



## Options for a ‘Cohesion-friendly’ link between ESI funds and the EU Semester

### STRUCTURE OF THE ISSUES PAPER

**PART 1** presents the CPMR’s preferred options regarding future links between the EU semester and Cohesion Policy

**PART 2** presents potential options for a reform of the link of Cohesion policy with EU economic governance from various perspectives:

1. **From the perspective of Cohesion policy:**
  - 1.1. A Thematic Objective or mainstreaming structural reforms support?
  - 1.2. An enforcement mechanism for structural reforms?
  - 1.3. Which ‘Bonus’ for the implementation of reforms within Cohesion policy?
  - 1.4. Introducing a structural-reforms contract?
  - 1.5. What reform for ex-ante conditionalities?
  
2. **From the perspective of the European Semester:**
  - 2.1. Different types of Country-Specific Recommendations?
  - 2.2. How to involve Regional authorities?
  - 2.3. How to add a territorial dimension to the process?
  - 2.4. Which cycle for the EU semester?
  
3. **Avenues for the future regarding the new EMU package instruments:**
  - 3.1. The Structural Reform Support programme
  - 3.2. The new reforms delivery tool
  - 3.3. The ‘stability function’

**Annexes:** 1) summary of the links that already exist between the European Semester and Cohesion policy and 2) main points emerging from the EMU package published in December 2017

## WHY IS THIS THEME IMPORTANT FOR THE FUTURE OF COHESION POLICY?

- 1** All signs point to a reinforcement of the link between Cohesion policy and the EU semester after 2020. Cohesion policy will continue supporting reforms necessary for the functioning of projects by EU funds and for efficient public administration. **But it is likely to go further than that in the future.** This also implies changes to ex-ante conditionalities and macroeconomic conditionality.
- 2** If there is to be a link with the European Semester, **one critical issue would be which eligible actions will be covered within Cohesion policy.** Financing structural reforms with Cohesion policy could raise questions about ownership, subsidiarity and accountability. It is difficult to conceive a scenario under which the EU budget would 'pay' Member States for carrying out structural reforms.
- 3** There is a **high risk that Cohesion policy will be stripped out of considerable financial resources devoted to its 'traditional' objectives (regional economic development, etc).** The establishment of the two new instruments for reform until 2020 (Structural Reform Support Programme and the new reform delivery tool), technical assistance and performance reserve, for a starter, will partly finance these instruments in which Regions have no involvement.
- 4** Issues covered by these **new reform instruments are a mix of reforms linked to the objectives of Cohesion policy, reforms enabling investment by the EU budget, and macro-economic** level type of reforms.
- 5** The **new instruments** for reform **will have a continuity in post-2020.** It is unclear which link they will have, if any, with Cohesion policy. There is a **high risk of Cohesion policy funds being used to** partly **finance these structural reforms instruments,** based on this Member States voluntary transfer of funds
- 6** **Cohesion policy,** ESI funds and operational programmes could, **in the future, be linked to the proposed 'stability function',** by means of a **temporary increase of the EU co-financing rate and/or a possible modulation of the level of pre-financing.** The new proposal considers using **Cohesion policy funds would be used to create a grants budget line for this function** that deals with asymmetric shocks.
- 7** Linking Cohesion Policy further to the European Semester will **no doubt add to the bureaucratic burden of the policy,** especially at managing authorities level.

## PART 1 - CPMR preferred options for the future

The European Commission is proposing several changes to the European Monetary Union system which affect the present and future of Cohesion policy. It has proposed the creation of a programme, a tool, and a 'function', that are outsourcing Cohesion policy funds to finance structural reforms or reduce asymmetric shocks. While these issues are not completely foreign to regional disparities and territorial cohesion, the nature, raison d'être and objectives of Cohesion policy seem to be at stake.

In line with [CPMR's position on the future of Cohesion Policy adopted in June 2017](#), we suggest that any proposal for reform of the link between Cohesion policy and EU economic governance should bear the following elements in mind:

### 1 Cohesion Policy is an investment policy before all else. Despite pressures for the policy to support the European Semester in the future, the CPMR strongly believes that any reform in that regard should ensure that only structural reforms with a Cohesion Policy / regional relevance are covered.

