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MAY 2015

TECHNICAL PAPER FROM THE CPMR GENERAL SECRETARIAT

STRUCTURING COHESION POLICY ACTIVITIES AT THE CPMR

1. INTRODUCTION - THE LONG ROAD TO POST-2020

The implementation phase of Cohesion Policy for 2014–2020 is now fully underway, with most operational programmes adopted and up and running. At the end of April, 80.5% of Investments for Jobs and Growth operational programmes had been adopted.

Now is a good time to think about a long-term strategy ensuring that the CPMR is in the right position to bring about realistic and meaningful proposals for a reformed Cohesion Policy for the post-2020 period.

The purpose of this Technical Paper is to inform Members of the Political Bureau about the state of play with regard to EU Cohesion Policy and to suggest a course of action for CPMR Regions for the long term.

A recap of recent CPMR activities on Cohesion Policy

- The CPMR General Secretariat produced a paper to summarise the **achievements of the CPMR** with regard to the negotiations **on Cohesion Policy** (June 2014);
- The CPMR Statement (adopted at the General Assembly in Umeå) proposes six aspirational **messages related to the future of Cohesion Policy** (September 2014);
- The CPMR adopted a **position on the Juncker Plan** and successfully passed on amendments for the EP report. Policy messages related to the experience of CPMR Regions in negotiating and preparing the operational programmes were also forwarded to the EU institutions (February 2015);
- The CPMR launched a Task Force looking at **the allocation methodology for structural funds** and a **study on the governance of Cohesion Policy** (March and May 2015).

2. WHAT ARE THE PARAMETERS FOR THE POST-2020 COHESION POLICY?

Before examining the options for CPMR action in the field of Cohesion Policy, it is worth looking at recent developments and the new environment surrounding Cohesion Policy.

- A change of style and substance at the European Commission

The arrival of President Juncker at the helm of the European Commission marked a real change in style and substance over his predecessor. The most immediate changes included a “re-politicisation” of the European Commission and its Commissioners, a smaller and more focused work programme and a new internal structure.

As part of the new structure, Vice-Presidents of the European Commission are given real responsibilities to lead the work carried out by a group of Directorate-Generals. The Directorate-General responsible for Regional Policy (DG REGIO) falls under the Vice-President for Jobs Growth, Investment and Competitiveness. Although such internal reorganisation should translate in better coordination of EU policies (and less competition between Directorate Generals), it could indeed limit the visibility of Regional Policy within the European Commission.

- The policy is part of something bigger

Provisions linking the EU Structural and Investment Funds (ESI Funds) with the EU economic governance framework constitute one of the innovations of the Cohesion Policy package agreed in December 2013. These provisions are clearly seen as a priority by the new European Commission, with Commission President Juncker asking Commissioner Cretu to ensure that “that the new conditionality provisions of the Funds are respected and perform their role in full accordance with the new requirements of our economic governance framework”¹.

- More financial instruments

European Commission President Juncker stated early on that Cohesion Policy would contribute to the 315 billion Euros investment plan package. This was confirmed in the European Commission’s proposal in January to double the use of financial instruments within Cohesion Policy compared to 2007 – 2013.

Financial instruments are clearly seen as the way forward and are here to stay. The recently launched fi-compass platform to boost capacity in the Member States on financial instruments, and the revised closure guidelines for 2007 – 2013 programmes making it simpler to use financial instruments are testimony to this. Ms Cretu’s Mission Letter also states that “using *loans and guarantees rather than grants* and a proactive identification of viable projects means we can fund more projects and create more jobs”².

- Is it still a policy?

The statements in the Sixth Cohesion Report³ on the evolution of the roles and missions of Cohesion Policy are confirmed in Mr Juncker’s Mission Letter to Commissioner Cretu. Regional Policy funds are seen as a way to achieve wider political objectives of the European Union (“political guidelines”) and the Europe 2020 strategy in a global sense.

A cynical view would consider that the justification of Cohesion Policy - as one of the largest envelopes within the EU Budget - was achieved over the years by widening the scope of its original objectives and by placing more emphasis on how the funds can deliver a wide range of EU policy objectives.

