

Update on Cohesion Policy post-2020

Summary of the Draft regulations on post-2020 Cohesion Policy

Two weeks after the Multiannual Financial Framework proposal and two weeks ahead of the publication of the Commission’s proposal on the future **Cohesion policy** on **29 May**, the CPMR Secretariat has gathered the latest information about the future of Cohesion Policy. Based on the MFF proposal published last 2 May and on the **Draft Cohesion policy regulations** that the CPMR has been able to read and analyse, we take the opportunity to send you this table, which is a first look at the starting point for the negotiations for the future Cohesion policy.

This table summarises:

- The information regarding Cohesion policy as proposed in the [Multiannual Financial framework proposal](#) by the Commission last 2 May 2018
- The information and options the Commission is putting forward on the future of Cohesion policy as per the draft regulations: [the Common Provisions Regulation](#), [the ERDF and CF regulation](#) and [the ESF regulation](#).¹
- The [conclusions of the last meeting of the General Affairs Council on Cohesion](#) (12 April 2018)
- The European Parliament report on “[strengthening economic, social and territorial cohesion in the European Union: the 7th report of the European Commission](#)”, adopted at the plenary session on 17 April. This report is very largely in line with the CPMR position on the future of Cohesion Policy

Structure of the table

- 1) Budget and geographical scope of Cohesion Policy
- 2) Allocation methodology and categories of regions
- 3) Thematic concentration
- 4) Shared management, Multilevel governance and partnership
- 5) Simplification, audit/control, and flexibility
- 6) Co-financing rates

- 7) The link between Cohesion Policy and the European Semester
- 8) Conditionalities
- 9) EFSI and Financial instruments
- 10) Territorial dimension
- 11) European Territorial Cooperation
- 12) ESF +

¹ Please note that these are drafts and some or all the elements might still be modified in the final proposal next 29 May.

Note as well that the [CPR regulation will include 8 different funds](#): ERDF, CF, ESF, EMFF, EAFRD, AMF (Asylum and Migration fund), ISF (Internal Security Fund) and IBMF (Integrated Border Management Fund).

<p style="text-align: center;">European Commission <i>Draft regulations</i></p>	<p style="text-align: center;">Council of the EU</p>	<p style="text-align: center;">European Parliament</p>
1. Budget and geographical scope of Cohesion policy		
<ul style="list-style-type: none"> • Confirmed budget cut proposal of 7% for a Cohesion Policy covering all regions. The cuts vary according to the ESI funds: see CPMR separate analysis for more details. 	<ul style="list-style-type: none"> • No mention in the GAC conclusions but some Member States have already expressed their will to reduce the budget for Cohesion policy • Cohesion Policy should cover all European regions, with an emphasis on less developed regions. 	<ul style="list-style-type: none"> • Calls for maintaining at least the same budget level than for 2014-2020. Calls for cohesion policy <i>not to be made an adjustment variable of the next MFF</i> • Cohesion policy should continue covering adequately all EU regions while concentrating the majority of resources on the most vulnerable ones.
2. Allocation methodology and categorisation		
<ul style="list-style-type: none"> • Despite announcements that the allocation methodology going beyond GDP, at the time of writing it is likely that the so-called ‘Berlin formula’ will remain as the methodology to distribute funding to Member States. The Berlin formula is expected to evolve slightly but not as radically as one would have expected. • Although the leaked version of the CPR talks of two categories of regions in the future (more and less developed regions), it seems likely at this stage that the three categories of regions will remain. Transition regions will include all regions whose regional GDP PPS is between 75% and 100% of the EU average (as opposed to 75% to 90% currently). 		<ul style="list-style-type: none"> • Necessary to take into account indicators complementary to per capita GDP for the allocation of funds. • Indicators should be in line with the objectives and challenges identified in the first place with regard to employment, in particular the unemployment rate and the youth unemployment rate • Calls on the Commission to take into account the use of new social criteria when determining the allocation of EU funding to

<ul style="list-style-type: none"> • A single allocation method for the ERDF and ESF will be proposed (as per 2014 – 2020) • Mid-term review in 2025 for programmes supported by the ERDF, the ESF and the Cohesion Fund. • The aid intensity (e.g. EUR/hab.) of the policy is likely to change drastically: ‘Cohesion Countries’ (PL, HU, SK, etc.) are likely to receive less funding, whereas transition regions are likely to receive a higher share. 		<p>thematic objectives with a social dimension</p>
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3. Thematic concentration

