



A future for Cohesion Policy? Avenues for reform

IN A NUTSHELL

The conference on the future of EU finances held on 25 September in Brussels confirmed that radical ideas are being considered to reform Cohesion Policy for the post-2020 period.

Building on the [CPMR position paper on the future of Cohesion Policy](#) adopted in June 2017, this paper puts forward scenarios and ideas to help position the CPMR on key issues at the heart of Cohesion Policy reform.

This note looks specifically at the following:

- The **areas of focus of Cohesion Policy** and the idea of more thematic concentration in the future. The CPMR proposes a bold concept of ‘regional thematic concentration’.
- **A single category of regions** and its impact on the allocation methodology for European Structural and Investment (ESI) funds. The CPMR proposes several options in this regard.
- A closer **link between the European semester and Cohesion Policy**. The CPMR proposes a specific and constructive role for Cohesion Policy and ESI funds programmes
- **A single investment fund** merging all five ESI funds.
- The future role of **European Territorial Cooperation** programmes.
- The **territorial dimension** of Cohesion Policy.

1. Introduction

Since the adoption of the [CPMR policy position on the future of Cohesion Policy](#) in June 2017 by its Political Bureau in Stavanger, discussions on the role of the policy and its place in the EU budget after 2020 are gaining momentum.

The CPMR has a narrow window of opportunity to influence ongoing discussions which will affect the role and focus of Cohesion Policy for the post-2020 period. The Commission is expected to publish its long anticipated **legislative proposal on the EU budget after 2020 in May 2018**, which should be **followed by a legislative package on Cohesion Policy** shortly afterwards.

This Technical note has two purposes:

- **to analyse the current state of play** regarding the post-2020 Cohesion Policy debate
- **to suggest a way forward** for CPMR to position itself on major issues affecting the policy. Scenarios are proposed for key issues addressed in this note.

This document builds on the Technical note ‘Which future EU budget to fit with CPMR priorities?’ presented at the CPMR General Assembly in Helsinki in October this year. The note looks at issues affecting the EU budget more widely.

2. Options for Cohesion Policy reform

This section does not claim to present an exhaustive list of issues related to Cohesion Policy reform. It analyses ideas put forward in the last of the five Commission Reflection papers which are based on the [White Paper on the Future of Europe](#) published on 1st March 2017. The [Reflection paper on the future of EU finances](#) was published last June. The CPMR General Secretariat has already published an [in-depth analysis](#) on what the document means for Cohesion Policy.

Instead, the remainder of this section ‘cherry-picks’ what the CPMR General Secretariat considers as the main issues at the heart of post-2020 Cohesion Policy reform. It also proposes scenarios and ideas to position the CPMR on the upcoming debate. **The ideas below do not constitute formal proposals from the CPMR.**

2.1 Which focus for Cohesion Policy in the post-2020 period?

The challenging context of the upcoming EU budget negotiations and the emergence of new priorities likely to be supported by the EU budget¹ are calling into question areas of focus Cohesion Policy should have in the post-2020 period.

The solution preferred by Regional Policy Commissioner Corina Crețu in [a speech delivered on 21 September](#) seems to be a **stronger concentration of the policy on fewer priorities**, which still needs to be defined:

“I am convinced that Cohesion Policy should focus on fewer policy areas than it is currently the case: to make it more effective; to increase its visibility”

¹ see Technical Note: ‘Which future EU budget to fit with EU priorities?’

Commissioner Crețu also gave several clues as to how this might be achieved: Cohesion Policy should have a clear role in terms of social inclusion, including the integration of migrants, but it should not have a role in the future regarding ‘top R&D projects’ and ‘core Trans-European networks’ which should be financed by other EU budget lines.

Scenarios and options for the CPMR

Achieving stronger thematic concentration is challenging. There are two options on the table:

- The CPMR could decide to agree that Cohesion Policy should be concentrated on a much narrower set of **priorities defined in consensus** by CPMR Member Regions. This would be challenging because of the variety of endogenous potential and the different challenges faced by CPMR Member Regions.
- The CPMR could take a bolder view and develop a **concept of ‘smart regional thematic concentration’**. This concept would rely on the Smart Specialisation Strategies as a process for regions to define priorities for investment, and which would foresee regions to concentrate funding from ESI funds on two to three priorities with a high European added value.

