Partnership Agreements 2021-2027: The legacy of Next Generation EU

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In a nutshell

As the cohesion policy 2021-2027 programming period has ended with all Partnership Agreements being adopted, it is time to analyse how certain provisions established in the Cohesion Policy Regulations have been addressed by Member-States. Among others, the current programming period provides greater flexibility for national authorities to reallocate Cohesion Policy funds across types of regions and to other funds or instruments. Furthermore, changes regarding ERDF thematic concentration opened the door to a new model of national-level concentration.

This note assesses the uptake of these provisions in the 2021-2027 Partnership Agreements through a comprehensive analysis of their implications on the partnership principle, multi-level governance and the territorial dimension of Cohesion Policy.

1. Context

During negotiations of the post-2020 Cohesion Policy Package, the CPMR expressed concern about the discretion that Member-States would enjoy in the programming of Cohesion Policy funds due to specific controversial provisions. Among others, the transferring of resources across cohesion funds and to other Union instruments or the new approach establishing ERDF thematic concentration at national level.

Although the most centralisation alarming aspects had been removed or mitigated in the final agreement, the Common Provisions Regulation¹ (CPR) and the Regulation on European Regional Development Fund and Cohesion Fund² (ERDF and CF Regulation) maintained certain provisions, which make it possible for Member States to transfer funds among types of regions, between Cohesion funds and to other Union instruments. In addition, the Regulation on ERDF and CF implemented a provision (Article 4) which introduced thematic concentration at a national level as an option.

This paper assesses the uptake of these provisions in the current programming period, namely by performing a comprehensive analysis of Member States’ partnership agreements³, concerning chapters 4 (transfers) and 6 (thematic concentration) under Annex II of the CPR. The analysis will also look at the implications on the partnership principle, multi-level governance, and the territorial dimension of Cohesion Policy.

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¹ Regulation (EU) 2021/1060
² Regulation (EU) 2021/1058
³ The data analysis provided in this note does not consider the Belgian Partnership Agreement.
2. Transfers: An overview

Transfers of Cohesion Policy resources are possible under the new provisions of the CPR and can be executed in 5 different forms:

1. **Between types of regions** (4.1) – Art. 11 (1) and Art. 111 CPR
2. **To instruments under direct or indirect management** (4.2) – Art. 26 CPR
3. **Between ERDF, ESF+, Cohesion Fund or to another Fund(s)** (4.3) – Art. 26 CPR
4. **From ERDF and ESF+ to complementary support of JTF** (4.4) – Art. 27 CPR
5. **From ETC to Investment for jobs and growth** (4.5) – Art. 111 (3) CPR

Figure 1. Share of the total allocation transferred in each Partnership Agreement per form of transfer

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Overall, there is a non-negligible appetite for transfers by national authorities, as these provisions are being broadly used by Member-States in the Partnership Agreements, accounting for over 18 billion EUR or around 5% of total Cohesion Policy funds being transferred for the 2021-2027 period. Out of all the Partnership Agreements analysed, only Cyprus abstained from performing any kind of transfer. All the remaining Member-States opted for at least one type of transfer. Germany and Greece stand out with the greatest number of transfers, resorting to 3 different types, however when it comes to the total percentage of each allocation reassigned, Denmark (≈20%), Slovakia (≈11%) and Greece (≈9%) are at the top. In contrast, Member-States transferring the lowest amount of their allocation are Spain (≈0.40%), Croatia (≈0.54%) and Malta (≈0.60%).

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4 The values presented are an approximate estimate and there might be slight variances.
2.1 The protagonists

A clear preference stands with transfers among types of regions and between ERDF, ESF+, Cohesion Fund or to other Fund(s). The former stands for 28% of all transfers, while the latter consists of 61%. Both forms of transfers make up for the great majority of resource relocations (over 15 billion EUR). Only 3 Member-States (Cyprus, Denmark, and Malta) did not pursue at least one of these.

