a quicker absorption of the funds. However, the absorption of the funds is not the main criteria you will use to conclude whether cohesion policy has been effective or not. Okay. And as I was saying to you partnership, and what we call the multi-level governance within the Cohesion Policy is fundamental, because what you want to achieve is that there is ownership in the field. So, the territorial criteria and cohesion policy is fundamental, you want to make sure that you are efficient and you are meaningful for the needs that each and every region has. So, the fact that you have a multi-level governance may delay you in the democratic process on how to negotiate and which priorities to the funds cover and how to implement it. But at the same time, you increase the ownership on the ground, and you increase the level of understanding on the ground, and you also make sure that citizens, SMEs, whoever can benefit from the funds know about them and can access them.

Interviewer: Relating to this governance of the of the fund, how do you perceive the role of, stakeholders, interest group, like economic actors in the absorption of new funds? So, I believe that regions, which are more economically active, as you said before, with more economic players, they're also more likely to absorb.

Interviewee 1: No, I think they are a fundamental element in the constant dialogue, their fundamental element in challenging the rules in place. Because they can tell, you know, this is, it doesn't make sense, we cannot access for these reasons. So they're constantly challenging you in the way you, you apply to cohesion policy also for the future. They are also fundamental actor to detect possible obstacles and possible, also called let's call them irregularity. So, for instance, in the case of Poland, for instance, we have a partnership agreement, and we have the programs and you have an anti-discrimination clause, in the partnership agreement and in in each and every programs, regional and national. And the anti-discrimination clause tells you that if you are in not only at the regional level, but also at the municipal level, if there is a situation at the municipal level of clear anti-discrimination, for instance, they have adopted a charter or a law that is against certain minorities or against certain groups, where that municipalities is not entitled to get cohesion funds. But of course, then how you control this and how you make it happen. You need people on the ground, to tell you it can be local ombudsman, but it can also be any, any citizen and then show, you know, rights to you and say there is an issue here. So we have associations that are within our remit, but there are also all kinds of people who are SMEs that can also detect so that it's an important element in the in the process.

Interviewer: So, could you provide an insight into the relationship between the use of financing rate and the absorption of funds? And particularly by this I mean, a research finding from Tosun that member states with higher income levels are less likely to maximize their absorption of allocated funds. What's your understanding of this? How do you see the use of financing rate affecting this and particularly to decipher like the case of Denmark, which surprisingly is almost at the level with Spain and Italy, when it comes to absorption of funds?

Interviewee 1: Yeah. So, basically, the situation is that if you take countries like Denmark, they are they are not so hungry for the EU funds. For the Cohesion Policy, it's important to show that we are everywhere and for the people to know that if they are in a richer region, they can still access cohesion funds and that is a better understanding for them to also contribute to the cohesion part. Okay. But it's true that if you are in a richer country or region, you will not feel so much the need. So, you will not give priority to the absorption of EU funds, you will have the national funds, and then you will have the EU funds. And if the EU funds are too complicated, and we come back to the complication and the rules that you apply, so if it's easier for you, for your administration, for you as an SME, or wherever you are, wherever you are to access the national funds, okay, because you know, the rules, the rules are simpler, you have less checks and balances, I mean, the less risk of financial corrections, if an audit finds things that were not completely clear, compared to the EU funds, you will first target national funds, whereas, in countries where there is much more need of funds, of course, you will do, you will apply the same logic, you will first go for national regional funds, but there will never be enough for your needs, compared to you know, if you're Spain compared to Denmark. So, you will be almost obliged, obliged, even though you might not like it in terms of rules and complexity, you will have to go, but then you will have an absorption capacity if you are not able to absorb them and to apply.

Interviewer: Since we talked much about governance and public administration but we never talked about politics. Do you see a shift in the political governance of the funds affecting its absorption capacity?

Interviewee 1: It does affect a lot and you can have it both ways in the sense that if you take the case of Poland (first beneficiary of Cohesion Policy and using the funds very well, very good user since they joined the Union), since in the 2012-2013 period we were much stricter in the conditions to access the funds particularly in relation to the Charter of the Fundamental Rights, what happened that in parallel with the work on the ground the milestones and conditions to the Charter were not compliant. That meant that Poland was not reimbursed for their spending. Now there is a new opening and that means that Poland can submit payments coming expenditures they have already incurred. It can have horizontal and thematic conditions. Number of enabling conditions that different MS have not complied with. That means that MS cannot submit payments. Looking at cohesion policy over the years is when were the regulations adopted.

b. Experts at European Council

Interviewee 2: Yeah, okay, so I'm Director of EcoFin in the council, so you're probably familiar with a bit the decision making process. So we are one part of the decision making process. So we had about the member state and the presidency. That's basically our role in the legislation. I'm directly here for EcoFin which is in charge of coalition policy and the budget but also tax and customs policy so that that's the area so I will not be the in depth expert, but I have worked on what we call MFF for many years. So the multi annual financial framework suppose the one we are under now but also the MFF. There previously and escalation takes up a third of the budget and of course, I know a bit about the Grecian policy, but this is just some more like the general approach to it and then the specific one, but then today's I can explain her background okay.

Interviewee 3: Hello, I'm *Expert n. 3* and I've been here the General Secretariat of the Council for almost three years in charge of cohesion. But my life is the whole life is about cohesion. So I worked in the region the commission for 13 years before. So I have I negotiated the current legislative framework. And I also helped

with the past for so for 1420 and I was in charge of programs in Italy, because I'm Italian. So that say that the 1420 programming period is quite my cup of tea but let's see if we are able to reply your question.

Interviewer: Thank you very much. And once again, I really appreciate this opportunity to be with great experts, that actually put their hands into making this policy work. And I find this particularly inspiring for my research because of course this is not the first research that focus on the determinants of assertion funds. But I feel there is a little gap between the theory, what academia says about this, and what happens at European institutions and yeah, what academia says about this, so this is one of many interviews that I'm trying to undertake. I am glad to have you representing the council and in the next weeks. I will also try to delve more a bit at the national and regional level to have, a full perspective. So I would say we start with the first question. And so first of all, what's your understanding of the absorption capacity of member states? And do you agree in considering these absorbing issue or pressing topic for the functioning of the European Union?