Such options will be discussed within the CPMR working group on Cohesion, the “Core Group”, within the next few months.

2.2 Will Cohesion Policy be based on a single category of regions?

The departure of the United-Kingdom (UK) from the European Union and the lack of a replacement for the Europe 2020 strategy pose challenges with regards to Cohesion Policy and its architecture:

- The departure of the UK from the EU does upset the potential future regional eligibility for Cohesion Policy, though as CPMR as argued in the past, [the impact would not be significant](#).
- The allocation methodology incorporates Europe 2020 objectives directly (particularly regarding the more developed regions category).

Both developments therefore imply a substantial revision of the so-called ‘Berlin formula’² for the allocation of structural funds.

The [German Federal Government statement on the future of Cohesion Policy](#) (adopted in June 2017) made a clear reference to the possibility of reforming the current architecture of Cohesion Policy.

“We recommend that an assessment also be conducted as to whether it might make sense to replace the system of having three categories of regions with a new approach to distributing the funds, i.e. a linear one, that would eliminate the risk of areas randomly switching categories.”

Although the above statement does not explicitly call for a single category of regions to replace the current architecture (based on less, more developed and transition regions), such a concept has been broached in recent months in Brussels circles. A single category of regions would present opportunities and challenges:

² See [CPMR briefing on the ‘Berlin formula’](#)

- **Opportunities**

- A Cohesion Policy based on a single category of regions would go hand in hand with the idea of the **policy covering all European regions**. Such a concept would make it difficult for Member States hostile to Cohesion Policy to water the policy down to a support mechanism for poorer regions only (a possibility raised in several scenarios presented in the EU reflection paper on the future of EU finances).
- A revamped allocation methodology based on a single category of regions would provide an opportunity to add **new indicators to complement regional Gross Domestic Product**.
- Such a concept would make Cohesion Policy **more transparent** and **simplify** the distribution of funds, which currently relies on radically different methodologies for each category of regions.

- **Challenges**

- A Cohesion Policy based on a single category of regions would require **a complete rethink of the allocation methodology for structural funds**, with significant political consequences for EU budget negotiations dominated by the *'juste retour'* approach.
- A single category of regions might **reduce the regional focus of the policy**. Specific territories and regions addressed by the policy could lose out (as alluded to by the CPMR Islands Commission position paper on the future of Cohesion Policy³). It may also lead to more national operational programmes.

Scenarios and options for the CPMR

The CPMR General Secretariat is working on scenarios to figure out what a single category of regions might mean, with options for the future (initial ideas will be presented at the CPMR Core Group meeting on 18 October).

Bearing in mind the opportunities and challenges highlighted above, the CPMR needs to have a view on the impact of a single category of regions and the way the funds are distributed.

Depending on the interest from Members, the CPMR could propose, for instance:

- A **more linear system** to ensure that regions which are near the current 'thresholds' for the three categories⁴ are not penalised;
- Some form of 'safety net' to ensure a **better territorial focus of the policy**;
- **A regionalisation of ESI funds allocation** at NUTS II level (as suggest in the [CPMR position on the future of Cohesion Policy](#) adopted in June 2017).

2.3 A Cohesion Policy supporting the European Semester more directly

The Commission Reflection paper on the future of EU finances alludes to Cohesion Policy playing a stronger role to implement structural reforms, as part of the European Semester⁵ after 2020. It talks

³ See [3.1.1](#) in particular

⁴ e.g. a region with a regional GDP average of 90.2% compared to the EU average so just above the transition regions threshold of 90%

⁵ see Section 2.1.2 of the CPMR Technical Note 'Which EU budget to fit with EU priorities'

of an incentives mechanism, whereby a financial ‘bonus’ would be awarded to Member States which are implementing structural reforms efficiently.