- Avoid any further outsourcing of Cohesion policy funds to multiplying programmes, instruments and functions for structural reforms (such as the Structural Reform Support Programme)

### 2 Take into account the necessary involvement of regional authorities in carrying out structural reforms in the areas of Cohesion policy and in the areas of their competences. Therefore, possibilities to ensure the strategic place of Regions could be:

- A **reforms contract** between the Regions, the Member States and the European Commission on the reforms to carry out, linked to Cohesion policy objectives, based on reform regional strategies would ensure ownership by the Regions, and that reforms are carried out at the level in which they are needed. A **bonus for the implementation**, in the way of additional funding or a higher co-financing rate, of those agreed upon reforms would incentivise Regions and member States to carry them out. These reforms, linked to Cohesion policy objectives, would be linked to the achievement of territorial, economic and social cohesion.
- In the case of a thematic objective on structural reforms, ensure that the **reforms or areas of reform are decided jointly by Regions and Member States and agreed with the European Commission**. The European Commission should ensure this.
- A **European Code of Conduct** could be introduced to formalise the role of Regions as strategic partners in the EU semester process

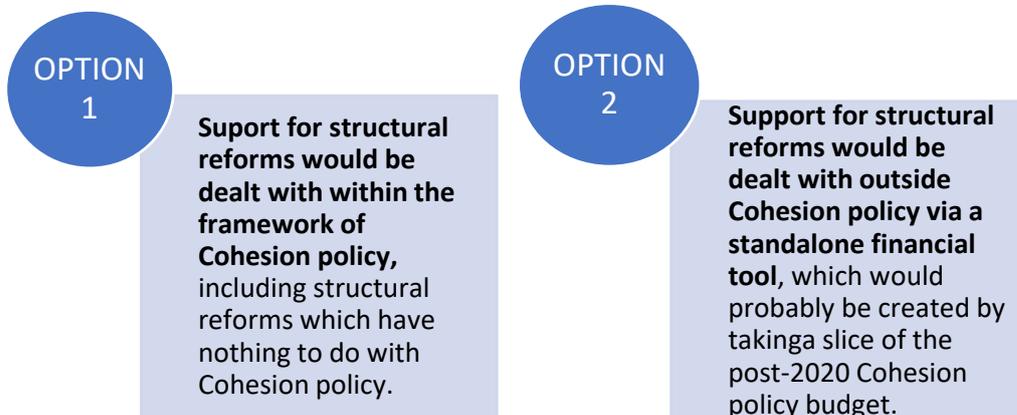
### 3 Ensure a territorial dimension within the EU semester process

- Regions could be **formally consulted by their governments on a compulsory basis** in drafting the National Reform Programmes and in reacting and feeding the national growth process
- Integrating a **territorial analysis into the whole process**, starting from the National Reform Programmes, following with the Annual Growth Survey, the Country Reports and the Country Specific Recommendations
- Introduce, together with classic CSRs, **territorial/regional specific recommendation**

## PART 2 - Potential scenarios on the link between Cohesion policy & the EMU

The scenarios explored in this section assume that the link between Cohesion policy and the European Semester (and possibly with the EMU as well) will be strengthened.

### WE ARE CURRENTLY FACED WITH TWO OPTIONS FOR THE FUTURE



#### What the CPMR says

In line with past CPMR policy positions, **the CPMR general secretariat therefore argues in favour of support towards structural reforms implementation to be dealt with within Cohesion policy, but only for structural reforms that are linked to either Cohesion Policy objectives or linked to regional competences.**

The section below looks at possibilities to improve the current link between Cohesion policy and EU economic governance (section 1), but also to reform the EU semester (section 2).

### 1. On the side of Cohesion policy

#### What the CPMR says

- If a **formal link** is to be established between the European Semester and Cohesion Policy for the post-2020 period, it **should be positive rather than punitive. Sanctions are not effective.**
- **ESI Fund managing authorities** should have **more flexibility** to modify their operational programmes **and a more formal involvement in the European semester process, along the lines of a Code of Conduct of Partnership.**
- **Ex ante conditionalities** should remain, as they contribute to create an investment friendly environment which will ensure a better implementation of ESI funds, but should be simplified
- **Macroeconomic conditionality should be removed from the Cohesion policy framework** in the post-2020 period, in order to avoid a double penalty for regions when they respect the rules of the Stability and Growth Pact.