Interviewee 2: So I think that if I can start the way we look at absorption capacity is very much in terms of basically the payment that the member states execute. So of course for all the operational programs what we are looking at in terms of absorption capacity is we know what the overall envelope a member state and in total fund is in commitment. And then we follow on a monthly or quarterly basis. Where are we not only in the pre financing but also in the interim payments to see how well the program's advancing and we look at the member states level but we also look at the different funds so the IDF the ESF. And then you had a second part of your question.

Interviewer: Yeah, which is following to these if you agree on considering this absorbing issue a suppressing one for the functioning of the European Union.

Interviewee 2: Yeah, I think that we have to look to where we came from, because I think that in the past we have been very much obsessed that every single euro is spent correctly. So basically, that we know that that they cost claim that is justified before we pay anything and then we have probably gone from a time where this was the focus whereas the time is progressing. We have started looking more at output. And I would not say being more relaxed about the first part, but so I think that absorption capacity as such cannot stand alone. So of course, one way of measuring is how well the money is absorbed. But it's of course also to look at what is then in reality happening on the ground with the investment but also the impact of it, but I don't think that as such we define that as absorption capacity. But, but it is definitely I would say a change of focus. That has happened over the years.

Interviewee 3: I'm telling you I've been working on this for many years. So I tend not to be so much council focused on but I think that the absorption capacity is also the possibility of having a good project pipeline, because we always think about numbers but as Nicola correctly said, we also need to check what are the results not only outcomes of the spending, and for me, the absorption capacity is really linked to the to the project pipeline. And this actually is linked to the other question because of course it is a pressing topic. Nowadays we know there is competition between cohesion policy and the recovery and resilience facility. So this is where we say that actually the project pipeline that was set up early 2020 was the one for the budget for cohesion and now we have let's say a double budget, but the hallways for the same project pipeline. So I think that it is not only about how much we are spending in the tables, how much correspondence there is between the planning of payments and the concrete payments on the ground, but also about the existence of projects that can be financed. So, this I just wanted to complete this. And of course, if you say if you ask in general terms, I think that yes, absorption capacity is a pressing topic for the functioning of the EU because of course, on this dichotomy that we are now all discussing about between the next generation EU and more structural cohesion policy on this, the future depends. So yes.

Interviewer: Thank you. So moving on, considering the main function relating to cohesion policy of the council. Can you elaborate on the challenges you have encountered in the absorption of new funds within your institution and jurisdiction?

Interviewee 2: I can maybe start to go back to where I worked previously. Please. So I have worked in the commission. And I was also responsible, among other things, for qualifications and policy, and we had to manage a difficult situation where we had a backlog of 25 billions of cost claims. So the member states had submitted all these payment requests but there were no, there were not enough payment appropriations, so we had to manage this which was very difficult because the member states were also on financial constraints. So they needed to receive the money. And I can say from where I sit now in the Council that this is of course an issue that comes back year after year, for example in the EcoFin Council tomorrow. And it's always about finding the right balance between, on the one hand, budgeting prudently and, on the other hand, making sure that we have enough payment appropriations on the line so that we can pay those who submit their payment claims on time. So I think again this is perhaps more from a general perspective. That's what I'm working on.

Interviewee 3: that's pretty accurate as a reply. But I also think that what we encounter on our daily basis, as a difficulty is the correspondence between the forecast of the payments that will be issued and the real execution on the ground. And this is exactly what Nikolas said this is the delicate balance between having member states who cannot contribute that much to the European budget in a determine an undetermined difficult moment. And luckily we have had quite many of these difficult moments lately, and the necessity to reimburse member states for the project. So it's really that delicate balance. And I think that the more detailed the forecasting is getting the better it goes but still there might be an unforeseen events that impact the fluctuation between the forecast and the execution which make it difficult.

Interviewer: Okay, thanks very much. So moving on, taking in consideration the different institutional actors involved in the implementation of these funds. Where does the responsibility of these missed absorption lies, according to you?

Interviewee 2: I think this is it's a very difficult question. I think that you can start by saying are the rules clear. Are the rules. too strict? Is that too much red tape, who is responsible for that we owe NP so that means that Council and Parliament are both guilty. If we can say that rules are too complicated, then you could say is it more the council in those negotiation that is insisting on it? I think this is difficult to say because it's always a trade-off and at the end of the day, both institutions voted in favor. Was it the Commission's fault because they came with two absurd ideas from the outset. Because if we hear too many bad stories about misuse of funds, and alike, then it threatens the cohesion policy and the willingness to fund cohesion policy for the future. You can also say that it could make it reform. But so I think that that the legal framework, it's difficult to say who's who is more responsible for it. I would just say that, that at the end of the day, Council and Parliament decrees based on what the commission has put forward, but they can maybe be a tendency that comes to goes a bit further in a way but on the other hand, it's also the member states have to deal with the rules. It's not the parliament. So I mean, we can go sometimes it's I would say it's probably but I wouldn't know better who is to blame. And then I would say that at the end of the day, I think that it's very much the member states and the regions that actually so we know that that the legal framework is normally only adopted towards an end up and MFF period. So basically very close to the moment where the new programming period starts. And then we want to do proper programming. So we don't want to rush this. So actually, often, the first commitment task is never even paid in that first year. So let's say this period from 21. The first interim payment actually only come around this time now we have 24 right because we want to get it right so you can also say that it is the European Council's fault, because they make basically the MFF agreement and they tend to do this only very close to the actual deadline. And then we need to have this development of operational program where again, there are many rules again decided by a Council and Parliament. But to the region's work fast

enough to member states work fast enough in the programming. They could probably do faster, but we also want to have it done properly. Then we have all the enabling conditions. So we have all those conditionalities on top to deal with this round. So this is another layer. Again, this is a justification for getting the funding. So this is basically how we can justify to European taxpayers to continue to pay into this policy area. So I cannot give from my side an easy reply who is to blame? I think it's a combination of all the different power houses that are around here in Brussels and in their coalition community across Europe.