A seminar gathering Commissioner Crețu and Commissioner Oettinger (responsible for Cohesion Policy and the EU Budget respectively) and regional associations (including the CPMR) held on 27 September was particularly enlightening with regards to the European semester and Cohesion Policy:

- Commissioner Crețu alluded to the ‘**central role**’ Cohesion Policy should be given to ‘administrative and institutional reforms’ in the future
- Commissioner Oettinger evoked the idea of ‘**regional specific recommendations**’ within the European Semester for the post-2020 period

Regional specific recommendations linked to Cohesion Policy delivery in an overall framework of incentives provided by ESI funds would present major opportunities and challenges.

● Opportunities

- Provided regional specific recommendations were very specifically designed to be linked to Cohesion Policy areas of intervention and respecting competences at regional level, such a framework could potentially provide real **legitimacy for regions in the European semester**.
- Such a possibility would also provide **meaningful visibility for Cohesion Policy as an investment policy** that does more than just disbursing funds in regions, but that also triggers economic change and reform.
- Cohesion Policy already contributes to the implementation of structural reforms in the current period thanks to **ex-ante conditionalities** and to a dedicated thematic objective for modernising public administration (thematic objective 11), but its contribution is nowhere to be seen in the European Semester documents.⁶
- This would also answer one of CPMR’s key concerns for the relationship between the European semester and Cohesion Policy to be **constructive** rather than punitive via the threat of macroeconomic conditionality.⁷

● Challenges

- Cohesion Policy being used exclusively incentive for Member States to implement structural reforms would **turn the ‘raison d’être’ of the policy on its head**, and would go against its foundations as a long-term solidarity policy supporting economic, social and territorial cohesion.
- Such a scenario presupposes **radical changes both for Cohesion Policy and the European Semester**. Should Cohesion Policy play a direct role in implementing country-specific recommendations in the future, it would need to be aligned to the annual cycle of the European Semester. This could mean **rolling or annual operational programmes**.

⁶ 57% of country-specific recommendations issued in 2016 are territory-related according to the CoR [Territorial Analysis of the Country Reports](#) published in April 2017

⁷ See section 3.6 of the [CPMR Position Paper on the future of Cohesion Policy](#) adopted in June 2017

- The European Semester itself would also need to evolve and produce more detailed country (and perhaps regional) specific **recommendations considering territorial specificities and challenges**.
- Developing such a framework whilst **ensuring that the ‘subsidiarity’ principle is respected** would be challenging. The variety of constitutional frameworks of Member States and the colossal differences in terms of levels of competences at regional level would make it problematic.

Scenarios and options for the CPMR

It seems inevitable that Cohesion Policy will be playing a more prominent role to support the European semester and the implementation of structural reforms in the post-2020 period.

Building on its June position paper calling for a positive relationship between the European Semester and Cohesion Policy, the CPMR could propose the following scenario for the future:

- Cohesion Policy should continue to play a role to help with the **modernisation of public administration**, but such a role should be visible throughout the European semester
- Regional specific recommendations (with a specific territorial dimension) could be developed and enforced with the support of ESI funds. Such **recommendations would need to be fall under the scope of Cohesion Policy thematic objectives** and be based on a thorough analysis carried out by European semester officers together with the geographical units of DG REGIO
- Regional specific recommendations would need to have **a longer timespan** than country-specific recommendations, (which are annual) to ensure a good fit with Cohesion Policy programming
- Regional specific recommendations would require **Member States to consult with regions to co-design national reform programmes** for the implementation of these recommendations
- Such a framework should go hand in hand with **increased flexibility for managing authorities of ESI funds at regional level** to realise regional specific recommendations

Other issues, such as the nature of incentives to be provided, what such a scenario would entail for Partnership agreements, and the role of ex-ante conditionalities need to be discussed further, in view of preserving the role of regions in Cohesion Policy.

2.4 Towards a single investment fund?

The EU finances Reflection paper introduces the idea of a ‘single investment fund’ merging all five ESI funds⁸ for post-2020. On 27 September, Commissioner Crețu envisaged the creation of a **‘single Fund for economic, social and territorial development’**, without providing more details on how this would be achieved and if other funds than the five ESI funds would be concerned.

⁸ The European Regional Development Fund, the Cohesion Fund, the European Social Fund, the European Maritime and Fisheries Fund, and the European Agricultural Fund for Rural Development

Commissioner for Employment and Social Affairs Marianne Thyssen has also alluded to the idea of merging the European Social Fund with the European Globalisation Adjustment Fund in the past.

