



Principles for Cohesion policy for the post-2020 period

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1. Introduction

The EU project is at a critical juncture: the rise of Euroscepticism, Brexit, and emerging priorities require a change of course as far as the EU is concerned. This is an opportunity for Cohesion Policy to be modernised and shaped to be at the heart of a reformed European Union. Discussions on the European project should go in hand in hand with discussions on the future Cohesion Policy.

Cohesion Policy is not a mere funding pot, but a policy anchored in the EU Treaties at the service of European solidarity. The key for the future is to consolidate its original objectives whilst reinforcing its legitimacy to realise EU priorities across Europe.

2. Why Europe needs a strong Cohesion Policy after 2020

2.1. The European project needs Cohesion Policy to achieve EU objectives across Member States and regions

- **Cohesion Policy is vital for EU objectives to be realised everywhere in Europe.** For a start, funding is concentrated on EU objectives: Member States and regions have to focus on the implementation of EU priorities at national, local and regional level. That is what thematic concentration is about.
- Cohesion policy is much more than its 325bn euros envelope. **It is a policy that delivers just as many benefits to the European Union as it does to individual regions.** It is a significant policy instrument at European level and has become ‘a tool to finance the adoption of EU standards’, according to the latest report commissioned by the High Level Group on Own Resources. Cohesion Policy now provides significant incentives for Member States to comply with European legislation (such as meeting environmental requirements for instance) before receiving funding.

- Ex-ante conditionalities have led to a stronger alignment of regional strategies (such as innovation and economic development strategies) with EU priorities. A prime example is **Smart Specialisation Strategies developed at regional level as the main framework for innovation-driven growth**. Smart specialisation is an important concept for fostering regional innovation ecosystems and a tool for benchmarking and cooperation between regions.

WHAT NEEDS TO CHANGE:

- **Cohesion Policy should be seen as a central component for the realisation of EU objectives and should therefore cover all European regions.** It should not be seen as an expensive line of the European budget to finance projects in less developed regions. The traditional image of Cohesion Policy as a catching up instrument solely focused on less developed regions needs to change.
- **The integration of Cohesion Policy at the heart of the European policy framework needs to be reinforced further,** following reforms introduced for the 2014 – 2020 period.
- **Addressing long term objectives should remain the core function of Cohesion Policy.** There needs to be some added flexibility so that regions can choose to address new priorities in light of emerging crisis and emergencies.
- **The relationship between Cohesion Policy and the European semester needs be positive rather than punitive,** as is the case today with macroeconomic conditionality.

2.2 Regions and local authorities need Cohesion Policy so that they take ownership of the EU policy agenda

- **Cohesion Policy articulates European policies and objectives at all territorial levels.** There is overwhelming evidence that regional and local authorities have used Cohesion Policy and regional operational programmes to integrate European policy objectives in their own regional development strategies, starting from the Europe 2020 strategy and its objectives which are translated regionally. The shared management principle of the policy is crucial and needs to be maintained to avoid territories being disconnected from the European project.
- In light of the forthcoming 'Brexit' and rise of populism across Europe, Cohesion Policy has an increasingly important role to play in **communicating the benefits of the EU to the citizen**. The bottom-up approach supported by Cohesion Policy is also a key feature that needs to be maintained.
- **EU initiatives are strongly dependent on the regional level for successful implementation.** It is the regional and local levels that turn words into action and which give popular legitimacy to the entire EU project. It is also the regions that face the consequences of failure at national and EU level in handling crises and challenges.

WHAT NEEDS TO CHANGE:

- **The role of regional and local authorities in Cohesion Policy needs to be reinforced in post-2020 Cohesion Policy.** The Commission needs to be a more effective guardian of the partnership principle, which needs to be further reinforced in the post-2020 period.
- **Major changes are needed to simplify the policy for both beneficiaries and managing authorities.** Compliance and monitoring of EU audit and control rules should be based on trust and past performance. One common set of rules for all five ESI funds should be introduced.