Although there is a trend towards transfers between ERDF, ESF+, Cohesion Fund or to another Fund(s) with a grand total of 39 transfers (summing up over 6 billion EUR), the reallocations among types of regions move more resources with (over 8 billion EUR with only 18 transfers).

These two types of transfer show that Member States are in for considerable flexibility in thematic and territorial distribution of the funds, which marks a departure from the underpinning principles of the policy.

It should be noted that transfers between ERDF, ESF+, Cohesion Fund or to other Funds also affect the envelope distribution by type of region. ERDF and ESF+ follow the three-tier system (less developed, transition and more developed), but nonetheless, it is possible for their resources to be reallocated to other funds which do not hold the same territorial distribution criteria, as is the case for BMVI, EMFAF and the Cohesion Fund.

The following pie-charts illustrate envelope changes regarding transfers among types of regions and between ERDF, ESF+, Cohesion Fund or to another Fund(s):
From a type of region perspective, the transfers imply an envelope increase for transition regions (≈+3%) and more developed regions (≈+10%), while decreasing the allocation for less developed regions (≈-3%). When it comes to the envelope of each fund, transfers increased resources for ERDF (≈+0.3%), Cohesion Fund (≈+5%), Border Management and Visa Instrument (≈+13%) and EMFAF (≈+0.04%), while reducing the resources of ESF+ (≈-3.04%).

### 2.2. The extras

The other 3 types of transfers remain mostly in the backstage with very limited usage. Reallocations to instruments under direct or indirect management, from ERDF and ESF+ to JTF support and from European Territorial Cooperation to Investment for Jobs and Growth aggregate around 11% of all transfers and their use is limited to 4 Member-States (Denmark, Germany, Greece and Malta).

Concerning transfers to instruments under direct or indirect management only 2 small reallocations were executed by Germany (sending 0.3% of its ERDF to Erasmus+) and Malta (sending 0.6% of its ESF+ to Horizon), which is a positive outcome, considering this was one of the most worrying provisions during negotiations.

A transfer from ERDF and ESF+ resources as complementary support to the JTF is solely planned by Greece, accounting for 2.5% of their entire envelope (over 500 million EUR).

When it comes to transfers from the ETC to the Investment for Jobs and Growth Goal, Denmark is the only Member-State resorting to this format, however, the conditions for this type of transfer are not the traditional maximum percentage ceiling. In order for this reallocation to be possible, the Member States’ initial share for ETC must be over 35% of the envelope (in Denmark’s case it is around 48%) and after the transfer must be no less than 25% (Denmark ETC share ended up near 28%). In total, around 20% of the Danish Cohesion Policy allocation was transferred.

All the data gathered allows us to reflect upon transfers’ presence in Cohesion Policy and their existence, or even reinforcement in the post-27 framework. Despite their minor rate of usage by Member-States, their permanence in the cohesion policy regulations might encourage further stray away from the core principles of the policy in the future as its implementation progresses. A recent report by the European Court of Auditors reinforces this thought, given that it has noted that cohesion policy programme amendments, including budget reallocations within the CPR framework, occur frequently during implementation.

### 2.3. What is the reason behind the transfers?

For any type of transfer to be executed Member-States must include justifications in their Partnership Agreements. The provisions of the CRP establishing these transfers are very general and do not set out any specific requirements or evaluation criteria against which the Commission should assess the rationale for the transfers. The justifications provided in the Partnership Agreements are very diverse and inconsistent across Member States. They range from a very short political statement to a more extensive technical argument, which proves national authorities have been given substantial room for manoeuvre on reallocating funds.

Even though most justifications state that transfers are being made to address regional unbalances from new distribution criteria, there is no obligation or even recommendation for consultation with local and regional authorities. It is therefore difficult to say the extent to which local and regional authorities have been consulted on this specific aspect. Much probably depends on how the partnership principle is applied as well as constitutional arrangements at a domestic level.