#### 1.1. A dedicated Thematic Objective or mainstreaming structural reforms support?

The thematic objectives of Cohesion policy are, at this stage of the discussions, far from being agreed upon. However, and due to the interest of the European Commission and certain Member States on further stimulating structural reforms, a thematic objective linked to structural reforms is a distinct

possibility. This could be a continuation to the current thematic objective 11, on efficient public administration. Another option would be to mainstream structural reforms support, including it as part of each and every single thematic objective. **There would be several possibilities for the future:**

**A. Maintaining the current thematic objective (TO 11) on efficient public administration**, for all Member States - *Status quo*

PROS	CONS
This ensures reforms being linked to Cohesion policy.	This thematic objective is limited in scope and this type of reforms would concern only a limited number of Member States and Regions.

**B. A thematic objective dedicated to structural reforms**

- **The TO could include a menu of areas of structural reforms**, largely linked to the thematic objectives of Cohesion policy, i.e. research and innovation, information and communication technologies, climate change and risk prevention, social inclusion, employment and labour market, transport and energy networks, etc.
- **Each Member State / Region could choose to target areas from the menu**, based on the CSRs of the last two years which concern territorially-based structural reforms areas: they point at challenges concerning regions and their implementation relies on sub-national levels of government.<sup>1</sup>

PROS	CONS
This menu could allow managing authorities of Cohesion policy programmes to choose areas of reform which are most needed. It would allow regional authorities to align the thematic structural reforms to their competences.	It would be difficult to agree on the menu of reforms. Country-specific recommendations may not be concrete enough or linked to Cohesion policy objectives.

**C. A thematic objective with area of reforms decided jointly** by the Region, the Member State and the European Commission

- The thematic area of structural reforms would be decided jointly at the time of drafting the Partnership agreement and operational programmes
- Those structural reform areas would be linked to Cohesion policy objectives and would be territorially related
- The European Commission (DG REGIO) would ensure that the selected area of reform is synced with CSRs at the time of programming. Member States will ensure the area goes hand in hand with National Reform Programmes and Regions will ensure it is align with their regional development strategy

PROS	CONS
This would ensure that the structural reforms support Cohesion Policy objectives and are	Each Member State would select different areas of reform, which would create a complex

<sup>1</sup> The Committee of the Regions published a [Territorial Analysis of the Country-specific Recommendations](#) of the EU Semester 2017 which distinguishes territorial-related recommendations and sub-recommendations directly addressed to local and regional authorities and territory-related obstacles for investment. The report concludes that more than three quarters of the CSRs are territorial related “as they point to regionally differentiated challenges and their implementation relies on sub-national levels of government.”

aligned with the EU semester, the national reform programmes and regional development strategies. It will also allow for more flexibility for Regions.	process to monitor progress for all involved. The option to select areas of reforms at the start of the programming period would be difficult to put in place considering that CSRs and NPRs are based on a yearly basis.
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**D. Mainstream structural reforms into all thematic objectives.** There would be no dedicated thematic objective to structural reforms. Instead, each thematic objective (e.g. in Research and Innovation, climate change, employment, etc.) would comprise a section dedicated to structural reforms, when relevant.

PROS	CONS
Regions and Member States would exclusively focus on the structural reforms linked to the investment priorities for their territory. Operational programmes would only cover structural reforms linked to the objectives of the policy. These reforms would be unequivocally linked to the objectives of Cohesion policy.	Deciding on the eligible actions within each thematic objective is ultimately on the hands of Member States on the basis of the framework given by the European Commission. The risk is that those eligible actions go way beyond Cohesion policy type of interventions and objectives.

### 1.2. An enforcement mechanism for structural reforms?

In the eventuality that any of the above options are introduced, there would be two main options regarding its enforcement:

- Support to structural reforms could be **compulsory for all operational programmes**

PROS	CONS
	This option will add complexity and detract from the investment function of Cohesion Policy. Regions that do not have the capacity to implement the reforms could potentially be penalised.

