



EUROPEAN COMMISSION

## Observations on the Partnership Agreement with the Netherlands

### Introduction

The observations set out below have been made within the framework of the Common Provisions Regulation and the fund-specific regulations. The observations take into account the 2013 country-specific recommendations adopted by the Council on 9 July 2013 (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:217:FULL:EN:PDF>) its supporting analysis (SWD) ([http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)) and are based on the Commission services' Position Paper for the use of the ESI Funds in 2014-2020.

The observations refer to the Partnership Agreement submitted by the Netherlands on 10 March 2014.

The observations are presented following the structure of the Partnership Agreement as set out in the template.

### 1. Assessment of the Netherlands' policy objectives

- (1) The Partnership Agreement addresses the policy objectives set out in the Commission Services' Position Paper and takes into account the relevant 2013 country-specific recommendations and Europe 2020 targets. It consists of an analysis of disparities, development needs and growth potentials while referencing the thematic objectives, the territorial challenges and relevant national and European policy frameworks.
- (2) The needs analysis should allow for a strong and logical basis for the selection of funding priorities and for the establishment of the desired results. Each identified need or potential expressed as a thematic objective under Section 1.3, needs to link to a corresponding needs analysis in Section 1.1. This is currently not the case for the interventions targeting the shift to a low carbon economy as detailed below.
- (3) The Commission agrees that focused European Structural and Investment Funds' (ESIF) investments supporting the attainment of the sustainability targets of the Europe 2020 strategy are necessary and therefore welcome the Netherlands' commitment to use a substantial share of the ESIF financial allocation to help achieve these targets. However, the needs analysis presented in the Partnership Agreement is incomplete and does not provide a sufficiently strong and clear starting point for the development of a coherent intervention logic (i.e. translation of identified needs into measures and expected results).
- (4) As regards the reduction of greenhouse gas emissions, the needs analysis refers to the Europe 2020 target without further elaborating on the current state of play or without describing the efforts required to meet the target. This analysis should be improved and should also cover the agricultural and forestry sectors.
- (5) The Partnership Agreement does not clearly differentiate between investments in renewable energy sources and investments in energy efficiency measures. They are

generally labelled as ‘low carbon technologies’. These are however two very distinct areas of intervention for which the needs should be analysed individually and for which the intervention logic should take into account the various specificities. There should be a clear differentiation between energy efficiency and renewable energy sources in Sections 1.1 and 1.3.

- (6) Despite the considerable gap between the Europe 2020 target for the share of renewable energy sources and the current situation in the Netherlands, there is only limited information in Section 1.1 on the use of specific energy sources, their development potential and the policy priorities. Overall, the drafting of the paragraphs on pages 8-9 does not allow for a proper understanding and assessment of the needs and potential for the Netherlands. Therefore, the paragraphs outlining the needs and potential in the area of renewable energy sources should be improved by including further information on the aforementioned elements.
- (7) There are several references to bio-based economy throughout Section 1.1. Clarification is needed on the concept “bio-based economy” and on the scope for ESI Funds investments. The Partnership Agreement should in addition be complemented with the development needs and potential. In this regard, it should also be noted that investments made under the low-carbon economy objective should always relate to the reduction of greenhouse gas emissions and should not have negative effects on the environment.
- (8) The Partnership Agreement mentions on page 9 that a focus on innovation in renewable energy sources is required to moderate the costs and to gain broad support for the investments. This should be underpinned by further analysis that would support this claim and that would clarify what would be the specific needs or the potential.
- (9) The last paragraph on page 9 on renewable generation of heat does not sufficiently describe needs or potential, which would justify investments in this domain through the use of the European Regional Development Fund (ERDF). If justified under Section 1.1, such investments and their envisaged results should also be better described in Section 1.3. In addition, if investments in renewable heat concern co-generation of heat and power, the relevant ex ante conditionality would be applicable.
- (10) The needs analysis does not cover energy-efficiency whereas it is clearly identified as a funding priority for ESIF investments. Only general sentences are included stating that the Netherlands targets heavy consumers (i.e. industry and the agricultural sector) on page 9, and that a large proportion of energy is used in buildings and that there is underinvestment in energy efficiency measures in the four largest urban areas on page 15-16. The Partnership Agreement should include a needs analysis which would be the foundation for the investments in energy efficiency improvements. It is highly recommended that such an analysis takes a quantified and targeted approach (covering buildings, industry, energy, transport, households) that would clearly indicate in which fields the ESI Funds will intervene.
- (11) Concerning the investments under thematic objective 6, the analysis in relation to environment, nature and biodiversity refers to the "Monitor Duurzaam Nederland" and also contains the broad conclusions of this report. The inclusion of factual data would however be useful to substantiate these conclusions and to strengthen the intervention logic. The Commission therefore invites the Netherlands to update Section 1.1 accordingly. This should cover in particular, demands on water resources from plant protection products, the situation of High Nature Value Areas, demands on soil and the specific environmental situation of forests.