It is worth recalling that neither President Juncker’s political guidelines nor his Mission Letter to Commissioner Cretu make any reference to the concept of “cohesion”. This is alarming particularly since official EU publications such as the Sixth Cohesion Report acknowledges very clearly the rising levels of disparities between countries and Regions, and the negative impact for growth and jobs in the long term.

Regional indicators are indeed used to determine the size of national allocations for structural funds, and regional operational programmes exist in several Member States. However, recent EU publications (including Commissioner Cretu’s Mission Letter and Mr Juncker’s political guidelines) make no reference to Cohesion Policy playing a specific role to support regional development or needing the support of Regions to operate efficiently.

¹ Commission President JC Juncker’s Mission Letter to Commissioner Cretu:
http://ec.europa.eu/commission/sites/cwt/files/commissioner_mission_letters/cretu_en.pdf

² Same reference as above

³ See page 200 in particular http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion6/6cr_en.pdf

3. WHAT SHOULD THE CPMR CAMPAIGN FOR?

"However beautiful the strategy, you should occasionally look at the results."
Winston Churchill

Having established some of the new parameters surrounding the debate on the future of Cohesion Policy, it is worth exploring the margin for manoeuvre for the CPMR and its Regions and identify the right "battles" for the years to come.

The table below identifies the timescale for Cohesion Policy reform over the next three years.

Key dates for Cohesion Policy reform

- May 2015: Commission publication of regional GDP statistics for 2012 and 2013.

Why is it important? The publication of regional GDP data provides crucial indication in terms of where CPMR Regions can expect to "sit" with regard to the Cohesion Policy architecture for the post-2020 period (more, less developed or transition region). The CPMR is producing a comparative analysis based on the new data.

- December 2015: Commission publication of a review of the negotiations on Partnership Agreements and Operational Programmes.

Why is it important? The document should provide an assessment on the implementation of the Operational Programmes for 2014 – 2020.

- Mid-2016: Ex-post evaluation of 2007 – 2013 programmes

Why is it important? The evaluation of the impact (amongst other issues) of the Operational Programmes from the last programming period will provide crucial input for the post-2020 Cohesion Policy debate.

- By spring 2016: Commission review of Member States' total allocations for structural funds for the years 2017 – 2020

Why is it important? This review will automatically apply so that Member States (and Regions) most affected by the crisis receive an increase in the size of their Cohesion Policy allocations.

- By the end of 2016: Commission proposal for the mid-term review of the EU Budget for 2014 - 2020

Why is it important? There are question marks about whether the Commission proposal will be a fully-fledged review of the EU Budget, or whether it will consist merely of slight modifications to the existing framework.

- Summer 2017: expected publication of 7th Cohesion Report with initial ideas and proposals from DG REGIO on post-2020 Cohesion Policy

Why is it important? The 7th Cohesion Report is expected to offer a pretty definite framework of the shape of Cohesion Policy for the post-2020 period as far as the Commission proposal is concerned.

- Late 2017/early 2018: expected publication of post-2020 Cohesion Package and MFF proposal for 2021 – 2027.

The CPMR Core Group met in December 2014 to discuss options for a long-term work plan for Cohesion Policy activities within the CPMR. Based on the outcomes of the December meeting and the issues raised in Section 2 of this Paper, it is suggested that the CPMR concentrates its activities on the following issues.

3.1. A reinforced and legitimised role for Regions within Cohesion Policy

One of the resounding successes of the last round of negotiations on the Cohesion Policy package was the introduction of reinforced provisions on multilevel governance and partnership (Article 5 of the Common Provisions Regulations)⁴. These provisions establish a clear framework for partnership and provide a role for all actors of Cohesion Policy, and in particular Local and Regional Authorities.

⁴ See CPMR Technical Paper: "Achievements of the CPMR in the Cohesion Policy negotiations"
http://www.crpm.org/pub/docs/421_technical_note_cpmr_achievements_may_2014.pdf (page 4)

It is too early to gauge the real impact and value of Article 5. Feedback provided by CPMR Regions on the negotiation of the Operational Programmes and on early implementation suggest that coordination between the regional, the national and the European level suggest rather mixed results⁵.