- Support to structural reforms would be **up to Member States / Regions**

PROS	CONS
More ownership and commitment.	Potential complexity

### 1.3. Which 'Bonus' for the implementation of reforms within Cohesion policy?

In the spirit of incentivising structural reforms, we contemplate possibilities for a bonus that Regions and/or Member States would receive in return for carrying out structural reforms within Cohesion policy. This implies the existence of targets and indicators, including baseline indicators.

In exchange for commitment to implement structural reforms, Member States and Regions would either:

1. **Receive extra additional funding after a midterm review assessing the progress.** This additional funding could be Cohesion policy funding retained at the beginning of the period for this concrete purpose. It could work in a similar way as the current Performance reserve

## 2. Benefit from a higher co-financing rate:

- The co-financing rate would proportionally increase during the second part of life of operational programmes if structural reforms are well under way. It implies, as above, the existence of indicators and targets and of a midterm review.
- This option would be compatible with a thematic objective type of structural reforms link or with a structural reforms contract.

PROS	CONS
This option implies no punitive measure for not carrying out structural reforms	Co-financing rates could then be very low at the beginning of the programming period

### 1.4. Introducing a structural-reforms contract?

Based on their regional Smart Specialisation Strategies (or a similar concept), **regions would set up structural reforms strategies** which would then be **the basis for a structural reform contract** between the Region, the Member State and the Commission. It could work as follows:

- Each region would identify reforms with a direct link to the objectives of Cohesion policy to implement during the programming period and lay them out in structural reform strategies
- Member States, together with its Regions, would make a contract with the European Commission committing to a few structural reforms, based on the structural reform strategies, when negotiating the Partnership Agreement and Operational programmes.
- The contract will stand for the whole programming period, with a possibility of a review.

PROS	CONS
Regions would have a central role and ownership on the needs analysis and implementation of structural reforms in their territories.	There is no obligation (currently) to carry out structural reforms within Cohesion policy, for example as a compulsory TO. Structural reforms take a long period to show results. Indicators and targets should acknowledge that. These contracts or commitments are very similar to the new delivery tool proposed by the European Commission.

### 1.5. What reform for ex ante conditionalities?

It is understood that ex-ante conditionalities will be reformed: they could be made more effective and simplified.

Avenues for the future are:

- improving their scope with a focus on, possibly, a limited number of conditionalities
- ensuring fulfilment and durability throughout the implementation period
- make them more manageable and more flexible, considering national and regional contexts where possible,
- strengthen durability of results achieved via their fulfilment
- simplify its procedures, e.g. relieve management authorities from ex ante conditionalities checks

## 2. On the European Semester process side

### What the CPMR says

- The CPMR understands that there is a link between Cohesion Policy and the European semester, however **this link has no visibility (e.g when Cohesion policy does contribute to the implementation of structural reforms, this is now shown in the European semester ‘literature’).**
- An **annual structured dialogue on the state of cohesion within the EU** should be introduced as **part of the European Semester** process to guarantee coordination between the levels of governance.
- **The European semester documents** (Annual Growth Survey, the National Reform Programmes) **should include a thorough territorial analysis** paying attention to the role of regional authorities in implementing (CSRs) and the situation of specific territories.

The EU semester has a clear territorial impact but no territorial dimension and no regional authorities’ involvement. The current European Semester process does not reflect the territorial diversity of a Member State and does not involve Regions. Despite this, more than three quarters of the country specific recommendations are ‘territorially-related’ ones.

There are several areas of the EU semester in which reforms could be introduced:

### 2.1. Different types of Country-Specific Recommendations?

The European Commission would present to each Member State, on a yearly basis, a set of recommendations on potential country reforms over the next 12-18 months. The recommendations adapt priorities identified at EU level (in the Commission's Annual Growth Survey) to the national level.

For the future two categories of recommendations could be established:

- **‘classic’ CSRs**
- **‘territorially-related’ CSRs:** those that have entirely, or in part a territorially-differentiated impact or relevance, or require the involvement of regional and local authorities for their implementation. The idea of ‘regional specific recommendations’ was raised by Commissioner Oettinger in official speeches at the end of 2018.

