Less funding, new ambitions: European Territorial Cooperation in 2021-2027

In a nutshell

European Territorial Cooperation is one of the two objectives of Cohesion policy and the essence of the EU frameworks for cooperation in Europe’s territories. CPMR members have strongly pointed out the added value of European Territorial Cooperation and the need for the EU to show real ambition by increasing its funding.

The legislative framework for European Territorial Cooperation 2021-2027 is close to be finalized as the European Parliament and the Council of the EU are reaching the late stages of the negotiations on the Regulation. At the same time, the European Commission has published in the last months a series of orientation papers in order to start the dialogue with Member States on the definition of ETC Programmes 2021-2027.

This note provides an overview of the main regulatory and programming elements related to the European Territorial Cooperation in 2021-2027. This note looks at the following aspects:
- Key elements for CPMR members on the ETC Regulation (sections 1 and 2);
- Preparation and architecture of future programmes based on the Commission’s orientation papers particularly on relevant issues for CPMR members (section 3).
1. Context and state of play of negotiations

The European Commission presented its proposal for the ETC 2021-2027 in May 2018. As mentioned in previous CPMR analysis, the text features significant changes compared to the previous periods.

- The three traditional strands (cross-border, transnational and interregional) are reshaped into 5 components, with two new ones dedicated to outermost regions (component 3) and cooperation on innovation (component 5) respectively.
- A major difference with the past is the restriction of the cross-border cooperation component to land borders and the consequent integration of the maritime cooperation into the transnational cooperation component. This is part of a broader push for a rationalization of programmes, officially to tackle existing overlaps, in practice to cope with a smaller budget.
- The allocations for the ETC are impacted by the proposed reduction of the Cohesion policy envelope post-2020.

Different aspects in the Commission proposal raised concerns from the perspective of the CPMR. The CPMR presented its messages on the Regulation to the relevant co-legislators on various occasions. Inter-institutional negotiations on the proposed regulation began in October 2019 after the European Parliament and the Council of the EU adopted their positions in March and June 2019 respectively. By December 2019, a compromise agreement was reached between co-legislators on a significant number of provisions of the regulation. A series of more contentious elements are still being negotiated and the principle “nothing is agreed until everything is agreed” applies. At the same time, provisions with budgetary implications are separately dealt with under the negotiations on the MFF 2021-2027.

Further advancements on the ETC Regulation have been affected by the fact that Political trilogues on the MFF sectorial regulations were frozen in January 2020 by the European Parliament to protest at the lack of progress in negotiations among Member States over the MFF. According to our information technical meetings are regularly going on, although few remaining elements need to be discussed at political level.

**What is next?**

Member States are yet to strike an agreement on the MFF 2021-2027 after the failure of another round of negotiations at the extraordinary summit on 20-21 February 2020. A deal on the next EU budget should be ratified by the European Parliament, a process that could take months. A few additional months would be the necessary to finalise the regulations in light of elements agreed under the MFF and adopt them.

At the time of writing it looks very likely that this whole process would well stretch into 2021, thus after the programming period has officially began, delaying the adoption and implementation of cohesion programmes, including ETC.

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1 CPMR analysis « Safeguarding maritime cooperation for post-2020 during the negotiations »
2 CPMR open letter to the European Commission ‘Cooperation across borders: the embodiment of EU added value’
3 CPMR amendments to the ETC Regulation.
2. A glimpse of the regulation on future ETC

This section takes a closer look at the items within the ETC Regulation of relevance to the CPMR.4

**Maritime cooperation**: Agreement reached in trilogue to **reinstate the maritime cooperation within the cross-border cooperation strand** in line with the CPMR demands. The Commission original proposal to place maritime cooperation under the transnational cooperation component would have caused a much sharper decline in allocations for maritime cooperation than the other strands compared to current levels (by at least 39% according to CPMR estimates). Moreover, the current 14 maritime programmes would have been more at risk of facing mergers to cover larger areas at the expense of their specific geographical focus. The reintroduction of maritime cooperation under cross-border cooperation helps avoid this scenario, at least in part considering that the Commission seems determined to press ahead with reducing the number of maritime programmes.

**The 150 KM provision**: A related issue is the geographical scope of maritime programmes, i.e. what is the maximum distance to define maritime borders under the ETC. The agreement in the trilogue has confirmed the **current limit of 150 KM with a certain flexibility, i.e. allowing for “potential adjustments needed to ensure the coherence and continuity of cooperation programme areas and where cross-border interaction may effectively take place”**. This latter criterion is not in the current regulation and could in effect lead to widening the scope of maritime programmes - e.g. extending Italy-France to Lazio as it is only 153km far away from Corsica - or create new ones involving territories that were not able to establish programmes with its closer neighbors due to the limitation (such as the Balearic Islands).