<ul style="list-style-type: none"> • Policy objectives for ERDF + CF: <ul style="list-style-type: none"> ○ a smarter Europe by promoting innovative and smart economic transformation ○ a greener, low carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention; ○ a more connected Europe by enhancing mobility and regional ICT connectivity; ○ a more social Europe by implementing the European Pillar of Social Rights; ○ a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas through local initiatives. • In the leaked CPR paper, there are three categories of regions for the purpose of thematic concentration determined on GNI per capita of that member state/average EU: 		<ul style="list-style-type: none"> • Supports a strong thematic concentration on a limited number of priorities while allowing managing authorities more flexibility in drawing up their territorial strategies on the basis of needs and potential after inclusive local and regional consultation in the preparation of the partnership agreements • Cohesion Policy should support innovation, digitalisation, reindustrialisation, SMEs, transport, climate change adaptation, circular economy, infrastructure, employment, social inclusion and fight against poverty • Calls for the strengthening of budget lines that promote effective responses to the
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<ul style="list-style-type: none"> ○ those equal to or above 100% of the EU average: at least 80% of ERDF to Policy Objective (PO) 1 and 2, and at least 60% to PO1 ○ those equal to or above 75% and below 100% of the EU average: at least 70% to PO1 and PO2, and at least 50% to PO1 ○ those below 75% of the EU average: at least 60% to PO 1 and 2, and at least 40% to PO1 <p>This is rather strange if Cohesion policy continues to be based on three categories of regions anyway.</p>		<p>reception and social inclusion of refugees and migrants;</p> <p>Stresses that a specific post-2020 financing mechanism must be created under Article 349 TFEU to integrate migrants in the outermost regions, which have to cope with greater migratory pressure owing to their specific characteristics, and thus contribute to their sustainable development;</p>
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4. Shared management, Multilevel governance and Partnership

<ul style="list-style-type: none"> ● No reference to subsidiarity and partnership principle in the section on missions and goals of Cohesion policy ● No reference to multilevel governance approach in the Partnership article in the CPR, only a reference to the European Code of Conduct ● Direct management by Commission of: <ul style="list-style-type: none"> ○ support from the CF transfer to the CEF ○ European Urban Initiative ○ Interregional Innovative Investments ○ technical assistance at the initiative of the Commission 	<ul style="list-style-type: none"> ● Considers that the delivery system of cohesion policy post-2020 should be strongly based on the principles of subsidiarity and proportionality, recognising the important role of the competent authorities of Member States and regions with regards to programming, implementation, monitoring, evaluation, control and auditing; ● Underlines that the responsibilities of the Commission and the Member States should be more clearly defined to reduce overlaps; 	<ul style="list-style-type: none"> ● Strong commitment to shared management and the principle of partnership, which should be maintained and strengthened for post-2020, as well as to multi-level governance (MLG) and subsidiarity, which contribute to the added value generated by cohesion policy
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5. Simplification, audit/control, and flexibility

<ul style="list-style-type: none"> • Removal of the designation procedure of the managing authority and the certifying authority • Removal of the Common Strategic Framework. The CPR only refers to the Partnership Agreements and the specific programmes. Each Member State shall establish a performance framework • Reintroduction of the n+2 de commitment rule • Differentiated implementation <ul style="list-style-type: none"> ○ MS may apply enhanced proportionate arrangements for the management and control systems of a programme ○ At any time during the programming period ○ If total error rate for each two last years is below 2% • Removal of ex ante evaluation of programmes • Removal of a number of reporting requirements: <ul style="list-style-type: none"> ○ report on the outcome of the negotiations of the Partnership Principle ○ report of the Managing Authorities on implementation of Financial Instruments ○ yearly Implementation Report ○ Progress report on the implementation of the Partnership Agreement ○ summary report of the Commission based on annual progress reports ○ Annual Progress Report to the spring European Council meeting every two years • Extension of the use of simplified cost options, lump sums and flat rate financing (Art. 50) 	<ul style="list-style-type: none"> • Reasons for delays in the implementation of Cohesion policy are: the late adoption of the legislation, the introduction of new rules and their complexity, time-consuming procedures for designating the competent authorities, overlap of the closure of the 2007-2013 programming period with the start of the 2014-2020 period. • Calls for substantial simplification of the rules at EU and at national level for a timely implementation of the ESI Funds: <ul style="list-style-type: none"> ○ harmonisation of ESI Funds rules to enable synergies between the various instruments ○ better demarcation between EU instruments ○ Strengthening multi-fund programming approach ○ better demarcation between the Partnership Agreements and OPs, shortening and streamlining of both documents ○ extending use of simplified cost options ○ avoiding over-auditing ○ greater flexibility in the programming and re-programming to readjust the objectives of the programmes to react quickly to unforeseen circumstances 	<ul style="list-style-type: none"> • Calls for a reduction in the volume of legislation and guidelines and avoiding over-regulation • Calls for a genuine single set of rules to be introduced for the ESI Funds • Programming and monitoring requirements should be based on the principles of differentiation and proportionality • Calls for sufficient flexibility provisions to accommodate unforeseen circumstances and respond to changing global realities and regional demand
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6. Co-financing rates

