



Believe in *People*

EPP Group **Position Paper**

The **Future** of **Cohesion Policy**



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Introduction

Why do we need Cohesion Policy, now and in the future?

The EPP Group backs Cohesion Policy as a structural policy promoting growth and economic development across all EU regions, in line with the objectives of the Europe 2020 Strategy, and as a key EU instrument for investment in the real economy. It is an expression of European solidarity, reducing economic, social and territorial disparities. It is also a policy of genuine and common European self-interest for securing jobs and growth all over Europe, with no region being left aside.

As a consequence of the sovereign debt and financial crisis, public investment has considerably decreased, making ESI Funds and their respective national co-financing the main tool for public investment in most Member States, with a direct impact on citizens' lives. It consistently contributes to smart, sustainable and inclusive growth, continuing to be of added value also post-2020. This underlines the importance of a close link between Cohesion Policy and the attainment of common European goals.



1. Current Cohesion Policy

Strengths - Performance-oriented policy framework

The EPP Group played a leading role in the design of the 2014-2020 Cohesion Policy and is a strong supporter of thematic concentration, through which investments are focused on specific objectives and priorities that correspond to performance indicators and targets specifically set for that theme, making Cohesion Policy a performance-oriented policy.

We welcome the use of common output indicators that deliver information that can be aggregated at EU-level for all programmes and thus provide a basis for reporting on investments. We insist on the need to improve such reporting when it comes to the quality of the data on these common output indicators.

The EPP Group emphasises that the performance reserve introduced under the current framework could improve the implementation of Cohesion Policy operational programmes, but the timing of its allocation would need further consideration.

Concerns

The 2014-2020 regulatory framework was adopted only at the end of 2013 due to long negotiations and a late agreement on the MFF. As a consequence, operational programmes could not be adopted on time and a large amount of commitment appropriations had to be transferred from 2014 to 2015 in order not to lose them.

We are concerned by the slow start-up in the implementation of Cohesion Policy operational programmes, which impacted the take-up of policy on the ground. We consider that it is imperative to know the state-of-play as regards implementation; we therefore request a better and more complete Open Data Portal, which should be updated in real time.

The delayed implementation also increases the risk of returning to an unsustainably high backlog from 2017 onwards. The adoption of many operational programmes through the carry-over procedure and the transfer of 2014 not-allocated commitment appropriations to 2015 significantly increases the risk of de-commitment in 2018.



The EPP Group also expresses concern on the slow designation of authorities for the operational programmes, which theoretically is not preventing the start-up of implementation, but is preventing the execution of interim payments, which consistently contribute to the start-up of investments.

Proposals for urgent action

For the second half of the programming period, without hampering the long-term strategic planning in Cohesion Policy, we call on the Commission to make the appropriate legislative proposals.

- > The EPP Group supports the stability of rules, which should only be changed selectively where and when really needed.
- > New means of simplification have to be explored in order to reduce the administrative burden for authorities and beneficiaries and increase the accessibility of funds:
 - cutting paperwork, time and costs, by reducing the number of application documents and by reducing the evaluation/approval/contracting procedures;
 - enhancing e-cohesion;

- reducing and optimising the control, monitoring and reporting activities in the Member States, i.e. through increased digitalisation and standardisation of procedures;
- reducing data and information requirements for beneficiaries in the application and reporting process and reducing requirements to keep documents on file when a project has ended;
- harmonising to the extent possible the rules concerning cross-funding;
- further clarifying financial instrument rules;
- clarifying how to combine rules governing ESI Funds and state-aid rules;
- simplifying EU financial rules;
- providing a clear distinction between fraud and errors.
- > Flexibility in the procedures for amending the operational programmes has to be envisaged in order to increase responsiveness to socio-economic developments.
- > Conflicts between national financial rules and EU financial rules must be avoided.