Interviewee 3: Well, it's difficult to blame someone. Nicola explained a bit the part of the of the legal process. I would like to move a bit into the implementation if I if you allow me, I think that a problem for member states is a right balance between clear rules, but not too many. So over two programming periods, periods there has been a stratification of different level of rules. You come with a legislative package that gives you the CPR the font specific regulations and then you start with annexes. Now with this programming period. You have one book, but big one, which has all the annexes have everything you need during the programming period. So secondary legislation has been minimized really to the minimum. So everything came out in one package. You have the program template, of course the partnership agreement template, all the indicators, the reporting, communication, everything is in there. I guess this is a big step towards simplification because in the past we had secondary legislation member states had to wait for having an implementing act telling them this is how a program should look like. So I think that this is going into the right direction. Of course, it's one of the layers to add to those that Nikolas said, but I also think that there is the commission has improved in trying to reduce as much as possible guidance. Still there are member states who wants to have guidance because there are some concepts that are newly introduced over every set every seven years and given their past experiences with audit corrections and all the other packets of that they want to have clear rules. So, we also witness very often to gold plating, you know decision management, you have rules which are set in the registration, then you have the guidance, but I have also seen in practice that many member states tend to overcomplicate and to make the rules stricter. So you would see in Italy, provisions applied in a different manner than in France because there is some official in Italy that has decided to make it stricter. So very often it is this flexibility that has been given to make all subprogram amendments swifter. It is neutralized because there are many rules at the national level that are not requested by the college's later nor neither are posed by the commission but still are applied by the member states. I think that this is also a big aspect that needs to be fought against.

Interviewee 2: I just have two small things maybe to add that came to my mind. So one is that we don't really have a big European Investment Fund that can just be used for everything except maybe the cohesion policy. And the problem is that suddenly we have an MFF for seven years we have set out some priorities from the beginning. But the world just often happens to develop in a different way that we have foreseen because we basically base ourselves for commission proposal that is two to three years old when leaders decide. And we had just agreed on one MFF and suddenly we had a financial crisis we had next time just agreed on an effort MFF and we had a migration crisis. And then leaders look desperately after European solutions. Now you can see for example, that farmers come to Brussels and then they would like to find money for farmers and so on. So they often look into the Cohesion Policy and then they want to basically ask member states and regions to reprogram the money towards these new prices. I think that this is not helpful either because it delays things. So maybe one thing would be if we had a budget where we had more flexibility where we had more money for these unforeseen circumstances that could maybe also help cohesion policy to focus on what was actually set out for this programming period. So that's just an observation. And then the other thing that is maybe also explaining a bit is that I see some kind of an obsession I could call in some member states to basically say we need to squeeze out each and every single euro that has been set aside for our cohesion programs. And we see it a bit now where it seems to us that we're seeing that if is having priority because that's where they lose the money before they lose immigration policy, but also that we have actually hundreds of billions of uncharged requisition money under this MFF period, whereas Member States didn't focus very much on the old programming period. And we just saw it now with the last MFF revision. So so it's an enemy. I can understand

where it comes from because this is often like a target that you have set and you say this is this amount, and if we don't use it, we will send a bad signal for the future. And so on. But I think that sometimes we maybe even get additional delays just because we want to get the last billion of our envelopes spent instead of saying nowadays a new programming period with new objectives that are closer to our reality today and then we focus a lot on closing the past instead of trying to start the new period where we have this interest tree rule so we are not in an immediate hurry. So I mean, I don't have any scientific base to say this, but it's just a bit an observation from from where I'm sitting.

Interviewer: Yeah, of course, I completely understand we also focus more on like absorption actually then like efficiency, and the way like this money spent and thank you very much for having like this transition towards a more implementation more than legal because now I really want to focus on the main target of my research and ask you, according to you based on your experience, what are the key factors or determinants that you believe contribute to the variations in absorption rates among the EU member states?

Interviewee 3: as I said, I find many origins of differences in the shared management because we can from Brussels set up until a certain level of the rules, but then the differentiation depends on the member states. Of course, a lot in my view, I'm telling you what I've seen so far in this in these years. In my view, it really depends a lot on the administrative setup of the member states. So it really depends if you are in a federal state or if a more centralized state, how the structure of the programs is set up. If it is across sectors, so regional, or across regions. It really it really depends how they set it up and it functions differently. The more complicated the member state is the more layers there are. It's true, the more the local authorities are involved, but then more it gets complicated. I would say maybe the easiest is in the federal states because then they divide to each region their programs and the central level is not so much involved, which for instance in a member state like yours in Italy is a big complication because you not federal north, north central and then the all the layers complicate the whole thing. So I would say that this depends a lot and a lot is on really, you you have heard or share this so many times, but the administrative capacity. I mean, it really need you really need to have good, good administrative capacity to deal with all what is on the table, because changes of rules come all the time. This is our big problem here that Nikolai already said you set up rules for seven years, but then crisis, floods, earthquakes things come and then you need really to come into terms with with this aspect. And you really need a good governance that is in charge of following this flexibility and being able to face all this all these rules, and they really need to know the rules and really need to know how to interact with the commission because then in the end they have to negotiate with the commission the programs. So I would say that a lot depends really on that. And then I am a big fan of thematic concentration and enabling conditions despite they're not so popular lately. But I think they're focusing on some on fewer topics, but which are really relevant to the two regions and they don't have to be the same recipe for all because if you have an issue with floods in a member state and another one with development traps you cannot oblige them to invest in in both but I think that focusing on less within improve the outcomes because if we really fragmented expenditure across let's say 11 thematic objectives and it was the case of 1420 You lose a lot in my view, because member states like smaller members, they estate that receive less money really fragmented and they don't see the big economy of scale if I can say it. That's for me important and that's why I think you've seen even conditions help a lot. Because once you you really they really apply to you to reach a minimum level of quality and it also involves the the administrative capacity to go on and to receive the money. Unfortunately, in practice, I have not seen so much blocked money for enabling conditions or ex ante conditionalities before as it could have been, because you're it's always a political discussion so you always come to do want to overcome them to help the member state but maybe on that we could improve more but maybe I'm too much dictatorial here.

Interviewee 2: I'm, I don't know much about I mean, I can maybe come with one observation from the member states I come from myself so I'm from Denmark and I think that they are quite bad in absorbing cohesion

money but they were quite on the top on. If so I think they are probably it has to do with that the if there was more money at stake for them. So the cohesion envelope is quite small. They don't have people that are used to thinking in this kind of projects. They don't have a big administrator to capacity but I don't think that you can say in general that the public sector is badly managed. So I think it's more about how much is there for us. So how much do we really want to put into it? I remember once I was sitting in a working party where I listened to the Luxembourg delegation telling that actually for them it was more expensive to do the administration of this fund to the next day the money they received. So I think that is probably for some of the wealthier member states that rightly get the smallest envelopes. Not really the same incentive then we can maybe use. An other example. The Hungarians, which have been very successful in the old period. So I think they were the ones that reached the 95% which is where you can start the closure. The first day we assume that this has also to do with the fact that they could not draw on the new cohesion policy because of all the conditionalities and then maybe also they again, if you have a very strong state. So then they can better coordinate what exactly needs to be done and not too many the regional interest that will try to bring it day away. So I think it also tells us a bit about the necessity of the money that can also have an impact and an absorption capacity in my view.

