IQ-Net Thematic Paper

ESIF Interactions & the Pursuit ff Synergies: Internal and External Dimensions

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# Introduction

Pernille von Lillienskjold, Lone Rosen, Brian Kampmann, Tej Egefjord, all of the Danish Business Authority (DBA) were interviewed online for the thematic paper on 9 April 2021.

## Interactions and synergies within ESI Funds

### Strategic frameworks

The drafting of the 2014-2020 programme deliberately tried to address particular economic development problems, drawing on measures from whatever funds were most relevant, and hence by design funds were supposed to supplement each other in a complementary manner. In some cases OPs/PAs explicitly sugges that both ERDF and ESF interventions could be relevant, e.g. when an innovation project could be supplemented by competence development. This is intended to create a systematic approach from programming through to the individual projects eventually supported.

### Programme management structures

Having DBA as the management authority for both ERDF and ESF greatly facilitates coordination, and although frontline administrative staff are specialised in one particular fund, the sharing of national regulations, monitoring committee, strategic management within DBA, IT platforms etc. – as well as adjacent office space – help to ensure a high level of coordination between activities between the two funds.

### Implementation

EU regulations make it is very difficult to have calls across priorities in different programmes in Denmark. This differs from the pre-2019 approach where the now-defunct regional growth fora produced calls covering both funds in what was the first stage of a two-tier process.

While it is seen as helpful that both calls and project selection are undertaken by the Danish Board of Business Development (DBBD), in an ideal world it would be preferable if individual development projects could combine innovation and competence development without having to apply for two separate grants.

In practice coordination is currently achieved by ’stretching’ both ERDF and ESF so that some elements of competence development can be integrated in innovation projects, and competence development projects focus on supporting innovative business activities. During the application process applicants are prompted to consider other sources of external funding but not actively encouraged to look in the direction of other ESI funds than the one they have decided to apply for.

### Looking forward to the new programme period

The push towards greater synergies between ESI Funds will continue in the new programme period, and if the regulatory framework does not change significantly, the current attempts to improve synergies mainly by ‘stretching’ ESF and ERDF programmes towards eachother are likely to continue. The original draft of the new EU regulations suggested that competence development could be part of ERDF programmes, so that one and the same project could start with accessing advisory services, continue with competence development, and finally resulting in financial instruments being applied. Later, however, these overtures have been overshadowed by the traditional compartmentalised thinking within the Commission, exemplified by discussions about whether a one-day workshop as part of an innovation project constitutes (undue) competence development. Although DBA continues to push for integration of competence development in ERDF projects – something that is clearly demanded by businesses in order to avoid having to apply to more than one programme – the outcome is still uncertain.

The new programme period will be (even more) green and digital, both with regard to innovation and competence development, and this will further strengthen the potential for synergies between the two funds. Basically, in Denmark ESF is predominantly concerned with support for business development in SMEs, as social issues are handled through national programmes, and thus also in the coming programme period the need for cross-fund financing of individual projects is perhaps less pressing than in other countries.

The potential de-regionalisation of ESF+ is not seen as a challenge, also because the Danish programmes are national in coverage and the special designation of Region Sjælland (Zeeland Region) will persist in the new programme period.

Regarding the relationship between ESF/ERDF and EAFRD, the EU-level decoupling is clearly overshadowed by recent changes in programme administration in Dernmark. Following a cabinet reshuffle that boosted the position of the former Minister of Housing (who has a strong and well-publicised interest in peripheral/rural matters) rural development policy moved away from the Ministry of Industry, Business and Financial Affairs (and hence away from the DBA) and was instead located in the now upgraded Ministry of the Interior and Housing. This shift will perhaps make cross-programme relationships more formal, but the basic division of work between them remains the same. While the ESF/ERDF programmes will continue to have a focus on less-privileged areas, the existing division of labour between the programmes will continue: while rural development measures focus on communities and very small firms, ERDF/ESF will continue to target growth-oriented SMEs and startups. However, the inclusion of support for city centres and tourism infrastructure development has the potential for more synergy with the EAFRD. Similarly, the management structures continue to differ: while decentral LAG partnerships are responsible for rural development, ERDF/ESF programmes are national, with DBBD as a key decisionmaking body.