- (12) Section 1.3 of the Partnership Agreement does not sufficiently outline the results the Netherlands is seeking to achieve through investments with the European Social Fund (ESF) and the ERDF.

For the ESF the Commission requests to specify the intervention logic by providing more explanation on the expected results per thematic objective in relation to the challenges concerning labour market participation and an ageing population, as described in section 1.1.

For the ERDF, the overarching strategic approach should be strengthened for the investments in innovation and low carbon economy. Therefore, the Commission recommends replacing the individual regional paragraphs on page 41-42 with a more strategic, overarching approach which describes per thematic objective and on the basis of the development needs, the choices made and the main changes that the Netherlands is trying to make. In this respect, the Commission also requests the Netherlands to refrain from listing the specific investment priorities and results of the individual ERDF operational programmes in the Partnership Agreement, and therefore to remove the table in Annex 1.

- (13) Section 1.3 of the Partnership Agreement includes references to the ERDF operational programmes Noord and Zuid which opt for supporting the regional human capital agenda under thematic objective 1.

As foreseen by the Article 5(1) (a) of Regulation (EU) 1301/2013, the ERDF can only support elements of the regional human capital agenda if the objectives and actions are clearly focused on strengthening research, technological development and innovation through building capacities for excellence in research and innovation. In addition, the text of the Partnership Agreement does not give assurance that the ERDF will not be used for human resource development through general education and the development of skills of the workforce which should be programmed under thematic objective 10 and supported by the ESF. The objectives of the ERDF under the human capital agenda, described on page 40, need further clarification.

- (14) The Partnership Agreement indicates at several instances that a ‘smart roll-out’ of low carbon technologies is an important area for investments for the ERDF programmes under thematic objective 4. The Partnership Agreement however does not convincingly describe how these investments will contribute to a reduction of greenhouse gas emissions and to the achievement of the Europe 2020 sustainability targets. In addition, these investments cannot be linked to an appropriate needs analysis under Section 1.1. The term ‘smart roll-out’ should therefore be further defined and the Commission recommends redrafting Sections 1.1 and 1.3 in order to strengthen the intervention logic for these choices.
- (15) Section 1.3 should clearly identify the contribution of the ESI Funds to meeting the target on greenhouse gas emissions.
- (16) Although Section 1.3 foresees the development of risk management instruments to cater for the increasing fluctuations of agricultural incomes, the need for such instrument is not analysed in Section 1.1. Both Sections should be well aligned. The analysis should also cover the possible need to include awareness-raising activities on disaster risk reduction and risk management, for instance in the planned focus on biodiversity and improvement of ecosystems within agricultural areas.
- (17) As regards thematic objective 6, the Commission recommends describing in Section 1.3 the actions which are envisaged to act on soil problems, such as decreasing organic

matter, on reduction of ammonia emissions and on green infrastructure, notably in relation to carbon sequestration and biodiversity. The consistency with the Prioritized Action Framework Natura 2000 should be explained.