Interviewer: Yeah, so in summary, I think you have mentioned administrative capacity, the degree of decentralization of the governance in the member states. You've also mentioned the political will and the connected to the political will I think it's also related to the financing rate and of course, you know, countries wealthier countries, like of course, Denmark, which is an interesting case to study, have like 50% to actually, like spend themselves on implementing these funds. And so there might also be a political decision to not spend these funds. And then what about like, politicization? Do you feel like that shift during the implementation period, in terms of political governance would actually affect the absorption capacity of a member states? I don't know if it's clear what I mean by

Interviewee 3: a shift. You mean, for instance, that there are electoral changes? Yes. Government. Yes. May I jump in? Yes or no? Because the the idea of having programs that last 7 years is exactly to avoid this. And, well, can I go into name and shame. Recently, there was a modification step now that was issued that came into force on the first of March, were actually Italy insisted a lot to have the possibility to reopen the partnership agreement. So here that was a very well-played political manoeuvre by your government. Were actually a change of government if is influencing the implementation and the new Italian government wishes to modify the recurrent resilience plan and the partnership agreement for cohesion. So yes, there are attempts to do that. But in practice in the regions is not so this is a very attended Papa. This is the first time I've seen this that strong but I think that in the regions given the necessity, the the lower level you go, the more the needs are because they come to invest in that, I don't know, energy saving lighting of the street that's been dark for ages, which is small thing for us here in Brussels, but it's a problem of that specific roads in that specific village. So I think that the lower you go so the more local the program is, the last is influences because the needs of the people are really those and they really need to implement the projects. If you go international levels there, I would say that, yes, that can influence but it really depends on how the member states plays it. It can it can impact the absorption capacity with slowing down and ups and downs because of course, you can always modify a program. You can always come to the commission with an amendment request. They would really not allow you to modify everything as you wish they really get into the analysis that that takes time. That slows down the implementation. So if a new government wishes to modify a program, for sure it slows down only because they have to draft the amendment submitted and wait for the comments for the commission and there you already lose six months very easily. So I would say so. Yeah.

Interviewer: Okay, so I think that's already like quite defined the answer. I have one more question regarding the double determinants and then I would like to go back a bit more in towards the the working of the European Council. But yeah, so do you perceive actually like the economic activeness of the region, also as a

determinant, and so like the importance of the role of stakeholders and other interest groups, actually affecting the absorption capacity of a few funds

Interviewee 2: Yeah, please I don't know about I, I'm all have experience from the Greek experience, but it was more to central government.

Interviewee 3: Now you know that cohesion people are upset by partnership principle. So you know that for sure. A commission told you this is one of the first principles. Of course, it's good to involve the citizens. But it's at this is always the problem of shared management. It's up to the state to decide what level they are represented. And I saw projects being projects from cohesion fund being blocked, because of environmental activists that knew very well something, neglected it for four decades and out of a sudden because there was cohesion policy, they blocked it, and actually you could not build that highway because of the of the environmental people. I'm not saying that that they will another eight, but you need to find a balance. So yes, I've seen stakeholders participating in monitoring committees. It is good to get involved. But I think that what is bad is that they're always involved a lot during implementation, but not sufficiently during programming. Because it's true partnership agreement is a mantra but I don't think it's applied that thoroughly at the programming. If you applied it more at the programming you didn't have the problems than in the during the implementation, which you witness at every Monitoring Committee, there will always be a group which is not satisfied because was not involved sufficiently and I think that more and more involvement at programming stage with would avoid this. And you must have already heard also during your studies that actually this is one of them. Peak reproaches towards recovery resilience facility where it's a lot centralized, and the local levels are not not involved. I'm not saying that they are not but for me for the programming, they should be involved more because we would avoid many other issues than during implementation.

Interviewer: Okay, yeah, very clear. Thank you very much. And you're just to conclude, because, as I told you, I've already told me someone from the Commission. And, yeah, the person mentioned me how there are really big reputational damages for the working of the commission. So I would like to ask you in which way this means the absorption actually, if effect if affect the total the working of your institution

Interviewee 2: in turn, searcher, I understood the question. Yeah,

Interviewer: I mean, because as I told you like the commission, you don't really see a big, reputational damage for not spending these funds. And I really want to know if not spending these funds is actually like vital for the council and if at all like it influence the way he talks and the way negotiation take place. Also considering the MFF maybe because of course, you know, in the end like countries like Italy and Spain are still the one that they take the the bigger piece of the cake, but still they are not able to to implement correctly the funds so yeah, I would like to have a better understanding of this how the work is affected by dismiss the absorption if it's more likely or not, I think Yeah.

Interviewee 2: I think that when it comes to the, the moment where the envelopes are decided, so that means that the European so that's leaders level, it will be looked at when the coalition envelopes. So I mean, you know that there is like a formula, what we call the Berlin methodology where we basically objectively calculate what each and every member states is entitled to and then at the end of the negotiations, leaders normally agree a bit, who can get an extra amount and so on. And this can be to find an overall compromise to look at various policy fields and so on, but it could also be to look at absorption and I was not from this MFF but from the previous I remember that there was indeed this discussion where a leader accepted to say, okay, that's this envelope that we are entitled to we will not ask for more because it's true that our absorption capacity from the previous period was not very convincing. So of course, you will be weaker in the negotiations when you need to say should I have a bit extra money or not? If you have a bad track record of what you have absorbed and I