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5 ECA Report: EU financing through cohesion policy and the Recovery and Resilience Facility
3. A shift in thematic concentration

The Commission’s initial proposal of the ERDF and CF Regulation introduced a system of thematic concentration exclusively at a national level.

The national concentration methodology groups up Member-States into three categories depending on their respective Gross National Income (GNI), which in turn, will determine the percentages of funding to concentrate on the Cohesion policy objectives on the whole national territory, regardless of the category of the region within that Member-State.

As previously stated by the CPMR, this new system poses a threat to multilevel governance in the Union and the territorial scope of Cohesion Policy with the risk of not properly considering the investment needs of the different regions. ERDF thematic concentration at a regional level, the usual practice until now, was kept in the final text as an option with Member States having the possibility to opt for the national or regional level thematic concentration. With the approval of all Partnership Agreements, we can see the dominance of thematic concentration at a national level, given that out of the 26 Member-States analysed, only 8 have opted for the category of regions.

Figure 4. Thematic concentration option across Member-States

[Map showing thematic concentration across Member-States]
This is a noticeable shift that is very likely to endanger the territorial-based approach of Cohesion Policy and overlook specific geographical handicaps in different regions, particularly in unitary Member-States, which are most likely to opt for a centralised framework that could further weaken multilevel governance arrangements.

4. Brought to you by Next Generation EU

The first seeds were sown during the previous programming period, as a response to the refugee crisis of 2015. The Omnibus Regulation allowed for Member-State to earmark more funds for integration measures, however, the real kick-off would come with the COVID-19 pandemic in 2020.

Further centralisation provisions emerged with the Corona Response Investment Initiative (CRII) and its follow-up package (CRII+) introducing the possibility for Member-States to reallocate existing structural funds in order to allow swift action against the pandemic. This included unforeseen flexibility in the form of transfers and thematic concentration, which also became present in the provisions governing the REACT-EU and the Recovery and Resilience Facility (RRF), suggesting that these changes would not be exclusive to short-term emergency responses. The reinforcement of these provisions is now arguably generating a spillover of centralisation elements from the RRF into the architecture of Cohesion Policy in the current programming period.

It seems that the regional dimension could be losing its status as a core principle for the implementation of Cohesion Policy, specifically looking at transfer provisions and their criteria, which do not seem to uphold the partnership principle. The emergence of thematic concentration at a national level and flexibility in transfers holds the decision-making closer to national authorities and sets the involvement of local and regional authorities as an afterthought dependent on the domestic legislation of each Member-State.

Although current provisions are tempting to national governments this ease might come at the cost of core principles, such as territorial dimension and multi-level governance, as well as the effectiveness of ESIF in achieving a balanced development across the EU.

Following the current trend, we should not be surprised to find additional centralisation elements creeping into Cohesion Policy in the future. For instance, we could expect more transfers on the horizon, as the final agreement on REPower EU, will build upon Article 26 of the CPR, allowing for up to 7.5% of the initial national allocation of each fund to be redirected to the REPower EU objectives. From the current standpoint, we will most likely witness program amendments that could scrap off further resources from Cohesion Policy, considering that REPower EU builds up on the 5% already established in the CPR, bringing the transfer limit to 12.5% of the ERDF, ESF+ and Cohesion Fund initial allocation.

5. Closing remarks

As the discussion on the future of Cohesion Policy picks up the pace the above mentioned points should be well considered in the reflection on the future of the policy. In case provisions allowing to remain, it is important to envisage them in a model which does not harm Cohesion Policy core principles and ensures that consultation with local and regional authorities is embedded in their future provisions.

The new approach establishing ERDF thematic concentration at a national level raises additional concerns and its impact is yet to be determined, as we are at an early stage of the current programming period. However, it should be carefully monitored as equal treatment between regions within the same category of region is at stake.
The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in Geographical Commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies.

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