



Update on CPMR work on post-2020 Cohesion policy

BACKGROUND

The purpose of this note is to present the latest state of play with regards to the development of post-2020 Cohesion policy proposals at the CPMR.

It does so by offering an update on the post-2020 Cohesion policy debate in section 1. There are major developments within Cohesion policy as well as external factors influencing the debate.

Section 2 explains the process that we have undertaken since the adoption of the policy position at the 44th CPMR general Assembly last November in the Azores, and presents the key dates with regards to Cohesion policy reform.

The state of play of the development of specific proposals at the CPMR is outlined in section 3. Finally, section 4 concludes with future steps and planned activities for the remainder of 2017.

1. Update on post-2020 Cohesion policy debate

The debate on post-2020 Cohesion policy started already at the end of 2015, when operational programmes were only starting to be set up. Since then, **major developments at European level** have had a significant influence on the post-2020 Cohesion Policy debate.

Main issues influencing the debate

- **'Brexit'** and its consequences on the future of the EU Budget (which is likely to be reduced after 2020) and on Cohesion Policy itself. The much-talked about [€60bn 'Brexit bill'](#) comprises significant UK spending commitments until 2023, including Cohesion Policy funding;
- **The timing of the European elections** in May 2019 will also be a factor regarding the negotiations over the post-2020 EU budget;
- **The position (or the lack of it) of the Juncker Commission** towards Cohesion Policy in favour of other initiatives such as the EFSI. Programmes under shared-management (including Cohesion Policy programmes) have come under heavy criticism in the recent Commission proposal for a mid-term review of the EU Budget for their slow progress and questionable efficiency;
- **The position of certain Member States**, particularly that of net contributors into the EU Budget (such as Germany) regarding the future EU budget and in favour of decreasing the traditional headings of the EU budget to finance new EU challenges;
- **The current structure of the European Commission with its Vice-Presidents playing a key role makes it difficult for DG REGIO** to have a proactive role in the debate on the future of Cohesion Policy.

With regards to **major developments concerning Cohesion Policy itself**, the main issues under discussion on the future of the policy concern the following:

1. **The raison d'être of the policy:** why Cohesion policy is needed and its differentiation from other investment plans such as the European Fund for Strategic Investments (EFSI)
2. **The allocation to Cohesion policy:** will Cohesion policy continue to cover all Member States but with a reduced budget, or will Cohesion Policy maintain similar allocations for a reduced number of (less developed) regions?
3. **The use of financial instruments**, regarded by the Juncker Commission as an ever increasing delivery mechanism for ESI funds.
4. Measures to **simplify the policy** are being introduced in the current programming period via the mid-term review of the EU budget
5. **Flexibility** is also a popular subject for the European Commission, Member States and some Regions, the problem is that flexibility is understood in many different ways. The mid-term review of the EU budget introduced elements of flexibility in terms of making it possible for Member

States to transfer ESI funds to other instruments such as the EFSI¹. But flexibility could also entail a higher margin for manoeuvre for managing authorities at regional level to modify programmes to adapt them to evolving challenges

6. **The idea that Member States would be subject to different auditing and control rules (known as 'differentiation')** is rapidly gaining ground within the Commission and some Member States. If agreed, finding the 'right' criteria for differentiation will prove to be particularly tricky
7. **The link with the European Semester** is also one of the most controversial subjects on this list. Influential Member States (e.g. Germany) are keen on improving the implementation of structural reforms in the EU agenda. Linking these reforms to Cohesion policy funding more formally than the existing macro-economic conditionality mechanism will be a much talked about subject in months to come
8. **Constructive interactions or synergies between ESI funds and other instruments** (EFSI, Horizon 2020, the new Structural Reform Support Programme, etc.) are being explored and strongly pushed for by the Juncker Commission and some Member States

2. CPMR post-2020 Cohesion policy development

2.1. What are we doing?

Following the adoption of CPMR's policy position on post-2020 Cohesion policy last November 2016², the CPMR General Secretariat has been moving forward with regards to policy development. CPMR reached out to member regions interested in helping the CPMR developing concrete proposals on topics of special relevance to the future of Cohesion policy, as identified in the Azores:

- **Financial instruments and the European Fund for Strategic Investments (EFSI)** – led by Land Mecklenburg Vorpommern
- **Multilevel Governance and Partnership** – led by Västra Götaland Region
- **Simplification** – led by Provence-Alpes-Cote d'Azur Region
- **Interreg** – led by the Provinces of Noord Holland and Friesland
- **The European Social Fund (ESF)** – led by Emilia-Romagna Region
- **The territorial dimension of Cohesion Policy** – led by the CPMR secretariat

Other cross-cutting issues and the main priorities by DG REGIO – **Simplification, Flexibility, Performance and the link with the EU semester** - are being addressed horizontally as a matter of priority.

2.2. Where are we heading?

The main objective is to present specific proposals in a policy position for the CPMR Political Bureau on 22 June 2017 in Stavanger, Rogaland (NO). The policy position will then be formally presented at the Cohesion Forum in Brussels on 26-27 June 2017, for which the CPMR has two speaking slots.

