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November 2015

Events of relevance to Cohesion Policy: Summary of key points

EU Budget Focused on Results – 22 September 2015

The kick-start Conference of the Commission initiative “EU Budget Focused on Results” took place last 22nd of September¹. This initiative, led by Vice-president Kristalina Georgieva is one of the main priorities of the Commission for the following years.

The Commission approach is organised around four priority areas:

- Where is money spent: **The goal is to invest the EU budget according to the Commission's policy priorities: Investment for growth, jobs and competitiveness and responding rapidly to emergency situations such as the refugee crisis, for example.**
- How is money spent: **maximising the use of EU funds once it is decided where it will be spent**
 - o using the funds in the budget to attract additional financing - the investment plan for Europe or Juncker Plan
 - o creating better incentives like additional funding for instance in the structural funds for regional development regions that perform well can be rewarded with further funding
 - o Simplifying rules
- How is the EU Budget assessed: **ensuring better results by rigorous application of our control framework and performance-based budgeting**
- Communication: **improving the awareness of the benefits of the EU budget.** The Commission is putting together a database of successful projects funded by the EU budget

The Conference was attended by President Juncker², Wolfgang Schäuble (German Federal Minister of Finance), Mateus Szcurek (Polish Minister of Finance) and Commissioner Cretu, amongst others.

Minister Schauble’s speech³ was particularly controversial: he stated that the review of the MFF should be used as a chance to take a “fresh look” at the EU budget and proposed to cohesion policy funds and parts of the agriculture budget to help finance the implementation of the political priorities which MS agreed on in the European Semester: *“national projects which benefit from financing from the European funds should be systematically designed to implement the country-specific recommendations. The Commission needs to make this the precondition for financing national projects”*

¹ http://ec.europa.eu/budget/budget4results/index_en.cfm

² http://europa.eu/rapid/press-release_SPEECH-15-5696_en.htm

³ <http://www.bundesfinanzministerium.de/Content/EN/Reden/2015/2015-09-28-keynote-eu-budget-focused-on-results.html>

This new approach is the new way to go by the European Commission and has the support of several member States, and will be most definitely linked to the reform of Cohesion Policy. The Commission will come forward with concrete proposals for the way forward in a policy paper in the first half of 2016 and will organize this conference on an annual basis.

Meeting with Commissioner Cretu and regional offices in Brussels (30.11.2015)

On the occasion of the second meeting between regional representatives of Brussels offices and Commissioner Cretu on 30th November 2015, the Commissioner gave an update of the accomplishments of Regional Policy so far and the challenges ahead.

As regards past (and present accomplishments):

- The negotiations of the OPs are over. All programmes, including ETC, will be approved by the end of December. This means a mobilization of 600 billion euros (including national co-financing)
- The Task Force for Better Implementation is ongoing and focused on 2014-2020 implementation and administrative capacity
- The set-up of the High Level Group on Simplification
- The Alpine Macro-Regional Strategy is almost ready for adoption by the Council and soon will follow a kick-off conference after the strategy is adopted
- The 25th anniversary of Interreg celebrated in Luxembourg and a public consultation was launched to identify border obstacles and border solutions

As regards challenges ahead, the main issue at stake is the future of Cohesion Policy and it will be very much linked with the future of the EU budget. In this line Commissioner Cretu put forward the following questions:

- How to further simplify the policy?
- How to make the EU budget more flexible?
- How to reinforce the link between Cohesion policy and EU economic governance?
- How to reinforce the performance and focus for results of the EU budget?

The Commission will publish its first reform concept of Cohesion Policy in 2017. In the meantime, the Commission and Regions have to collect good practices and tangible results to show the added value of Cohesion to be able to feed the debate on the future of the policy.

Seminar “Simplify Cohesion Policy to boost results” (02.12.2015)

Hosted by MEP Iskra Mihaylova, Chair of the REGI Committee at the European Parliament, the seminar was organised by the ALDE Group. The event aimed at exchanging views and discussing proposals on how to achieve more efficient and result oriented cohesion policy through simplification.

Participants from the European Parliament such as MEP Jean Arthuis, chair of the BUDG committee, the European Commission, the EIB, the Court of Auditors, as well as other technical experts (representing Managing Authorities, Consultants and beneficiaries.) gave their assessments and proposed some solutions.

There was a general consensus on **the problems:**

- Legal uncertainty: gold plating, excess of rules and guidelines and different interpretations which discourages beneficiaries (including commercial banks, the typical financial instruments intermediaries). Legal constrains: state aid and public procurement
- Excessive and disproportionate auditing: mistrust
- Lack of balance between performance and simplification
- Lack of flexibility of EU budget at policy and at programme level: circumstances and estimates will change during the programming period and if rules and procedures are rigid there will be errors
- Time span between the submission of a project and the reception of financing, which provokes lots of problems to final beneficiaries

- Risk of error and bankruptcy on the side of beneficiaries due to excessive controls and short margin of error

In terms of the **proposed solutions**:

- EU budget more focused on results: be more strategic, assess the optimal use for EU funds and focus on EU priorities. Rethink what performance is. Voices such as MEP Jean Arthuis called for less number of programmes, for example. Michel Servoz (DG Employment) suggested combining Cohesion instruments with other instruments such as the Globalisation Adjustment Fund and the EASY programme.
- Simplify cost options
- Use Cohesion policy instruments in combination with other instruments such as the Globalisation Adjustment Fund or the EASY programme
- Innovation in accountability, audit and communication: update audit procedures
- Fewer, better and clearer rules: HLGS could look at guidelines and simplify interpretation
- Find the balance between taking risks and controls: proportionality! It was proposed a single audit: if the local government has approved the financing of the project then the government should approve it and not audit again
- Budget flexibility: agility is needed at programme budget level too
- More technical assistance and administrative capacity