Establishing a clear picture of the added value of ESI funds on regional economic development, and therefore, legitimising the role of Regions for Cohesion Policy programmes' delivery should remain a priority for years to come.

As a first step, the CPMR recently launched an internal survey to assess the level of involvement of CPMR Regions with Cohesion Policy programmes, paying particular attention to the relationship between the areas of intervention of Cohesion Policy and the legislative competences of Regional Authorities.

3.2. The role and impact of financial instruments within Cohesion Policy

Financial instruments are not only a permanent fixture of Cohesion Policy, but are likely to gain in importance as the debate concerning the post-2020 Cohesion Policy reform.

The CPMR represents Regions with a wide variety of experiences with regard to financial instruments, as coined in the Policy Position⁶ adopted at the last meeting of the Political Bureau in Nantes (February 2015).

One of the key questions to be addressed is the efficiency and impact of financial instruments on regional economic development and their contribution to economic, social and territorial cohesion. Another important issue concerns the fit of Cohesion Policy with the Juncker Plan (and any possible follow-up initiative).

The CPMR could envisage looking at this issue more specifically, in collaboration with the services of the European Commission, the European Investment Bank or the European Parliament.

3.3. Reducing the administrative burden and simplifying the Policy

The European Commission undertook steps to simplify Cohesion Policy for the 2014 - 2020 period, but such new measures concerned the beneficiaries of ESI funds rather than Managing Authorities and intermediary bodies (which are often at regional level).

The additional requirements (ex-ante conditionalities, the performance framework, etc...) follow a laudable logic of legitimising Cohesion Policy as a whole, but the effects of these requirements on the ground need careful examination.

The CPMR could work with its Members to evaluate the stumbling blocks of ESI funds management and delivery, once the programmes are up and running.

3.4. A well-resourced Cohesion Policy for all Regions

The debate on the future of Cohesion Policy will be closely intertwined with the debate on the post-2020 EU budget and the usual wrangling of Member States to reduce the ambition of the Commission proposal. The process of sharing Cohesion Policy resources among Member States - the so-called 'Berlin formula' - will be at the heart of this process.

It is worth noting that even the most radical positions of certain Member States (the UK and the Netherlands for instance) have never officially foreseen a complete suppression of Cohesion Policy, and have instead advocated for a policy restrained for support for less-developed Regions. This means that support for more developed and transition Regions is not to be taken for granted.

The CPMR expects to be at the heart of debates on the Cohesion Policy allocation methodology and indicators thanks to its recently launched Task Force on Cohesion Policy Indicators.

Another important step could involve demonstrating the added value of Cohesion Policy investments from a regional perspective.

⁵ See Policy Position: 'Towards a swift and efficient implementation of the 2014 -2020 operational programmes'
http://www.crpm.org/pub/docs/438_cpmr_policy_position_efficient_implementation_of_programmes.pdf

⁶ http://www.crpm.org/pub/docs/435_cpmr_declaration_juncker_plan.pdf

5. NEXT STEPS

The CPMR can rely on a variety of means to carry out the suggested actions in the above sections:

- The CPMR Geographical Commissions will play a key role in terms of bringing the views of their Members to the fore. They also have certain needs and interests which deserve careful examination: the role and place of islands within Cohesion Policy for the Islands Commission, and the impact of the crisis on economic, social and territorial cohesion in Mediterranean Regions for the Intermediterranean Commission, amongst others.
- The recently launched CPMR study on the Smart Specialisation Strategies (S3) and the earmarking of European funds for maritime activities will also contribute to show the importance of Cohesion Policy in peripheral maritime regions.
- The European Parliament Intergroup on Seas, Rivers, Islands and Coastal will be a useful forum to mobilise Members of the European Parliament on CPMR concerns with regard to the future of Cohesion Policy.
- **It is recommended that the CPMR produces a number of proposals on post-2020 Cohesion Policy linked to the above issues in time for the MFF review in the second half of 2016.**