think that this time around where we basically had them FF and then we have almost a pool MFF on top, the other is and where it's clear that they are simply absorption capacity problems. So there is a kind of a maximum amount that member states can absorb. So if you are relatively high in both cohesion policy and if so this is certainly the case for Italy and Spain. But I think it's also to some extent for Croatia and Greece then it is simply not possible to absorb those two envelopes at the same time. So I think this will be a lesson learned for the future. So in that sense, I think the commission will probably build up for the next MFF proposal and justify the overall envelope and say, based on what we have observed, but I don't think they will name and blame particular countries. I think it will be random to say at the aggregate level we have seen that this is more or less the limit. absorption capacity is in a way already built in to the formula because we have what we call the capping where we say that and member states can never receive more than I think it's 2.3% of the GDP. And this capping is exactly justified by the fact that member states can simply not absorb more so so so I think that is part of the answer. Then the the example I wanted to give in the previous question was where I remember with the financial crisis in Greece, there was simply set up a kind of a task force between the commission and in Greece to make sure that that would be a faster absorption. So probably it has been not super high priority for the Greek government. But then, during this financial crisis, there was certainly also an interest by other actors, for example, Germany. That was one of the countries that were critical about financial assistance to Greece, but where you want to see a faster absorption of the funds. So certainly it is something that comes to leaders at the end that one way or the other. But I don't think it's the way the way you say this is the good student in the class and this is a worst one. But in general, I think there is a picture that in the newest member states, so those that are placed in the Baltics and Eastern European countries are a bit more successful, both in absorption, how fast it goes, but actually also what they get out of the money compared to maybe some of the clients that have received much longer time. And I would say, this might not be that the solution will be that some of the Mediterranean countries will not get money in the future. But maybe that's where the Rethinking needs to change a bit and say, Here, we should rather go and look at a delivery. So we need to see what could be changed on the ground because it's clear that if you look at Italy, there are some southern Italy Italian regions, that just have been less developed regions forever and where you say how can get in Eastern European countries that those who were less developed regions after 10 years to 15 years of creation policy, they are suddenly transition regions or more developed regions, if they are somehow stuck in some other parts of Europe. So I don't think that it would just be absorption capacity, but it's also really looking at results on the ground. And what are the limits of cohesion policy in its effectiveness?

Interviewer: Would you like to add anything?

Interviewee 3: I didn't have anything to add, but I would I was not sure about if I understood is that when you were speaking about the reputational damage if the reputational damages to the commission or to the to cohesion policy. That was not very clear to me. Yeah,

Interviewer: I would say to the commission, because it's like the institution like in charge of like reporting and yeah, implementing

Interviewee 3: that it's actually we have a reputational damage now to cohesion policy because of this new way of spending this new kind of money. But the commission itself well, they had to say that through the legislative initiative is on the commission, but they usually are somehow pushed by the colleges later. So that's why I was a bit confused because I think that we have an issue with cohesion policy that really needs to be refreshed and to be used for the for the objectives it was thought for. But I wouldn't see that much of a reputation damage to commission commission always comes out. It's something new and you know, it's a monster that nourishes itself. That's why I was a bit I think we have an issue with cohesion. Okay, well,

Interviewee 1: thanks very much see it very much like a community actually. So so we have normally it's presidency we have an informal ministerial meeting, we just had one organised by the Belgian presidency, like a month ago and I, I never see, really this blaming the institution against each other. I think it's very much a community where they basically recognize that we all have responsibility. And that decisions are made together. So I mean, you can of course in the council, find three or four countries that don't like Christian policy, probably because they don't think they need it very much themselves. Probably you can identify some in the European Parliament that will think the same way. But I think the overall picture is that this is something that is created we have a shared responsibility to make it work. We can we might not all agree on what is the right recipe, but I don't hear too much about this blaming, actually, when I when I'm participating in meetings.

Interviewer: Yeah, thank you very much. I think there's nothing more from my side. And yeah, I'm really grateful for your for your time. And for the day insights that you gave from to me and to my research. So I don't know.

Interviewee 3: Should you when you then put together your notes, have some doubts, don't hesitate to drop us an email.

Interviewer: Thank you very much. Thank you very much for your ability and for sure, like at the end of my work, I will be glad to share my my final result with you so that for sure you will hear from me.

Interviewee 2: Thank you very much and good questions and good luck with your research.

c. Public Official at DG Regio

Interviewer: First of all, what's your understanding of the absorption capacity of member states? Do you agree in considering this absorption issue a pressing topic for the functioning of the European Union?

Interviewee 4: No, I think there was my first question to you. Because I wonder, yeah, it's interesting to hear a bit about where you are in your masters, what you've been reading, where you source your information, and why you think there's an absorption issue and how this could be pressing for the functioning of the EU. I think that's quite a strong thesis. So no, I don't think in general in this house, you would agree with this statement? No.

Interviewer: It's very interesting, and this is why I'm actually conducting these interviews. I think there's a big gap between theory, academia, and the European institutions in how issues are perceived. There's a lot of literature on the absorption capacity of member states and the perceived inability of some member states, like Italy or Spain, to actually implement and spend the allocated money. This is seen as a dysfunction to the convergence objective of the cohesion policy. It becomes an issue in negotiations, especially with new tools like the Next Generation EU, which is currently being discussed. This research aims to see if there's agreement between academia and policymakers on the importance of absorption capacity and the need for these funds to be well absorbed.

Interviewee 4: What data are you looking at to say that?

Interviewer: I'm looking at the latest financial period.

Interviewee 4: You mean 2014-2020?

Interviewer: Yes, and in the 2014-2020 period, there were significant challenges.

Interviewee 4: That's our daily bread and butter here. In the coordination unit for regional policy, we constantly monitor and report on implementation. The 2014-2020 period was unique due to the COVID-19 crisis, the war in Ukraine, and the energy crisis. The pandemic interrupted everything, and the structural cohesion policy had to adapt by introducing significant flexibility. Funds were reallocated towards healthcare, vaccinations, and other urgent needs, which were not initially eligible expenses.

Interviewer: Yes, I understand. The crisis required a rapid response and reallocation of funds.

Interviewee 4: Exactly. After COVID, we had the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) and InvestEU, which added significant amounts to the budget. Spain and Italy, for instance, received large portions because they were heavily impacted by the pandemic. This influx of funds put a strain on administrative capacities.

Interviewer: And then the Russian invasion of Ukraine added another layer of complexity.

Interviewee 4: Yes, we had to amend programs to support refugees and address the energy crisis. These constant adjustments made it a challenging period for everyone. It was not a normal situation by any means.

Interviewer: No, of course, but if we look at historical patterns, I mean, of course, even the period before there was the big financial crisis. So, of course, there are crisis coming up, and I can see, but I'm sure you can agree with me in saying that there is variation in this absorption capacity among Member States. Looking at the EU payments data platform, you can see that some states are almost close to 100% in absorption capacity, while others are not performing as well. And, of course, this is for the last financial period, but also looking at previous financial periods, we can see a pattern of behavior and capacity. Do you agree with me on this?