The CPMR - as well as the Committee of the Regions (CoR) and the High Level Group on Simplification - have called for a single set of rules for the ESI funds for post-2020. A single investment fund is a whole new concept which faces unique challenges and opportunities:

- **Opportunities**

- A single investment fund replacing all five ESI funds would bring much welcome **simplification**, particularly for beneficiaries
- A single investment fund would go some way in **addressing overlaps** between various EU programmes and funding instruments (at least 9 EU programmes and instruments provide explicit support to SMEs⁹ for instance)

- **Challenges**

- The five ESI funds fall under the responsibility of four different Directorate Generals of the Commission¹⁰. This means that four different Commissioners pull their weight to ensure that funds under their responsibility have sufficient financial envelopes, and contribute therefore to the EU budget being an investment budget. A single investment fund might therefore result in a substantially **lower envelope for ESI funds after 2020**.
- **A single investment fund might not have the regional focus** enjoyed by the European Regional Development Fund, and might therefore result in national operational programmes
- A single investment fund replacing the European Maritime and Fisheries Fund would be problematic for maritime regions as **support towards the Common Fisheries Policy and the Integrated Maritime Policy would be not guaranteed**, unless an earmarking mechanism or dedicated thematic objective was put in place

Scenarios and options for the CPMR

The CPMR General Secretariat is already undertaking work to understand which EU programmes and instruments support projects with a territorial impact as a first step to help establish clear roles (and boundaries) between them. The CPMR position paper on the future of Cohesion Policy adopted in June 2017 already makes the case for clear roles to be defined between the EFSI and Cohesion Policy.

The CPMR needs to take a view on the possibility of a Single Investment Fund over the next months.

2.5 Other issues

- **The future of European Territorial Cooperation**

The EU finances Reflection paper refers positively to Cohesion Policy cross-border programmes, though it fails to refer to Territorial Cooperation programmes altogether.

⁹ H2020, COSME, EaSI, ERDF, ESF, EARDF, EMFF, EFSI, Creative Europe

¹⁰ DG REGIO, DG EMPL, DG AGRI, DG MARE

Options regarding the future of territorial cooperation programmes seem wide open. Scenarios under consideration include:

- the role of INTERREG programmes should be rethought to narrow down objectives
- the overall share of territorial cooperation programmes within Cohesion Policy could be increased on the grounds of higher European added-value¹¹
- territorial cooperation programmes could put more emphasis on cross-border mobility
- cross border cooperation programmes could be merged within transnational programmes, thereby reducing the number of managing authorities

The CPMR has already developed strong proposals on the future of INTERREG in its June position paper, which may need consolidating in light of current developments.

- **Enhancing the territorial dimension of Cohesion Policy**

The CPMR has already criticised the lack of mention of the territorial dimension of Cohesion Policy bringing real added value in the EU finances Reflection paper.

Some of the innovations introduced in the 2014 – 2020 period regarding territorial instruments are likely to stay on or be reinforced: the concept of **Smart Specialisation strategies** has proved its worth and instruments such as **Integrated Territorial Investments and Community Led Local Development** should remain after 2020.

This offers opportunities for the CPMR to ensure that Cohesion Policy retains a strong territorial dimension in the future. The CPMR Islands Commission has already made detailed proposals to reinforce the islands dimension of Cohesion Policy in [its position adopted last March](#).

3. Next steps

This document has outlined opportunities for the CPMR to position itself in the current debate on the future of Cohesion Policy.

CPMR Members are invited to take a view on the options mentioned under Section 2 and outline any other issues which require the attention of the CPMR Secretariat.

The CPMR General Secretariat proposes the following steps:

- The CPMR Core Group will examine and discuss options outlined in this paper in the coming months
- The CPMR General Secretariat is planning a series of brainstorming sessions with experts from various backgrounds to help position the CPMR on the key issues for reform
- Discussions within the Core Group and the brainstorming sessions will allow the CPMR to weigh in the debate on Cohesion Policy reform ahead of the expected publication of the post-2020 EU budget proposal in May 2018

¹¹ The INTERREG annual meeting in April 2017 talked of raising the overall share to 45%



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The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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