

The Role of Administrative Capacity for an Effective Implementation of EU Cohesion Policy

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This reflection paper examines the role of administrative capacity in the efficient management and effective distribution of structural and cohesion funds in the European Union (EU). It approaches the importance of (regional) administrative capacity not only in ensuring the absorption of funds, but also in facilitating their effective use through programming, decision-making on project proposals and the selection of beneficiaries. It will derive conclusions on current issues concerning the absorption of funds and formulate recommendations for the future design of cohesion policy.

The first part of the paper focuses on administrative capacity in terms of resources and governance, and systematically reviews the literature analyzing the availability of administrative staff and the functioning of the multi-level governance system as bottlenecks for the absorption of structural funds by the regions. The focus lies on recent academic and policy literature; both findings for specific Member States and for the EU as a whole are considered. Using also data available from the DG REGIO Open Data Platform, the paper reflects on the current absorption of structural and cohesion funds in the 2014-2020 programming period and the implementation status of the 2021-2027 programming period, particularly considering the requirement (incentive) to use funding from the Recovery & Resilience Facility before the end of 2026.

The second part of the paper examines the role of regional administrative capacity in effective policy implementation, i.e., for using the funds effectively. It provides a summary and discussion of literature on how administrative capacity and the distribution of funds (absorbed in a region) affects the outcomes of EU cohesion policy in EU regions. Previous studies have shown that human capital and institutional quality significantly influence the impact of structural funds in less developed regions. Also, the allocation of funds to different thematic areas and in different territorial contexts is found to be crucial, confirming the importance of "good" programming and project selection processes. Furthermore, it highlights the increasing EU policy focus on well-targeted funding for research and innovation activities, particularly in the context of achieving 'smart' growth.

Related to this, the reflection paper discusses new findings from recent and emerging literature on two aspects. The first aspect is the importance of targeting research and innovation funding to specific technologies or sectors based on regional technological capabilities, and the promotion of "smart" interregional cooperation. The paper reviews a recent study (see <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/technological-capabilities-and-the-twin-transition-in-europe>) that highlights the disparities in technological capabilities across (less and more developed) EU regions and analyzes the potential for fostering regional cohesion through (cross-border) cooperation in the development of green and digital

technologies. It emphasizes the need for administrative capacity to support interregional cooperation in research and innovation, in particular to identify well-suited partner regions. Secondly, the paper reviews emerging literature on synergies between structural funds and other, thematically related, EU funding instruments, such as Horizon Europe/Horizon 2020. Following the European Commission, the synergetic use of different funding instruments should contribute to creating a “critical mass” of funding in technological priority areas and thereby lead to better policy outcomes. Coordination and communication between national and EU managing authorities indeed becomes more and more important through a growing number of European policy instruments with similar (multi-dimensional) targets, such as the Recovery and Resilience Facility.

In sum, this reflection paper emphasizes the crucial role of administrative capacity in the effective implementation of EU cohesion policy. By addressing the availability of resources, governance structures and the strategic allocation of funds, this paper provides a comprehensive overview of the relevant literature and discusses its implications. In particular, the policy implications and recommendations for the future design of EU cohesion policy from 2028 will address current issues with the absorption of structural and cohesion funds before the background of the increased number of funding instruments in the course of NextGeneration EU.