- **Co-financing rates to be set at Member State level (instead at regional level in the current CPR) for three categories of Member States:**
 - MS with a national GNI/capita below 75%
 - MS with a national GNI/capita between 75% and 100%
 - MS with a national GNI/capita equal or above 100%
- The MFF proposal mentions that “due consideration will be given to the specificities of the **outermost regions and sparsely populated areas**”. No mention of island regions.
- The **co-financing rate for the ETC programmes** shall be no higher 75% (instead of 85% in the current period).

- Denmark, Sweden, Finland and Austria highlighted the need to increase national co-financing rates
- Italy requested that national co-financing not be taken into account in the calculation of the deficit under the terms of the Stability Pact

- Calls on the Commission to present a **revised system for the co-financing rates** of cohesion projects which acknowledges past developments and decreases the share of EU funding in areas where progress has already been seen

7. Link between Cohesion policy and the EU semester

- There **no mention to the link between Cohesion policy and the EU semester** neither in the CPR nor in the ERDF/CF regulation
- Several references were made to this link within the **MFF proposal**:
- The ESF+ regulation does include numerous provisions on the link of the ESF with the European Semester (*see ESF+ point below*)
- New “**Structural Reform Instrument**” **proposed in MFF with EUR 25 bn** to incentivise Member States to carry out structural reforms and to follow Country-Specific recommendations – decision by Commission – payment

- **No mention in the Council conclusions.** However, strong push from several Member States, including Germany, to incentivise structural reforms through Cohesion Policy.

<p>after the implementation of the reform. Member states could be able to transfer funds on a voluntary basis from ESI funds to this instrument</p>		
<p>8. Conditionality</p>		
<ul style="list-style-type: none"> • Ex-ante conditionalities are renamed “Enabling Conditions”: they will be simplified and no deadlines to fulfil them • Recognition of the need to develop Smart Specialisation Strategies further • MFF proposal introduces the idea of a ‘rule of law’ conditionality. Unclear at this stage how this will affect ESI funds and which circumstances will trigger this process • Macro-economic conditionality is maintained; however, the Commission is proposing that the Commission “may” (instead of “shall” in the current CPR) make a proposal to suspend ESIF commitments. 	<ul style="list-style-type: none"> • No mention in the Council conclusions. However, strong push from several Member States to link ESI Funds with the compliance with the rule of law • Welcomes the Commission Communication on S3, published in July 2017 and the pilot actions to test new approaches for interregional innovation projects and for areas undergoing industrial transition, as well as actions in favour of less developed regions; 	<ul style="list-style-type: none"> • Acknowledges the usefulness of ex ante conditionalities but their complexity caused delays in the development and launching of programme. Their number should be reduced. • Calls for S3 to be intensified. S3 could be supported through additional cooperation and exchange of knowledge and experience among the regions. Welcomes the Vanguard Initiative for using smart specialisation strategy to boost growth and industrial renewal in priority areas in the EU;
<p>9. EFSI and financial instruments</p>		
<ul style="list-style-type: none"> • Creation of “Invest EU Fund” (“super EFSI”) <ul style="list-style-type: none"> ○ successor of the EFSI (Juncker Plan) Budget: 15.2 billion Integrated investment fund with the EFSI and all centrally managed financial instruments • Member states would be able to transfer funds on a voluntary basis from ESI funds to the InvestEU fund 	<ul style="list-style-type: none"> • Calls for facilitating the combination of financial instruments and grants • The use of financial instruments should remain optional 	<ul style="list-style-type: none"> • Calls for better coordination between grants and financial instruments • Oppose to any binding targets for the use of financial instruments. Calls for the harmonisation of the rules on financial instruments