Interviewee 4: Well, I think you have to put things into perspective. First of all, what you see here, if you go to the open data platform or the EU 2014-2020 platform and then navigate to EU payments, this is where you want to look. This data isn't the final picture. The way cohesion policy works is that by the end of 2023, at the project level, they have to be finished. But this doesn't mean that they are not absorbing. This means that a project sends an invoice to a Managing Authority, which first the certifying authority takes, and then bundles and sends it to us at the end of the project. So despite 2023 being the last year for spending on the ground, it doesn't mean that, for example, when you see the Netherlands with 75%, you just need to deduce the remaining 25%. On the contrary, we're probably asking how you'd graphically depict that scenario. So, member states have now with the new step amendments, and I hope you've heard of that. They will have now, and they have now, another year to claim the money, so they still have a lot of time to get back to us with payment centers. So this is not the final picture. Actually, what we are seeing, or member states are saying that they will lose in the end, is something that was your point, 7% of the total overall allocation, which was what I meant, yet in relation to this huge amounts that we're implementing here. And in the end, what is the minimum?

Interviewer: Okay, so you would say that this data doesn't show the commitment, which would actually be the real issue.

Interviewee 4: Exactly. You'd have to look at that in 2024. Did you have to send us this final interim payment claim by July 2025? No, because any incentive closure, because usually the final balance or closure, and only then we will know what actually they will lose and how well they actually absorb. So even though it's the end of the period, this is not the last picture yet.

Interviewer: No, because like what they thought was considered the N plus three. So like 2023 and the end of 2023 years, the last period, this is why I told like about conducting a research now was what's the deal.

Interviewee 4: No, to say that you cannot say yes. Okay, you cannot. This is not the closure picture. The closure picture will only emerge in a couple of years. And there are significant changes. I mean, you probably agree with me that if you've looked at this open data platform, can you see the payments and all the way at the bottom is Netherlands and Denmark. Surprising, right? But it's not because they're not implementing well, it's because they also got quite a bit from React that everybody did, and they're spending to the last project as expensively as we are. So they will probably not lose anything. So it's premature, and if we ask them overall, it's a very limited membership to a payment forecast. And they would estimate themselves to different results very rarely emitted in the end.

Interviewer: I mean, it's also a question on the spending priority and of the money allocated to each country. From previous interviews that I have carried, they also, of course, you know, countries like Denmark and Luxembourg were actually like, he was saying by public officials that for them, actually having to spend, yeah, to implement these funds is actually more costly than beneficial.

Interviewee 4: Would you say?

Interviewer: Yeah, I've heard that, I interviewed someone from the council that reported to me what officials from Luxembourg said. But yeah, I mean, to be honest, I'm super pro-European, you know, so like, for me, I would like to really believe in this narrative, you know, that of course, everything is going to be spent until the last.

Interviewee 4: I think that'll be fine. Yeah, you know, and this is quite something after all, because they all have this crisis that I just told you about. And that we, every single time, programs were amended and restructured, and as a result, the work for these Managing Authorities, we have each program amended almost seven times in this period. It's enormous, and despite all of that, we're pretty confident that they will spend. It doesn't mean that there will be zero, and because of the way this is set up, it's very difficult to arrive at zero. But these are huge amounts that we're implementing here, and the contents of this are gonna be very minimum in the end. Okay.

Interviewer: I mean, just to make sure, I'm gonna tell you my research question, and then you can be totally honest and tell me if it doesn't make sense at all to you, or if you can see some margin for researching on the topic. Okay. So my research question is, what domestic determinant better explains the variation of EU funds absorption among EU member states?

Interviewee 4: You mean in domestic? I read this in your intro into, what do you mean with domestic determinants? Is it about the government setup in each member state or how do you define that?

Interviewer: Yeah, I mean, this is what I want to see, you know, which determinant, but domestic in the sense that it's really like national characteristics that affect the absorption capacity. So, of course, you know, like the delay in setting up the regulation, which is also something that happens but it happens more at the European institutional level, so it cannot be attributed to a lack of member states.

Interviewee 4: Well, with 27 member states, the administrations work in very different ways from one country to another. I'm not doubting that. And another thing, some members allow humans to implement, and well, in the end, to be honest, I think we all implement. I don't think that was the issue. I think in the end, absorption capacity is what's important. I don't think your research question is invalid. I think they're all different, and

they all operate at different levels when it comes to who's offering it, a federal level because I saw that as well. Some regional level. And I don't think you can say that one is better than the other. It needs to be suited to the set that it's for. For example, in one member state where there was a mismatch, I found that the administration of the structural constants at the regional level, well, actually, it was a very centrally organized country. And despite the fact that they were implementing at 100%, this was not a well-suited way. I mean, I think what is super important in terms of domestic, when you know, is that the setup of how you implement the structural funds needs to be natural within the administration.

Interviewer: And actually, this is why I want to look at these because every time you ask someone about this, they mostly only talk about administrative capacity. But then, I believe it could be valuable to bro them considering other factors as well. And I mean, I can consider, of course, the decentralization degree of the governance level or politicization or also like the money, the COVID vaccination rate. You know, this is all like domestic determinants that I think can be assessed. But then in the end, in conclusion, everyone only mentions the administrative capacity. So,

Interviewee 4: I think it's interesting indeed to look a bit further because it means your capacity is actually a very broad term, right? And I think I am quoting a colleague of mine basically raising the necessity of administrative capacity and about governance, about how you do things. The people in administrators are not good will, don't have goodwill and work hard, and the setup is bad, but it's the way you, in the way you've put credit and forest management into your national settings. And in another country that I know well, it's a very federal country. So the country is universal. For example, they implement it to the regions. It's a very, very well-oiled machine. There's no issue. They found a way to simplify, which is worthwhile. You only have one program and still give tribute to the way the country functions, which is a federal country and disseminate the responsibilities and the money accordingly. So that's what I knew as governance. The way how you set it up, it doesn't make this because they have created, I spoke about before they don't want to name it because I don't want them to get in trouble then afterward, but

Interviewer: I mean, like, no one is gonna level no one is gonna get back to you. So it's fine.

Interviewee 4: You Yeah, but still, I don't think they would agree, right? Because it's a bit our assessment of the story, but it's a central country that has developed regions for the sake of it. And because to be honest, we asked them to then have put that under the reach level now, but they have almost no power to do anything they. So they constantly have to convert back to the national level, and what they do is correct, and it's fine. You don't see this. You only see this when you work with them, right? If you don't, on paper, everything looks fine. They will absorb 100%, the same as the other well-oiled. We lost that one word quite some sound into the administration. We load this or at the center. I think it's interesting to look at how well the governance setup fits into the overall administrative culture and divisions between different vertical levels of governance.