**Interregional cooperation**: The trilogue decided to **maintain the 4 existing programmes under the interregional cooperation strand (Interreg Europe, URBACT, ESPON and INTERACT)**. The Commission had proposed a narrower scope, and consequently a smaller budget, for this component which would have likely led to the disappearance of URBACT, INTERACT and INTERREG EUROPE. The MFF negotiating-box proposes to increase the budget for interregional cooperation from 100 million to 500 million to adapt the strand to the “restored” programmes.

**Macroregional strategies**: The Commission proposal sought a **reinforced link between macroregional/sea basin strategies and the transnational strand**. Originally the regulation set out that priorities in programmes should be fully aligned with priorities of corresponding strategies. The European Parliament and the Council have both proposed more flexibility, i.e. 80% and 75% respectively. The final level of alignment is still being discussed between co-legislators.

**Allocation methodology**: The Commission proposed a substantial revision of the methodology to determine the allocation of resources by Member State covering the cross-border and transnational cooperation. The main change is the **introduction of a new criterion based on the share of the population living within 25 kilometers of borders**.

The current two criteria – total population in border regions and total population in Member States – would remain, but the scope of the first one would now cover all land border NUTS3 regions and other NUTS3 regions where half of the population lives within 25km from a border. The weighting of the 25km criterion is set by the proposed MFF compromise at 30.5% while border population is at 45.8%.

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4 The note refers to the compromise agreement reached between legislators in December 2019 and to the latest proposal of the MFF Negotiating-Box (February 2020).
Member States’ total population is set at 20% and at the 3.7% for the total population of outermost regions. The 25 kilometer criterion appears to be too limited and does not reflect the demographic situation of many border regions where many urban agglomerations at greater distance are deeply involved in cooperation.

The Transnational component is only calculated based on Member states population and the Outermost regions component based on the share of the total population of outermost regions.

**Component 5:** The Component 5 “Interregional innovation investments” could be at risk as the changes proposed during the negotiations may lead to an overall reduction of resources. The European Parliament has appeared tepid on the new component downgrading it from the status of component to that of “initiative” with a slightly reduced envelope. The proposed MFF compromise in the Council sets out to move component 5 under the ERDF regulation halving the envisaged budget from 900 to 500 million.

Both the Parliament and Council have clarified that the governance of the innovation innovations under direct or indirect management shall be entrusted to an expert group comprising a representation of regions (Council). No decision on where the Component will be finally placed (ERDF or ETC) has been done.

**Co-financing and pre-financing:** The Commission proposed to reduce the co-financing rate to 70% compared to the current 80-85%. Lower co-financing put forward for all cohesion policy programmes are justified with the need to reinforce the local ownership and mobilize more funding. The proposed compromise on the MFF confirms the Commission proposal whilst Parliament proposed to maintain it at 80%. Pre-financing rates were also significantly lowered in the Commission proposal but restored in line with current levels by both the EP report and the Council proposal. Lower co-financing and pre-financing could have a negative impact on the implementation of programmes. The risk is that less pre-financing will lead to liquidity challenges in several programmes.

**ETC budget:** The allocation for ETC are impacted by the proposed reduction of the cohesion policy envelope post-2020. While negotiations on the MFF are underway, the allocation for “European Territorial Cooperation” goal under ERDF would suffer a cut by 24% compared to the current programming period (2014-2020: EUR 10.390,7 in million) if we consider the MFF Negotiation-Box from February 2020.

<table>
<thead>
<tr>
<th>EC proposal</th>
<th>EU CO PRES Negotiation-Box (Feb’20)</th>
<th>Change (EU CO Pres vs EC proposal)</th>
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<tbody>
<tr>
<td>Territorial Cooperation</td>
<td></td>
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<tr>
<td>Cross-border</td>
<td></td>
<td></td>
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<tr>
<td>Transnational</td>
<td></td>
<td></td>
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<tr>
<td>Sub-total</td>
<td>8 430</td>
<td>7 930</td>
</tr>
<tr>
<td>Out(inter)</td>
<td>4 440</td>
<td>5 693</td>
</tr>
<tr>
<td>Interregional</td>
<td>2 649</td>
<td>1 466</td>
</tr>
<tr>
<td>Total</td>
<td>7 089</td>
<td>7 159</td>
</tr>
<tr>
<td>Co-financing rate</td>
<td>80%</td>
<td>70%</td>
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<td>70%</td>
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| Table 1: Financial allocation for Territorial Cooperation components (in 2018 prices) |
Third country participation on ETC: The participation of third countries in specific cooperation programmes (cross-border as well as transnational programmes) will be in line with the agreement laying down the conditions applicable to the participation of the third country concerned in any EU programme. The leaving of the UK from the European Union generates concerns and doubts on the continuity of the ETC programmes where UK regions participated (see Brexit section below).