2.3. The EU investment efforts need Cohesion Policy to mobilise investments across Europe's territories

- The European Commission proposed to double the guarantee supporting the European Fund for Strategic Investment (EFSI) and to extend it further beyond 2020.
- The EFSI partially relies on Member States contributions and is disconnected from the EU budget negotiations. On the other hand, Cohesion Policy is a direct product of Member States negotiations on development strategies and the budget to achieve this from the Multiannual Financial Framework (MFF). This inevitably puts Cohesion Policy in competition with the Investment Plan for Europe in times of budgetary constraints.
- The centralised governance of the EFSI contrasts with the programming approach of Cohesion Policy funds which is based on a wider partnership. The distribution of the EFSI is geographically and sectorally highly imbalanced, whilst every European region receives European Structural and Investment (ESI) funds. EFSI financing (even if it is handled by national or regional promotional banks) is not subject to state aid, whereas regionally managed ESI funds are. **This creates an uneven playing field for Cohesion Policy.**
- The EFSI clearly delivers results in some parts of Europe. **But the EFSI brought about confusion as to what is the investment policy for Europe: is it Cohesion Policy, the EFSI, or a mixture of both?**
- **The debate opposing grants and financial instruments as means to stimulate growth and jobs in Europe is not a useful one.** Financial instruments supported by ESI funds are particularly suited to market-based interventions, for instance.
- **However, grants are sometimes more efficient than financial instruments to realise Cohesion policy objectives.** In some cases, financial instruments supported by the ESI funds offer little added value in some regions compared to financial instruments which exist at national or regional level.

They are sometimes ill-suited to regions with little experience or capacity to exploit the potential of such instruments.

- The EFSI was not designed to work efficiently with ESI funds programmes and is being developed independently from Cohesion Policy.

WHAT NEEDS TO CHANGE:

- **The Commission should develop an integrated strategy for investment for the post-2020 period building on the foundation of Cohesion Policy principles so that the EFSI and ESI funds complement each other** to maximise potential for investment, jobs and growth together.
- **The extension of the EFSI should be subject to a detailed evaluation** demonstrating that the projects supported by EFSI are additional and not just crowding out commercial bank financing that would have also taken place in the absence of EFSI. The error rate and irregularities among EFSI-funded projects should be examined
- **The future Cohesion Policy should achieve the right balance between financial instruments and grants**, for the sake of efficiency, added value and territorial realities.
- As ESI Funds are about stimulating investment, they need to be **exempt from the national contributions from the deficit calculation set in the Stability and Growth pact**.

2.4. The Single Market needs Cohesion Policy to function effectively

- The 2008 financial crisis exacerbated the existing levels of regional disparities of development between regions. **The need for a policy to help alleviate the impact of economic ‘shocks’ is very relevant today.**
- In many ways, **the original treaty objectives defining the need for a Cohesion Policy remain extremely valid today.** The successful completion of the single market relies on a policy mechanism to help poorer regions with lower levels of development to converge towards the levels of prosperity enjoyed by richer regions.
- The architecture of the policy relies on regional GDP at present. This means **that specific territories beset by permanent geographic handicaps are not automatically targeted by the policy as a matter of priority.**
- Territorial cooperation challenges and opportunities require **strong INTERREG programmes**, as part of the Cohesion Policy. ETC programmes are also vital in developing macroregional strategies.

WHAT NEEDS TO CHANGE:

- **The territorial dimension of Cohesion Policy mentioned under article 174 TFEU needs to be improved.** It should pay particular attention to islands regions and to the northernmost regions with very low population density according to the accession treaties for Sweden and Finland. The specific challenges inherent to outermost regions should also be given particular attention, **as per article 349 TFEU.**
- **European Territorial Cooperation should continue to remain a key aspect of Cohesion policy.** It adds substantial added value to realise EU objectives and encourage solidarity between European regions and its neighbours.



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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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