PROS	CONS
Territorially related recommendations would allow for more specific recommendations and a formal involvement of regional authorities in the process. Regions’ specificities would be acknowledged.	Each Member State has a different constitutional structure. Territorial CSRs would need to be relevant and linked to competences of regions.

### 2.2. How to involve Regional authorities?

The EU semester has a territorial impact that calls for an appropriate involvement of regional and local authorities in the process. This involvement could be:

**Compulsory.** Regions would be consulted on a compulsory basis in the design of NRPs and recognised as strategic partners.

PROS	CONS
Regions would have a formal role in the process and ensure they are being consulted.	Being consulted does not necessarily imply that their contributions are taken into account. It could lead to a box-ticking exercise.

By means of a **Code of Conduct** for the involvement of Regions and other stakeholders in the European Semester, as proposed by the European Parliament and the Committee of the Regions:

- Each MS would put in place arrangements for the participation of Regional authorities in the process
- Regional authorities would be consulted on the design of NPRs, review the Country report and share their conclusions and policy responses, which should have to be considered

PROS	CONS
Regions would have a formal role and a detailed involvement in the process.	Consultation does not guarantee quality of involvement. This involvement also depends on the constitutional structure of each Member State.

### 2.3. How to add a territorial dimension to the process?

Options to add a territorial dimension to the EU semester could be:

1. The **integration of a territorial analysis into the whole process**, starting from the National Reform Programmes (NRPs), following with the Annual Growth Survey, the Country Reports and the CSRs. Data from DG REGIO and Regional authorities across the EU, the Committee of the Regions as well as the Eurostat, the Cohesion report, the Open Data Platform and the ex post evaluations could feed into the national growth analysis and the whole process.
2. The **introduction of a Regional scoreboard, which would be similar to the newly introduced social scoreboard**, to track regional trends across EU countries, feeding into the European Semester.

### 2.4. Which cycle of the EU semester?

The whole EU semester process revolves around national budgets, which are drafted yearly. Country-specific recommendations, national reform programmes and annual growth surveys, are therefore yearly too.

Modifying this cycle would be difficult to argue for. However, **NPRs and CSRs could be issued yearly and be accompanied by reform strategies for the whole programming period**, with a possibility of a mid-term review. Reforms take time and strategies for structural reform should cover a long-term perspective.

### 3. The new instruments in the EMU package

#### 3.1. The Structural Reform Support Programme (SRSP)

The SRSP budget is built on the technical assistance of Cohesion policy programmes and on voluntary transfers from technical assistance by Member States. The SRSP foresees no formal involvement of Regions and is directly managed by the European Commission.

Possible avenues for the future could be:

1. Exclude in the future any outsourcing of Cohesion policy funding to this programme and any link of Cohesion policy to the SRSP
2. Include a specific possibility for Regional authorities to also request this support
3. Merge this programme with the new reform delivery tool while excluding any link with Cohesion

#### 3.2. The new reforms delivery tool

The new tool has just been proposed and we are yet to see in paper how it will work. The pilot is intended to work from 2018 to 2020. In the absence of more information, Regions have no formal involvement in this tool, although part of the performance reserve of cohesion policy programmes is being used to finance it.

Whereas in the SRSP support is technical and specific, this tool will be based in reform commitment packages. These packages, to be implemented over a three-year period, agreed by Member States and the European Commission, would cover certain areas under the realm of the competences of regional authorities. This tool is closely linked to the EU semester process.

#### 3.3. The 'stability function'

Information available on the stability function is even more precarious. The European Commission has published its intention to propose this stability function.

ESI funds are contemplated as a potential stabilisation tool. **Potential temporary increases of the EU co-financing rate and/or a possible modulation of the level of pre-financing of ESI Funds are contemplated** in relation to macro-economic circumstances.

How this would affect the investment strategies and needs of EU territories is completely unknown. Furthermore, ESI funds are contemplated as potential EU Budget resources to feed a budget line which would ever in national investment platforms. However, it leaves Cohesion policy in a policy limbo with Cohesion policy funds being outsourced, once more, to carry out structural reforms.