Please see Annex 1 for a detailed overview of the positions of the European Parliament and the Council on the various aspects of ETC compared to the CPMR.

3. Orientation papers: How programmes could look like in post-2020

The Commission kicked off the negotiating process on the ETC programmes 2021-2027 by circulating to Member States a series of orientation papers. These documents outline options and recommendations on the thematic and geographical focus of future programmes.

Although orientation papers do not reflect the official position of the Commission they serve as a basis for talks with Member States. The Commission has prepared separate orientation papers for each EU land border under the cross-border strands and each geographical/functional area deemed to be covered by a programme under the transnational strand.

Maritime orientation papers have been also drafted to account for EU maritime borders around sea basins in line with the Commission proposal. Additional orientation papers were prepared for programmes under the component outermost region and for the external borders of the EU.

3.1. CPMR initial analysis

The CPMR General Secretariat has taken a first view of the orientation papers observing the following elements. The orientation papers signal an overall intention by the Commission to slightly reduce the number of cross-border and transnational programmes compared to previous periods. As a result, a very limited number of programmes would disappear and/or be merged. The Commission justifies this approach on the need to avert overlaps between programmes or optimize cooperation in larger functional areas. A major reason is also the decreased envelope for ETC. The following paragraphs provide a partial overview of changes proposed by orientation papers.

Mediterranean – Black Sea area: The geographical scope of INTERREG MED would be expanded to include more eligible areas both on its western and eastern flanks. Transnational programmes Balkan Mediterranean and South West Europe are proposed to be discontinued with most of their eligible areas being absorbed by INTERREG MED. It is recommended to maintain the current architecture of the three maritime crossborder programmes in the Mediterranean Sea (Italy-Malta; Italy-France; Greece-Cyprus) as the areas they cover are far apart. Regarding the Adriatic-Ionian area, it is proposed to extend the scope of the maritime programme Italy-Croatia to Slovenia (land cross-border Italy-Slovenia and Slovenia-Croatia will be maintained). Greece-Italy would be maintained and it is suggested to extend its scope to include Basilicata and Calabria.

Atlantic: The orientation paper suggests significant changes for the new Atlantic Area programme, which would be broadened to include land-locked regions and regions previously covered under the SUDOE programme.
**Baltic**: The orientation paper suggests merging the maritime programme Botnia-Atlantica with land crossborder programme Sweden - Finland - Norway (Nord) into one new programme. It is also proposed to merge the programmes Central Baltic and South Baltic into one maritime programme. The ÖKS programme (Öresund-Kattegat-Skagerrak) is proposed to integrate the maritime part of DE-DK programme (and possibly DE part of maritime South Baltic).

**Macoregional strategies**: Orientation papers duly reflect the provision to reinforce the alignment between Macroregional and Sea Basin strategies and the corresponding transnational programmes. One common feature for transnational programmes related to Macroregional strategies is that they are proposed to cover a narrower range of objectives compared to the 2014-2020 period, which would exclude some Macroregional strategies’ priorities from their scope.

More specifically, it is proposed that these programmes do not cover the new PO3 on transport and mobility on the ground that the scale of investment required in this area exceeds by far and large the financial capacity of these programme. One could argue that transnational programmes have so far financed plenty of projects on mobility and transport with limited budget, for instance to support planning or exchange activities.

**Implications of Brexit**: At the time of writing the UK government has not indicated whether it plans to participate in the ETC programmes 2021-2027. Orientation papers for programmes currently involving the UK have taken a prudent approach on the issue. The documents do not contemplate the participation of British regions in the programmes concerned but clarify – in a footnote – that the UK could still opt in depending on outcome of negotiations.