¹ Article 125 of the 'Omnibus regulation'

² CPMR Policy position on '[Principles for Cohesion Policy for the post-2020 period](#)', Azores, November 2016.

Cohesion policy milestones

- DG REGIO Communication on Smart specialisation strategies - May 2017
- Informal council on Cohesion policy, Malta - 8 June 2017 (with the participation of CPMR)
- **Cohesion Forum**, Brussels - 26-27 June 2017 (with the participation of CPMR)
- Multiannual Financial Framework Review adoption – Summer 2017
- **7th Cohesion Report** – our latest information point to a publication in September 2017
- **Public consultation** on the future of Cohesion Policy – Autumn 2017
- Communication on a Strategy on Outermost Regions – October 2017
- **Future EU Budget proposal** – legally should be proposed by end 2017, but more likely in 2018
- **Cohesion policy legislative proposal** – 2018

3. Proposals under development at the CPMR

3.1. CPMR Core principles

The following principles and ideas were adopted at the November 2016 general Assembly in the Azores. These are guiding the development of more detailed CPMR proposals.

<i>Raison d'être of the policy</i>	<ul style="list-style-type: none"> • Cohesion Policy should be seen as a central component for the realisation of EU objectives and should therefore cover all European regions • Addressing long term objectives should remain the core function of Cohesion Policy
Role of regional and local authorities in Cohesion Policy	<ul style="list-style-type: none"> • Needs to be reinforced in post- 2020 Cohesion Policy
Simplification	<ul style="list-style-type: none"> • Major changes are needed to simplify the policy for both beneficiaries and managing authorities
Financial instruments	<ul style="list-style-type: none"> • The future Cohesion Policy should achieve the right balance between financial instruments and grants, for the sake of efficiency, added value and territorial realities • Rather than opposing grants and financial instruments, it is more appropriate to define where financial instruments add most value within a future Cohesion Policy that should continue to rely primarily on grants in the future.

State aids	<ul style="list-style-type: none"> 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
Territorial dimension of Cohesion Policy	<ul style="list-style-type: none"> The needs of specific territories should be improved (islands, outermost regions, NSPAs) as per relevant Treaty articles
European Territorial Cooperation	<ul style="list-style-type: none"> It should remain a key aspect of Cohesion policy
Link with the EU semester	<ul style="list-style-type: none"> The CPMR believes that the relationship between Cohesion Policy and the European semester needs to be a positive and constructive one, and not a 'punitive' one as is the case today with macroeconomic conditionality. The CPMR believes that there should be no direct support from Cohesion Policy to the implementation of structural reforms as prescribed in the CSRs. Such a move would run counter to Cohesion Policy's 'raison d'être'.

3.2. Proposals for post-2020: state of play

The CPMR has been working on the development of policy proposals since 2015 through a series of studies, analysis, conferences, brainstorming session and more recently the development of specific proposals by lead regions, as mentioned under point 2.1.

The development of specific proposals is developing at different paces due to the nature of the topic and the previous existing work undertaken by the CPMR. Specific proposals have been drafted and discussed with interested regions on financial instruments, Cohesion policy and the EFSI, and simplification and are therefore fairly advanced.

The following section sums up aspects of the proposals as they are currently being developed, for the attention of Members of the Political Bureau of the CPMR. ***These ideas are not formal proposals at this stage.*** They will feed in the CPMR Policy Position which will be presented at the CPMR Rogaland Political Bureau meeting in June 2017.

Financial Instruments

The use of financial instruments is a reality which is most likely to be strengthened for the post 2020 Cohesion policy. The CPMR believes that **the best approach for the post-2020 period is a constructive one**, rather than opposing grants and financial instruments, it is perhaps more appropriate to define where financial instruments add most value within a future Cohesion Policy that should continue to rely primarily on grants in the future.

Proposals under development will focus on the need for the Commission not to impose targets with regards to the use of financial instruments at programme level, and will stress the added value of financial instruments with regards to specific areas of the economy.

They will also underline the need for simplification and further technical assistance to increase capacity building at regional level.

Cohesion Policy and EFSI

The European Fund for Strategic Investments (EFSI) has been extended until 2020 and the European Commission has intentions to renew beyond this.

A constructive proposal with regards to the future of the EFSI and Cohesion Policy would entail **clarifying roles for both instruments**, establishing clear boundaries between the EFSI and Cohesion Policy and identifying clear opportunities when the two instruments can be combined.

There also needs to be a radical change in the ways Cohesion policy is communicated: the collection, evaluation and communication of results from the EFSI and Cohesion Policy could be harmonised and the effects of EFSI on job creation and economic growth could be more accurately monitored.

Simplification of ESI funds

The simplification of ESI funds is a very broad area of work which touches upon many different issues.

Proposals under development will focus on **timing regarding the adoption of the legislative proposal** and the preparation of the future programmes, including the procedures to designate managing authorities. They will also stress the **need to treat Cohesion Policy in the same way as other European programmes** focused on investment, such as Horizon 2020 and the EFSI, with regards to state aids.

They will also highlight the uncertainty created by the retroactivity of rules and guidelines as well as to the need for auditors to work constructively and proactively with managing authorities to make procedures more efficient.