#### What the CPMR says on the new instruments

Via the SRSP, the new delivery reform tool, and plans for stability function, the EU has multiplied EU support mechanisms for carrying out structural reforms across the EU. **This raises questions on the need to further compromise Cohesion policy funding to structural reforms and the potential link Cohesion policy will have with them.** It also raises **questions about the multiplication of tools, instruments and programmes** and the **possible adequacy of a standalone fund for structural reforms** with several components covering what these new programme and tool and function will do.

Compromising the performance reserve of current Cohesion policy programmes via the recently launched pilot project **is not acceptable.**

## Annex 1 - How is Cohesion policy currently linked with EU Economic Governance?

Cohesion policy is already very much linked to EU economic governance. The reform of Cohesion policy for the 2014-2020 period introduced a series of features to ensure that Cohesion policy contributed to structural reforms by laying down the necessary conditions for investment. The CPMR has looked at these issues in details<sup>2</sup>.

### 1) Partnership Agreements, Operational Programmes and the EU Semester

A new feature introduced in this programming period 2014-2020 is the link between Cohesion policy and the European Semester.

Member States can **review and propose amendments to their Partnership Agreement and programmes** by request by the European Commission. This request is made where this is necessary to support:

1. the implementation of relevant Council Recommendations or;
2. to maximise the growth and competitiveness impact of the Structural and Investment (ESI) Funds in Member States receiving financial assistance.

**The overall process of coordination between DG REGIO and DG ECFIN, and crucially, the question of 'who decides', lack transparency.**

### 2) Macro-economic conditionality

This feature is the punitive consequence for not respecting the provisions described in the section above. **In a nutshell, the Commission can propose a suspension of part, or all the payments of operational programmes.** The suspension is proposed if a Member State does not submit proposals for amendments to their Partnership Agreement (PA) and operational programmes (OPs) in line with the implementation of relevant country specific recommendations (CSRs).

The idea of macroeconomic conditionality has been widely rejected in several positions from the CPMR since the 2014-2020 negotiations. It **penalises sub-national governments even though they have no responsibility over national budgetary planning and fiscal discipline.**

### 3) Thematic Objective 11 on Efficient Public administration

One of the thematic objectives of Cohesion policy, TO 11, is dedicated to enhancing institutional capacity of public authorities and stakeholders and efficient public administration. ESI funds invest in institutional capacity building and reforms, structures, human capital and systems and tools. Eighteen Member States receive funding for TO 11, including net contributors. Most of the funding support TO11 comes from the European Social Fund (72.9 %), which largely operates through national operational programmes.

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<sup>2</sup> The CPMR Secretariat published a technical note explaining the -at the time- [New European Economic Governance model](#), September 2013. The CPMR also adopted a policy position at the beginning of this programming period on how to reconcile [EU Economic Governance with Cohesion policy and the regions](#) (2014). The majority the features, challenges and ideas laid down in this paper remain relevant today.

Support for public administration reforms through Cohesion Policy is **theoretically linked to the EU semester process. However, the nature of this link is unclear and data is very difficult to find in that regard.**

#### 4) Ex-ante conditionalities

Ex ante conditionalities (ExAC) were one of the key features introduced in Cohesion policy for the 2014-2020 period. The rationale was to ensure that EU funding is focused on results and creates strong incentives for Member States to ensure the effective delivery of Europe 2020 objectives.

The ex ante conditionalities are linked to policy and strategic framework, regulatory frameworks and to sufficient administrative and institutional capacity of public administration and stakeholders implementing the ESI Funds. For the 2014-2020 there were 7 general ex ante conditionalities and 29 thematic ex ante conditionalities.

In the eventuality of ExACs not being fulfilled at the time of programme adoption, action plans were set out in operational programmes. These actions were required to be completed by end 2016. By March 2017, 86% of them had been fulfilled. The non-fulfilment would imply a suspension of payments, but this has not been used by the Commission. **It is unclear how the ExACs are coordinated with the EU semester, if at all.**

#### 5) Structural Reforms Support Programme (SRSP)

Proposed by the European Commission as part of the [November European Semester package](#) last November 2015, the Structural Reform Support Programme was adopted in May 2017.