	<ul style="list-style-type: none"> • Calls for a significant simplification of the set-up, implementation and reporting of financial instruments 	<ul style="list-style-type: none"> • Grants should remain the main cohesion policy funding instrument • Stresses that EFSI cannot be a substitute for Cohesion Policy and distinction should be made between EFSI and cohesion policy, as well as identifying clear opportunities for their combination.
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10. Territorial dimension

<ul style="list-style-type: none"> • Extension of the scope of measures for integrated territorial development: <ul style="list-style-type: none"> ○ possibilities for developing territorial strategies at local/regional level beyond administrative boundaries. ○ Local action groups shall design and implement the strategies • Chapter “specific provisions on the treatment of particular territorial features” <ul style="list-style-type: none"> ○ Integrated territorial development (set % of ERDF funding as per the current period) ○ sustainable urban development ○ European Urban Initiative ○ outermost regions 	<ul style="list-style-type: none"> • Calls for maintaining the ITI and CLLD, although their use should be optional and they should be significantly simplified. Need to better adapt them to the socio-economic situation of a given type of territory • Calls for further paying specific attention to specific territories. • Invites the Commission to continue working on specific measures for the Outermost Regions in accordance with Art. 349 TFEU regarding the special needs and opportunities of those territories and for regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions in accordance with Art. 174 TFEU 	<ul style="list-style-type: none"> • The territorial dimension of cohesion policy should be stepped up to ensure a tailored approach • Stresses the importance of CLLD • Underlines the need to consolidate the territorial dimension of cohesion policy • Calls for paying greater attention to regions with certain specific territorial characteristics such as those mentioned in Article 174 TFEU such as island, mountain, rural, border, northernmost, coastal or peripheral regions • Recalls that outermost regions require specific measures •
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11. European Territorial Cooperation

The MFF proposal recognises the European Added-Value of Interreg programmes. Reference to the existing 3 strands.

- **Possible new architecture:**
The Commission is exploring how to rationalise ETC programmes and create more synergies between cross-border cooperation (CBC) and transnational programmes
 - Maritime cooperation: based at Sea basins level. Most probably, merge of transnational with some cross-border programmes.
 - Focus of Interreg A: territorial CBC programmes with a focus on transport, health, education and training, etc.
 - Focus of Interreg B: innovation
 - Reinforcement of S3 interregional cooperation: based on the 2 existing pilots.
- **Macro-regional strategies**: possible introduction of more measurable medium-term objectives included in the Action Plan of the strategies. Priorities would be led by National Ministers supported by the competent DG. DG Regio would only act as a coordinator.

- Underlines the **EU added value of ETC**
- Stresses that cross-border, transnational and interregional territorial cooperation, **including across maritime borders** and with third countries, should continue to be part of Cohesion policy post 2020

- **European added value** is strongly reflected in ETC in all its dimensions
- Calls for increasing the ETC budget within cohesion policy
- Need for improving coordination between different programmes to avoid overlaps
- Recalls the importance of the implementation of macroregional strategies for the achievement of the cohesion policy objectives

12. ESF+

- **Budget: out of the €101bn allocated to the ESF +, €100bn will be allocated to the ESF, €761mn to the Employment and Social Innovation Programme, €413mn for the Health Programme**
- **Scope of the new ESF +:**

- The ESF should be safeguarded in the next MFF. The report calls for **maintaining the ESF as an integral component of Cohesion Policy.**

<ul style="list-style-type: none"> ○ ESF ○ FEAD (Fund for the most Deprived) ○ EASI (Employment and Social Innovation) ○ YEI (the Youth Employment Initiative) ○ Health programme <ul style="list-style-type: none"> ● Mission of ESF+ based on: <ul style="list-style-type: none"> ○ 20 principles of the of the European Pillar of Social Rights ○ the priorities set out in the relevant Employment Guidelines and CSRs within the European Semester ● No reference to local or regional authorities ● Priorities of the ESF +: <ul style="list-style-type: none"> (a) enhancing the effectiveness of labour markets and promoting access to quality employment (b) improving access to and the quality of education, training and lifelong learning (c) promoting social inclusion and tackling poverty ● Member States shall concentrate: <ul style="list-style-type: none"> ○ An adequate amount for implementation of relevant CSRs and reforms identified in National reform programmes ○ 25% of for actions on social inclusion and tackling poverty ○ 10% on Youth Unemployment ○ non-specified share to tackling material deprivation (under direct management) 		
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