3.3. Issues under discussion and unanswered questions

In this section we present two types of issues which need further exploring, reflecting and discussing: issues which the CPMR has not touched upon so far yet, and ideas that have yet to be discussed (some of them being crucial but controversial).

Multilevel governance and partnership

Multilevel governance and partnership are one of the most distinctive features of Cohesion policy and have long been supported by the CPMR.

The reality is that the efforts by the CPMR to strengthen these key principles are likely to be faced with resistance by some who would rather centralize aspects of the policy in the future³.

A possibility to boost multilevel governance and partnership would be **creating an ex ante conditionality** which would strengthen the role of the Commission as a **guardian of the partnership principle**. Such a proposal might increase the bureaucratic burden on managing authorities, on the other hand.

Proposals under development will also stress the need to **improve the alignment and coordination of key strategic documents** (Partnership Agreements, Country Papers) in the future.

³ Including from within the European Commission. See [speech from former EU Budget Commissioner Kristalina Georgieva](#) delivered in January 2016

Simplification

In addition to proposals mentioned under section 3.2, there are additional issues that need further reflection/discussion regarding simplification.

An example of this is the controversial concept of **'differentiation'**. A certain degree of differentiation of management could be introduced based on an objective criteria and the proactive involvement of the European Commission, with continued support from the Commission for regions with low absorption rates.

The Commission is also looking into shared management, how to simplify the regulations and the number of guidelines, unified rules for EU funds and how to ensure effectiveness, amongst other things.

Link with EU Semester

The link with the EU Semester is one of the main four priorities of DG REGIO for post-2020 Cohesions, whilst EU economic governance is one of the main priorities of the Juncker Commission.

The main issue at stake is **to clarify the nature of the relationship between Cohesion and the EU semester**. One extreme scenario would entail ESI funds fully supporting Country Specific Recommendations (CSRs). Another more realistic possibility could see Cohesion policy acting as a 'carrot' for Member States to deliver on their recommendations and carry out structural reforms, particularly those linked to the objectives of Cohesion Policy.

Architecture and financing of the policy

The CPMR General Secretariat has expertise on the subject of the allocation of Cohesion Policy funds and worked extensively on this subject via its Task Force on Cohesion Policy indicators, which concluded its work in January 2016.

Beyond the funding elements lies a crucial question about the architecture of the policy. It is not clear at this stage that all regions will be supported in the future.

One idea that is gaining ground is the possibility of a **single category of regions** for the post-2020 period, which could guarantee policy coverage for all regions for the post-2020 period and make the distribution of funds across Member States more transparent.

Flexibility

Flexibility is one of the four priorities DG REGIO is looking at with regards to the future of Cohesion Policy. However, flexibility has different connotations for the different stakeholders and could lead to EU Budget flexibility, flexibility between the ESI funds and/or flexibility at the level of operational programmes.

There are different possibilities to be explored under Cohesion to achieve flexibility, from the attractive (but politically challenging) idea of a **single fund** to the more practical option of creating a **common set of rules for all five funds**.

Territorial dimension of Cohesion Policy

The territorial dimension of Cohesion policy is an issue of traditional particular concern for the CPMR, which represent specific territories such as island regions, outermost regions and Northern Sparsely Populated areas (NSPA).

The concept of reinforcing territorial cohesion has unfortunately lost most of its appeal at European level, which is a challenge for the CPMR and its efforts to boost the territorial dimension of Cohesion Policy.

The Islands Commission of the CPMR is working on developing proposals with regards to islands and outermost regions together with the CPMR and a group of regions, including Northern Sparsely populated areas, to address practically the territorial specificities and propose practical solution for the specific needs of these territories to be taken into account in the future.

4. Next steps for CPMR and its Members

The CPMR and its Member regions will continue to mobilise themselves to present constructed and evidence-based arguments to defend a vision of Cohesion as a central policy addressing long term EU objectives covering all European regions.

- The CPMR secretariat will continue working together with CPMR member regions in the **development of specific proposals**, on the above mentioned but also on European Territorial Cooperation, the European Social Fund and performance
- The CPMR secretariat will publish an **analysis of the most recent regional GDP statistics⁴** in March 2017 to understand potential eligibility changes and the impact of Brexit
- The CPMR secretariat is also working on an **analysis of the territorial dimension of the EFSI** which will look at the geographical distribution of EFSI projects at regional level
- The current work will feed in to the **upcoming public consultation on the future of Cohesion Policy** to be launched by DG REGIO in Autumn 2017 and will be **discussed with Commissioner Crețu** on the occasion of a lunch meeting with CPMR Presidents of Regions on 30 May and presented at the meeting of the **Informal Council of Cohesion Policy ministers** on 8 June in Malta
- Specific proposals on post-2020 Cohesion will be gathered in a **policy position to be adopted in the June CPMR Political Bureau** (22 June 2017)
- The CPMR policy position on post-2020 will be presented at the **Cohesion forum (26-27 June 2017)**

⁴ The analysis will be based on a forecast of Cohesion Policy eligibility based on the regional GDP for 2013, 2014 and 2015



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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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