The programme provides support, on a voluntary basis, by the European Commission, to national authorities to support them in carrying out reforms. The areas of reform are linked to Governance and public administration, tax revenue and public financial management, growth and business environment, labour market, health and social services, climate action, financial sector and access to finance.

The SRSP runs from 2017 to 2020 and its total budget will amount to a total of EUR 142.8 million, made from ESI funds technical assistance. **This is the only link between Cohesion policy and the SRSP.**

## Annex 2 – What does the EMU package mean for post-2020 Cohesion Policy?

The European Commission published on 6 December 2017, a legislative package on the completion of the European Monetary Union (EMU) containing five elements. Within the package, the most relevant document for Cohesion policy is the **Communication on new budgetary instruments**. It proposes:

1. The reinforcement of the **Structural Reform Support Programme**
2. The creation of a **reform delivery tool** at the request of Member States for 2018-2020
3. A **stability function at European level**

### 1. Reinforcing the Structural Reform Support Programme

The SPRS provides technical support for specific actions at the request of the Member States to help them carry out reforms, as explained in section 2.5. The EMU package has introduced new elements to it which are quite relevant for the current and future Cohesion policy:

1. The SRSP will most likely **reinforce its budget** for its remaining life span (until 2020) to up to EUR 300 million.
2. **Member States, would be able transfer part of their resources from their ESI funds technical assistance** component to the SRSP
3. The European Commission already envisages a **post-2020 SRSP with a a dedicated convergence facility for Member States on their way to joining the euro**. Where will the funds for post-2020 programmes come from and the relationship with Cohesion policy, remains unknown.

### 2. New 'reform delivery tool'

The European Commission also proposed a new reform delivery tool, to be tested in a pilot phase for the period 2018-2020, and fully fledged in the next MFF.

#### ***For 2018-2020: a 'pilot'***

The objective of the tool is to support Member States in implementing the reforms identified in the context of the European Semester in the areas of product and labour markets, tax reforms, the development of capital markets, reforms to improve the business environment as well as investment in human capital and public administration reforms.

The tool revolves around so-called '**reform commitment packages**':

- These are to be proposed by Member States to the Commission and include a set of reform measures with milestones and targets
- The reform commitment packages would be monitored together with the National Reform Programmes (NRPs)
- The monitoring and reporting on the implementation of its milestones would be aligned with the European Semester
- The annual Country Reports produced by the Commission's services would provide an updated assessment of reform progress.
- The pilot (2018-2020) will be **financed from** part of the **performance reserve** of the current ESI funds

### **For post-2020**

There are vague indications as to how the pilot could become a fully-fledged instrument in the next MFF:

- In a first phase, following a dialogue with the Commission, a **reform commitment package** would cover **reforms to be implemented over a three-year period** at the start of the MFF programming period post-2020
- The agreed reform packages would provide for a detailed set of measures, milestones for implementation and a **calendar for completion within a maximum period of three years**. MS would report on progress together with NPRs.
- **A second round of reform commitment packages could be agreed during the programming period**, for example at the request of a new government.

### **3. Stability function**

The European Commission has also proposed a **stability ‘function’** for post-2020.

- The idea seems to be about **activating ‘resources’ rapidly** to deal with large asymmetric shocks that cannot be managed at the national level alone.
- Access to the stabilisation function would be subject to eligibility criteria and an agreed mechanism to trigger its use.
- This function would affect Cohesion policy and ESI funds in two ways:
  - The Commission considers ESI funds have a **potential stabilisation effect** and contemplates the **possibility of a temporary increase of the EU co-financing rate and/or a possible modulation of the level of pre-financing of ESI Funds** depending on the circumstances.
  - The European Commission also contemplates the **possibility of including a budget support/grant component system to complement the existing system of loans**. The EU budget would provide some limited annually budgeted grant support to the Member States concerned, committed on a **specific budget line, possibly as part of the ESI Funds for the participating Member States**. This budgetary line would feed every year into the stabilisation function to help build up its capital.



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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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