In the event the UK joins at a later stage it would not be able to influence the drafting of the programmes to reflect any particular needs of its participating regions. A few programmes will also be discontinued as a result of Brexit (Interreg V-A - France-United Kingdom (Manche); Interreg Two Seas; the two crossborder programmes between UK and Ireland). The PEACE programme will be maintained.

Another issue is whether cooperation programmes covering areas heavily impacted by Brexit could contribute to tackle it, even via a dedicated priority. Orientation papers do not contain any mention to this.
## Annex I: Key elements and positioning on European Territorial Cooperation

<table>
<thead>
<tr>
<th>KEY ELEMENTS</th>
<th>CPMR</th>
<th>EUROPEAN PARLIAMENT (first reading position approved March’19)</th>
<th>COUNCIL OF THE EU (partial agreement June’19 and MFF negotiation-box February’20)</th>
<th>COMPROMISE AGREEMENT (19/12/19)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maritime cross-border cooperation</strong></td>
<td>Should be maintained within cross-border cooperation</td>
<td>In line with CPMR amendment</td>
<td>In line with CPMR amendment</td>
<td>Under cross border cooperation (ETC Strand 1)</td>
</tr>
<tr>
<td><strong>Interreg budget line (in EUR million)</strong></td>
<td>EUR 11.571,8 3.5 % of ESI Funds</td>
<td>EUR 11.165,9 3 % of ESI Funds</td>
<td>EUR 7.930 2.45%</td>
<td>Discussion under the MFF negotiations</td>
</tr>
<tr>
<td><strong>Cooperation with non-EU countries</strong></td>
<td>Particular attention to regions that become new external borders</td>
<td>In line with CPMR amendment</td>
<td></td>
<td>Provision under the horizontal negotiations on the MFF.</td>
</tr>
<tr>
<td><strong>Interreg Europe, ESPON, and INTERACT programmes</strong></td>
<td>Maintenance of the existing Interregional cooperation programmes</td>
<td>Support to the existing Interregional programmes</td>
<td>Re-introduction of Interreg Europe, URBACT, INTERACT and ESPON</td>
<td>Re-introduction of interregional programmes (ETC Strand 3)</td>
</tr>
<tr>
<td><strong>Alignment of transnational cooperation programmes with macro-regional strategies and sea-basin strategies priorities</strong></td>
<td>Encourage the alignment of the financial allocations of INTERREG programmes with macro-regional and sea-basin strategies objectives with a sufficient degree of flexibility</td>
<td>When cross-border or transnational cooperation supports a macro-regional strategy or a sea-basin strategy, at least 80% the ERDF shall contribute to the objectives of that strategy</td>
<td>Where an INTERREG programme covers the same geographical area as a macroregional or sea basin strategy, at least 75% of the total ERDF shall be programmed on the objectives of that strategy</td>
<td>Ongoing discussions under trilogues</td>
</tr>
<tr>
<td><strong>Interregional innovation investments (ETC Component 5)</strong></td>
<td>• Support to Component 5 • Doubts about direct or indirect management</td>
<td>Component 5 is not considered one of the components of Interreg. It is defined in a new article on the ETC Regulation. • Direct or indirect management supported by an expert group</td>
<td>• Transferred to the ERDF Regulation • Direct and indirect management</td>
<td>Ongoing discussions under trilogues</td>
</tr>
<tr>
<td><strong>ETC Allocation methodology (CPR Annex XXII)</strong></td>
<td><strong>Regions</strong> should be at the core of governance</td>
<td><strong>No specific reference to the role of regions in the governance model</strong></td>
<td><strong>Regional participation in the group of experts supporting the Commission on the implementation of the programme.</strong></td>
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<tr>
<td><strong>Ensure third countries’ partners are eligible for component 5.</strong></td>
<td><strong>Non-EU countries would be able to participate, if they contribute financially.</strong></td>
<td><strong>Third countries can be covered by the instrument.</strong></td>
<td></td>
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</tr>
</tbody>
</table>

**The European Parliament has not established its position on this provision.**

| **Interreg co-financing** | The co-financing rate for Interreg programmes shall be no higher than 85%. | In line with CPMR amendment. | The co-financing rate for Interreg programmes shall not be higher than 70%. |

**Legend:**
- **Bright Green** — in line with CPMR position
- **Light Green** — partially agrees with CPMR position
- **Orange** — does not explicitly agrees with CPMR position
- **Red** — disagrees with CPMR position
- **Grey** — Point excluded from the compromise agreement as it’s still being discussed between the European Parliament and the Council of the EU, or because it’s part of the MFF negotiations.
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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