Interviewer: Yeah, I mean, totally makes sense. I mean, just in terms of the set capacity, you have been there, like, how would you measure administrative capacity? You know, that's almost like a billion-dollar question. I know. But...

Interviewee 4: I think overall, we speak too much about administrative capacity. I don't think that's the issue. I think governance is how you do it and not so much about resources. I mean, you're so nice that your people who actually are there and do the work, but it's more about setup, I think that is...

Interviewer: When it comes to politics and succession, so you see, like, actually politics and, you know, like this shift in terms of political governance. Do you think this could influence the absorption? You mean that like, of course, you know that when there is like a change in political governance, a changing party, the

priorities could change in spending preferences. And we could think about, you know, new preferences. Do you think that this lead could actually affect the spending and absorption of allocated funds?

Interviewee 4: If this happens, and it's not something unusual, it happens for whatever reason, to be honest, not just for a change of priorities, but also because a project doesn't go anywhere and stuck and it doesn't get the permit and you take it out of the program, and you take something else in that's completely normal day-to-day business that happens. It's just good financial management of these enormous funds that you manage. You can also reprogram. You can say I have, for whatever reason, and for political reasons, now I want to focus my attention on the accommodation of refugees and not anymore on the train connection between Kosygin and Bratislava. And inventing didn't happen but at the time. And you can change the program within the instability of racial politics. The policy that happened last year is what we are concerned with is how is that in line with the overall values, of course, is that aligned with our policy? When we looked at things the technical name, which is content, thematic concentration, but we want to see that the minimum amounts are spent on environmental, minimum to spend on climate, the minimum amount of spend on sustainable urban development. So this is what we would look at, is this still in the frame of Oracle Corporation regulations. And this makes a lot of sense. I mean, we have workflows or geographic news are very, very close contact with the administrations and we discuss all of this with them, but if it's in line, if it's if they're if this can be reasoned, and in line with the common provision, regulation and the specific fund regulation, we don't see that there's a big issue but I'm not sure it was then your question. Yeah.

d. Public Official from Poland

Interviewer: So, I'll start with the first question, which is about your understanding of absorption capacity. What, according to you, is the absorption capacity of member states? Do you consider this absorbing issue a pressing topic for the functioning of the European Union?

Interviewee 5: As you know, Poland joined the European Union 20 years ago. Step by step, we have come to understand the absorption capacity of our system. I can say that in Poland, it has worked very well. This is possibly because we have different approaches within the European Union, not only in terms of implementation but also in programming. Our regional administrations are responsible for both programming and implementation. This progress is also connected to administrative reforms. Around 25 years ago, we established 16 regions, and gradually, the central government transferred responsibilities to these regions, including the allocation of European Union funds. Currently, regional administrations are responsible for implementing 44% of the total European Union allocation for Poland, which is a significant amount of money. They handle the implementation of ERP and the adoption of new instruments like the Just Transition Fund. Step by step, we have built capacity at every level. Now, I believe we have a well-functioning system for programming, monitoring, and implementing European Union policies. We have adopted European standards and integrated them into our domestic policies as well.

Interviewer: Thank you very much. That answer already covers some of my later questions. I would like to understand how governance is set up in Poland. Could you briefly explain how it works, especially in relation to the Partnership Agreement? There is a Partnership Agreement set up by the Polish government and the European Commission. Are the regions already involved in that process? How does it work? Is the Partnership Agreement signed between the government and the Commission, and then the government channels the single operational programs to the regions? Could you explain this process? Also, as you mentioned, I guess it's the region that is fully responsible for managing and taking control of the programs as the Managing Authority.

Interviewee 5: I was responsible for preparing and negotiating the Partnership Agreement, and the process was very transparent. First of all, like other member states, we have a Coordinating Committee for the

Partnership Agreement. This is not mandated by regulation, but we have it because there are so many partners involved—regions, NGOs, ministries, and more. This committee generally meets once or twice a year to discuss current issues related to implementation and to prepare for the new Partnership Agreement.

Before this process, we prepared the assumptions of the Partnership Agreement, and this document was discussed with regions and NGOs. However, it was challenging because it was during the pandemic, and organizing consultations was difficult. For the first time, we organized something like a public hearing where people, NGOs, and journalists could participate and provide feedback. After about a month or two, we organized a reverse hearing where we explained what we incorporated from the feedback and what we didn't, and why. The process was very transparent, and the regions were involved in the negotiation process with us. Of course, not all regions, but a representative number of them.

A significant issue was how to allocate the funds between the regions. The government first decided what would be managed at the national level and what at the regional level. After deciding on the allocation between the central government and the regions, we then divided the allocation among the regions. This part of the process generated some pressure and intense discussions because regions compared their allocations with each other. Although we agreed on the overall distribution principles, when regions saw that their neighbors received more, it led to political discussions and pressures.

In the future, I think we need to put more effort into making this process smoother. This situation is similar to how the European Commission divides allocations between member states—everyone wants to achieve the best outcome. The same dynamic happens when we divide the funds among the regions.

Interviewer: Of course, everyone wants the biggest piece of the cake. Let's put it this way.

Interviewee 5: Yes, exactly. But the process was quite transparent, and we involved the regions at every step of programming. Even when fulfilling the conditions, we made sure to keep the regions informed and involved.

Interviewer: So, concerning the second part of the question, just a yes or no—would you say the governance setup of the funds in Poland is rather decentralized, giving a lot of responsibility to the regions?

Interviewee 5: Yes, we take the responsibility of monitoring and implementation seriously, and this decentralization allows regions to handle their programs effectively.

Interviewer: You mentioned the political level, and there are theories about the effect of politicization in this field. Poland is an interesting case because of the recent significant change in government. Have there been any changes in EU fund projects and priorities, and has there been any turnover in the management and control system staff? Do you think this affects the absorption capacity of EU funds in the current period?

Interviewee 5: While different ministries work according to European Union standards, changing the government doesn't change much at the technical level. The general approach towards the European Union and integration has improved. At the technical level, the negotiations and processes remain stable, and the political changes don't significantly impact our operations. The positive aspect is that politicians don't have much maneuverability in this context. However, the general approach is now more pro-European than before.

Interviewer: So, at your governmental level, there haven't been significant changes, but what about your relations with regional governments? Have you seen any changes in terms of managing authority?