- (18) The Commission welcomes the Netherlands' commitment to using integrated territorial investments as a key instrument for implementing integrated sustainable urban development strategies. Although the interventions funded through ERDF and ESF will focus on a limited number of specific challenges and will respect the need for a focused approach, the Commission wishes to remind the Netherlands that these interventions need to be part of overarching strategies tackling economic, environmental, climate, demographic and social challenges affecting urban areas, as outlined in Article 7 of Regulation (EU) 1301/2013. For example, sustainable urban development and low carbon strategies should be coherently linked to the air quality plans as defined in Directive 2008/50/EC.
- (19) All missing information regarding the European Maritime and Fisheries Fund (EMFF) must be submitted to the Commission within two months of the date of entry into force of the EMFF regulation, as required by Article 17 of Regulation (EU) 1303/2013. The EMFF investments should focus on supporting the reform of the common fisheries policy and the integrated maritime policy. The Partnership Agreement should also describe how the blue economy will be supported.
- (20) The country-specific recommendation concerning the employability of older workers should also be mentioned on page 20 in order to ensure consistency with other paragraphs on page 32. In addition, the country-specific recommendation concerning labour participation should refer to the 2013 Council recommendation, and not to the 2012 recommendation as is the case on page 60.
- (21) The Partnership Agreement gives a good insight in the current state of play of the ex ante evaluations for all ESIF operational programmes even though not all ex ante evaluations have been finalized. If additional conclusions or relevant information are available in the meantime, the Commission invites the Netherlands to include these in the Partnership Agreement.

## **2. Cross-cutting policy issues and effective implementation**

- (22) The Commission welcomes the Member States' intention to consider the use of financial instruments for the implementation of the ESI Funds. It should however be stressed that the decision to use financial instruments needs to be evidence based, i.e. on the basis of the ex ante evaluations of the operational programmes and in particular on the basis of an ex ante assessment for each financial instrument, as outlined in Article 37(2) of Regulation (EU) No 1303/2013. The Partnership Agreement pre-empts such ex ante assessments several times on page 30. Therefore the relevant paragraphs should be reviewed in order to give a more coherent overview of the general intention to consider the use of financial instruments and to give further assurance that ex ante assessments will be conducted or are being conducted. In this regard it should also be noted that a capital market assessment as referred to on page 30 would only cover part of the requirements of the ex ante assessment laid down in Article 37(2).
- (23) The Partnership Agreement needs to clarify how the selected partners will be involved in the preparation of the progress reports which should be submitted to the Commission in 2017 and 2019, as outlined in Article 52 of Regulation (EU) 1301/2013.
- (24) The Partnership Agreement does not sufficiently describe how the investment priority on active ageing will contribute, with the aid of the ESF operational programme, to the

horizontal objective of social innovation as required by Article 9(1) of Regulation (EU) 1304/2013. Chapter 1.5.4 should be complemented with such a description.

- (25) The Partnership Agreement should describe the link between Integrated Maritime Policy and the ESI Funds and should outline how the Funds will support the Integrated Maritime Policy.
- (26) The Commission welcomes the aim of the authorities to establish structural linkages between Horizon 2020 and the ESI Funds. The Partnership Agreement describes several actions undertaken or to be undertaken to strengthen this link. However, the Commission would welcome a further description of the action plan, including indicative timelines and a nomination of the responsible authority or process owner, would offer greater assurance that there will be continuing efforts to explore synergies between the different funding instruments.
- (27) In accordance with Article 19(3) of Regulation (EU) No 1303/2013, the applicability and fulfilment of the fund specific ex ante conditionalities will be subject to assessment by the Commission during the adoption process of the ESIF specific programmes.
- (28) The Commission considers the general ex ante conditionalities on anti-discrimination, disability and gender to be applicable to investments made with the ESI Funds. The Netherlands is therefore requested to update the self-assessment accordingly.
- (29) Additional information is required in order to allow an assessment of the fulfilment of the general ex ante conditionality on State aid. In particular, concerning the first criterion, i.e. arrangements for the effective application of Union State aid rules, the Partnership Agreement should include more detailed information on;
  - a) The measures in place in order to ensure compliance with accumulation rules and the 'Deggendorf-principle';
  - b) The institutional (reporting) arrangements to ensure appropriate knowledge on aid granted, including de minimis aid;
  - c) The arrangements in place in order to ensure that amendments into an existing scheme are systematically subject to a verification;

In addition, the information currently provided on the fulfilment of the first criterion mainly covers the ERDF operational programmes. The Partnership Agreement should however reflect the arrangements in place for all ESI Funds. The Commission therefore requests that the self-assessment is updated accordingly.