## Synergies with the Recovery and Resilience Facility (RRF)

The Ministry of Finance is responsible for drafting the RRF programme that will be submitted to the Commission by the end of April, and as the mutual relationship must be described in both RRF and ESI programming documents, DBA and the Ministry of Finance have an ongoing dialogue in order to coordinate inputs to the EU level. In practice the risk of overlap is, however, limited, because while the ERDF/ESF programs will continue to focus on generating and processing project grant application in order to stimulate innovation and competence development under the guidance of DBBD, the RFF will focus on tax measures in support of green transition, a national fund supporting digitalization, and buying up agricultural land in order to reduce greenhouse emissions. With complementary targets different instruments/procedures, the task of ensuring coordination between RFF and the ESI Funds is in other words not seen as a major challenge.

## Synergies with other EU instruments

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| **EU framework** | **Relevance (0-10)\*** | **How are synergies pursued?** |
| Horizon Europe | 8 | In Denmark the charts of accounts were standardised between HE and ESI Funds in the current programme period, but in practice joint projects never emerged, despite close dialogue with relevant national funding bodies/ministeries. The reason for this includes administrative/procedural differences (state-aid rules, reporting requirements), but probably also reflects that the SMEs targeted by ERDF are rarely capable of participating in HE projects. Maybe in the future focus should be on preparing SMEs for subsequent participation in HE projects through ERDF innovation projects. |
| Single Market Programme | 2 | This programme is also administered by a department within DBA, but as the focus is on funding consumer advice, the scope for synergy is seen as limited. However, the DBA expects some of the activities in the SMP to complement those of especially the ERDF, e.g. in the areas of digitalisation and green transition. |
| Reform Support Programme | 0 | Not seen to be relevant for ESI Funds in Denmark due to focus on national-level structural reforms. |
| Connecting Europe Facility | 0 | Policy objective 3 (connecting) is not recommended for use in Denmark by the Commission or seen as relevant from a Danish perspective; funding is too marginal in relation to e.g. investment in broad band connections in peripheral areas. Therefore, synergies with the CEF are not regarded as relevant in the 2021-2027 period. |
| AMIF | 0 | Due to legal exemptions from parts of the EU treaty, this instrument is not available in Denmark. |
| Brexit Adjustment Reserve | 4 | Clearly important but still unclear how the detailed set-up will be. The uncertainty of making a national plan that then later will (may!) be subject to EU reimbursement means that efforts are under way to ensure that the proposed actions are acceptable to the Commission. Synergies are pursued through dialogue with the relevant units in the DBA and “Fiskeristyrelsen” (Danish Fisheries Agency) that are responsible for the BAR. |
| Others? (please list)  ***Digital Europe*** | 3 | Possible with ERDF co-funding, but in practice this is difficult because of uncoordinated deadlines and different requirements to applications. However, DE is being administered by DBA’s Copenhagen office, and thus in principle the task should be manageable. |

\* 0 = irrelevant, 10 = very relevant.

## Overview: obstacles and successes

The main obstacles for coordination and synergies are clearly the different rhythms of programmes in terms of calls and reporting, and, of course, weakly coordinated regulatory frameworks at the EU-level, especially regarding eligibility, co-funding requirements, state aid and competition rules. Conversely, if further synergies are to be achieved, the most important factors are coordinating strategies from the start, and coordinating project selection and implementation in order to stimulate coherent changes in businesses and society at large – both of which are in turn greatly facilitated by the presence of integrated management structures. See also the table below.

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| **Action** | **Action has supported positive interactions/ synergies**  (0-10 scale)\* | **Qualitative assessment**  (please provide a justification where possible, and any representative cases or examples) | **Any changes planned for 2021-27?** |
| Coordinated input from different funds, instruments in **drafting strategies and programmes** | 10 | See above. | No |
| Explicit **description in strategic documents** of how interactions will be managed | 3 | Less important given the emphasis on ‘stretching’ individual funds rather than using dual-funding. | No |
| Explicit **identification of policy areas** where interactions and/or synergies are most important | 3 | Less important given the emphasis on ‘stretching’ individual funds rather than using dual-funding. | No |
| Coordination or integration of **programme management structures** for different funds and instruments | 8 | See above. | No |
| Coordination of **project selection and implementation** process across funds and instruments | 9 | See above. | No |

Note: \* 0 = limited support, 5 is average and 10 is very supportive