Interviewee 5: Our work with regional governments remains consistent, regardless of which parties manage them. At the technical level, the relationships are more professional and less influenced by politics. Generally, we have good relations with the regions, and they follow European Union standards and regulations. Political

influence is not as deep in these matters as it is in domestic issues. For example, as we prepare our stance on the future of cohesion policy, our approach aligns well with the regions' approach.

By the way, we recently had local elections in April, so regional governments are in the process of being established. The technical staff will likely remain the same, but we will see how things evolve.

Interviewer: So, in your experience, would you say that when it comes to the technical staff, you didn't witness any changes, regardless of political elections?

Interviewee 5: There are usually no significant changes among the technical staff. These professionals are experts in their field.

Interviewer: How about in the past, during previous elections? What did you witness then?

Interviewee 5: In some regions, like the one I work in, the staff has remained consistent, which has allowed them to develop well. The managing authority is strong, knowledgeable, and experienced in handling the regional operational programs. However, in other regions where the staff changes every four years, the impact is visible. Frequent staff changes create problems during negotiations with the European Commission because the new staff may lack experience. Having a consistent, experienced team is much better than changing the staff every four years.

Interviewer: Thanks very much. I'd like to close with a general question. According to you, what key factors or determinants contribute to the variation in absorption rates among EU member states? What challenges do Managing Authorities face, and what factors affect how well a region absorbs these funds?

Interviewee 5: I think involving all partners in the process of programming and implementing European Union funds is crucial. When everyone agrees on the general aim, it makes it easier to achieve the desired outcomes. Using European funds to support domestic initiatives, and vice versa, should be aligned towards the same goals. Multi-level governance is important, involving NGOs and other stakeholders who can communicate effectively about EU funds.

We should also focus on supporting the staff at the local level, not just the regional level. Often, local offices have just one person responsible for preparing programs and strategies. We need to support these individuals more, helping them understand EU terminology and processes, so they can better explain and implement these initiatives in their communities. The EU jargon can be difficult for the general public to understand, so clear communication is essential.

Interviewer: Thank you very much. That really answered all my questions. It was a real pleasure learning from you. I wish you a good rest of the day and all the best.

e. Public Official from Italy – Transcription not available.

Appendix C – Datasets

a. Pace of Financial Implementation (Own Calculation)

	2010	2016 (https://cohesiondata.ec.europa.eu/2007-2013-Finances/SF-2007-2013-Funds-Absorption-Rate/kk86-ceun/data)	2017	2020	2023	Final
Austria	24	10	5	6	13	11,6
Belgium	18	14	6	7	5	10
Bulgaria	11	14	11	9	4	9,8
Cyprus	21	14	14	16	15	16
Czech Republic	15	12	6	16	14	12,6
Germany	24	13	15	11	7	14
Denmark	15	14	10	11	13	12,6
Estonia	30	14	13	23	15	19
Greece	17	19	12	27	14	17,8
Spain	17	10	3	2	1	6,6
Finland	21	14	21	23	14	18,6
France	19	14	10	12	5	12
Croatia	0	0	3	0	3	1,2
<i>EU Average</i>	<i>17 (22%)</i>	<i>13 (94%)</i>	<i>8 (11%)</i>	<i>12 (52%)</i>	<i>9 (94%)</i>	<i>11,8</i>
Hungary	16	12	10	21	15	14,8
Ireland	31	14	0	19	15	15,8
Italy	10	9	3	2	3	5,4
Lithuania	29	14	13	22	15	18,6
Luxembourg	11	14	13	27	14	15,8
Latvia	20	14	8	14	8	12,8
Malta	13	18	6	5	0	8,4
Netherlands	12	9	21	13	12	13,4
Poland	18	14	10	19	15	15,2
Portugal	29	14	17	20	13	18,6
Romania	8	8	3	3	8	6
Sweden	22	14	14	15	5	14
Slovenia	20	14	7	15	14	14
Slovakia	14	13	7	4	6	8,8

b. Share of Cohesion Policy to the national public investment (DG Regio Calculation)

	Total cohesion policy expenditure 2014-2020	GFCF of the General Government	GDP 2014-2020	Share cohesion policy /public investment 2014-2020	Share cohesion policy/GDP 2014-2020
Austria	1,250	79,085	2,567,695	1.6%	0.0%
Belgium	2,339	78,987	3,094,102	3.0%	0.1%
Bulgaria	7,924	13,590	369,415	58.3%	2.1%
Cyprus	878	4,002	141,693	21.9%	0.6%
Czech Republic	22,676	56,427	1,351,340	40.2%	1.7%
Germany	20,673	522,132	22,598,800	4.0%	0.1%
Denmark	630	72,493	2,039,904	0.9%	0.0%
Estonia	3,702	8,760	167,574	42.3%	2.2%
Greece	18,267	43,182	1,232,923	42.3%	1.5%
Spain	44,859	177,994	7,955,994	25.2%	0.6%
Finland	1,481	66,812	1,573,459	2.2%	0.1%
France	18,747	560,401	15,998,341	3.3%	0.1%
Croatia	9,115	13,174	347,955	69.2%	2.6%
Hungary	22,530	48,398	882,865	46.6%	2.6%
Ireland	1,165	43,136	2,086,278	2.7%	0.1%
Italy	47,877	277,175	11,944,420	17.3%	0.4%
Lithuania	7,034	10,489	299,441	67.1%	2.3%
Luxembourg	182	16,423	407,388	1.1%	0.0%
Latvia	4,641	9,335	190,390	49.7%	2.4%
Malta	830	2,819	81,918	29.5%	1.0%
Netherlands	1,582	181,530	5,191,623	0.9%	0.0%
Poland	78,797	140,094	3,284,411	56.2%	2.4%
Portugal	23,547	26,200	1,355,282	89.9%	1.7%
Romania	24,071	49,128	1,315,441	49.0%	1.8%
Sweden	2,109	150,601	3,268,720	1.4%	0.1%
Slovenia	3,337	11,815	301,445	28.2%	1.1%
Slovakia	14,288	23,808	600,170	60.0%	2.4%
United Kingdom	10,870	473,000	17,062,418	2.3%	0.1%
Total	395,403	3,160,987	107,711,402	12.5%	0.4%
EU-13	199,823	391,836	9,334,056	51.0%	2.1%
EU-11	167,828	329,119	7,649,201	51.0%	2.2%