- (30) The general ex ante conditionality on statistical systems and result indicators requires that all the individual programmes are complete and submitted to the Commission. The self-assessment of the fulfilment of this ex-ante conditionality should therefore only be included in the operational programmes.
- (31) The Commission considers that the thematic ex ante conditionality 1.1 on research and innovation is not fulfilled as the regional smart specialisation strategies of West-Nederland, Oost-Nederland and Noord-Nederland do not contain the compulsory monitoring mechanism. The Commission therefore requests that the self-assessment is reviewed and complemented with a description of actions to fulfil the ex ante conditionality, the bodies responsible and a timetable for the actions as required by Article 19(2) of Regulation 1303/2013.

In addition the Commission does not have sufficient information to assess the fulfilment of the criterion related to an adopted framework outlining available budgetary resources

for research and innovation for the smart specialisation strategies of Noord-Nederland, Zuid-Nederland and Oost-Nederland. The self-assessment should include clear figures on budgetary resources adopted for research and innovation on national or regional level.

- (32) The Commission considers that thematic ex ante conditionality 1.2, requesting a multi-annual plan for budgeting and prioritisation of investments for research and innovation infrastructure, to be applicable for interventions foreseen under thematic objective 1. The applicability and fulfilment assessments should therefore be updated accordingly.
- (33) The Commission considers the ex ante conditionality 5.2 on the water sector referenced in Annex V of Regulation (EU) 1305/2013 to be applicable to investments in the area of Rural Development Priority 5. The Netherlands is therefore requested to include the self-assessment for this ex ante conditionality in the Partnership Agreement.
- (34) The Commission considers the thematic ex ante conditionality 9.1 on poverty reduction, referenced in Annex XI of Regulation (EU) 1303/2013, to be applicable to the envisaged investments in sustainable urban development with ERDF. The applicability and fulfilment assessments should therefore be updated accordingly.
- (35) The Commission considers the thematic ex ante conditionality 4.1, supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector, to not be fulfilled. National measures, which would enable the Commission to undertake the necessary conformity assessment, are missing. This concerns non-transposition of Article 4(1) and Article 11(2), (4) and (5) of Directive 2010/31/EU.

The Netherlands should therefore review the self-assessment and complement this assessment with a description of the actions to fulfil the ex ante conditionality, the bodies responsible and a timetable for these actions.

- (36) As required by Article 15(1)(b)(iv) of Regulation (EU) No 1303/2013, the Partnership Agreement should give insight and assurance on the way the coordination and consistency in the performance framework across the ESI Funds will be ensured. The performance framework monitoring system needs to demonstrate that it provides for early detection of possible performance issues and for follow-up mechanisms. It is not sufficiently clear in the Partnership Agreement how the working group on indicators will assure this. In order to fulfil the requirements laid down in Article 15(1)(b)(iv), the Partnership Agreement should include a further specification of the role and mandate of this working group.

In addition, the Commission encourages the Netherlands to broaden the scope of this working group and to use it as an instrument for joint monitoring and evaluation of the interventions of the ESI Funds.

- (37) The administrative capacity for the implementation of the EMFF should be assessed as soon as the regulatory framework is in place and the strategic implementation choices have been made.
- (38) The Partnership Agreement should describe how the maritime economy and Integrated Maritime Policy would be linked to the goals and programmes of European Territorial Cooperation.
- (39) The last paragraph of section 3.1.4 on the role of EGTCs may be completed in order to mention the two EGTCs with members from the Netherlands (one has its registered

office in the Ministry of the Interior and Kingdom Relations). The Commission reminds the Netherlands that EGTCs are not only eligible for ETC programmes.

- (40) The Netherlands is invited to provide further information on the assessment of the existing systems for electronic data exchange for ESF and the European Agricultural Fund for Rural Development (EAFRD), including an overview of electronic services already available for beneficiaries and an overview of the main development needs. This would contribute to a better understanding of the rationale behind the planned actions in the field of e-cohesion.