- Wherever such a conflict arises, EU financial rules should take precedence.
- > The level of payment appropriations agreed in the yearly budgetary procedure has to meet the needs resulting from past commitments, especially towards the end of the period when Member States put forward more payment claims. The Commission should come forward with a payment plan until 2023 to avoid creating a backlog of outstanding payment claims.
 - > Appropriations de-committed due to a total or partial non-implementation of the actions for which they were earmarked should be made available again in the EU Budget and be mobilised by the budgetary authority in the framework of the annual budgetary procedure.
 - > We call for flexibility as regards the allocation of the performance reserve, which should take place earlier for the programmes that have attained their targets and milestones.
 - > Administrative capacity has to be constantly increased; in this sense, functional and flexible e-government solutions must be exploited.
 - > In the spirit of empowering national and regional authorities, the Commission needs to be given a more prominent role in assisting and advising the Member States' administrations well before the implementation of programmes begins.
 - > The focus on training administrations needs to be increased. The heads of paying agencies/regional payment authorities should be trained and personally accredited by the Commission.
 - > Synergy with other policies and instruments, including Horizon 2020, the EFSI and other financial instruments, should be enhanced so as to maximise the impact of investment; an 'equal treatment' approach in relation to procedures, e.g. on state aid rules, should become the leading principle.
 - > The smart specialisation methodology should become a model for the implementation of policy.
 - > The visibility of Cohesion Policy has to be enhanced. All the legal provisions as regards information and communication have to be thoroughly implemented, to ensure transparency and the wide dissemination of the achievements of the Funds.



- > Coherence and consistency with the European Semester has to be improved by strengthening the link between Cohesion Policy and Country-Specific Recommendations, in such a way that cohesion spending continues to address the priorities defined by the latter. Moreover, Cohesion Policy should maintain the support for structural reforms and technical assistance.





2. Cohesion Policy after 2020

The EPP Group is strongly in favour of keeping a strong, well-balanced Cohesion Policy post-2020.

Scope

- > The EPP Group stresses that Cohesion Policy post-2020 should remain an EU investment policy covering all Member States and EU regions. At the same time, the Future Cohesion Policy should continue to have as one of its objectives the reduction of disparities between European regions and the avoidance of new disparities, as provided for in Article 174 of the Treaty (TFEU). We reiterate that a proper balance needs to be found between these two complementary objectives.
- > Financial instruments should always be tailor-made and complementary to the Funds, in order to maximise output on the ground.
- > The EPP Group supports the prolongation of the thematic objectives approach

and believes that, apart from the objectives reflecting current EU political priorities, a specific territorial objective is needed, e.g. to strengthen integrated urban-rural development.

- > The classification of regions in Future Cohesion Policy should remain NUTS II regions, without excluding the possibility of using the NUTS III classification for some selected priorities.
- > The current system of categories of regions - less developed, transition and more developed - should be continued. The creation of the 'transition regions' category has demonstrated its relevance. This category should be maintained. We call at the same time for more precise indicators to measure performance.
- > The share of Cohesion Policy in the total EU Budget should be maintained in the future.

Shared management

- > The EPP Group supports a reformed shared-management approach for the ESI Funds in the post-2020 period and calls for more flexibility for Member States with regards to changes in operational programmes and differentiated treatment of Operational Programmes according to risk-relevant criteria.

Simplification

- > In order to reduce the administrative burden, increase legal certainty and fully explore the potential of Cohesion Policy as a policy delivering concrete results, the EPP Group calls for:
 - The timely adoption of all rules on management and control before the start of the new funding period;
 - A clear and legally-binding “no” to any retroactive effect of new rules, including the application of Commission guidelines;
 - Keeping rules on management and control across funding periods. The continuous change of rules every seven years causes uncertainty, backlogs and errors;

- Limiting EU rules, which should be very clear and reliable, to what is necessary for reaching the aims of the Cohesion Policy. The role of the legislator should be strengthened and the Commission should clearly issue less regulations and guidelines.

Performance-based Budgeting

- > The EPP Group pleads for further advancing the performance-oriented nature of Cohesion Policy, with the continuation of the thematic concentration working method. Programmes and projects need to meet the political priorities and objectives with the highest potential leverage, to provide the highest added-value for growth and jobs, as well as for economic, social and territorial cohesion.
 - In assessing the eligibility of projects, priority should be given to those covering aspects of economic development combined with social and territorial elements.
 - The common output indicators for the Funds must be maintained in order for the results to be visible and easy to demonstrate.

- Any surplus resulting from under-implementation of the EU Budget or fines should be budgeted as extra revenue in the EU Budget. De-commitments resulting from the total or partial non-implementation of the actions for which they were earmarked should be made available again in the EU Budget. The EPP Group calls on the Commission to make appropriate legislative proposals in this regard.
- Cohesion Policy should become more horizontal. Smart specialisation should be the leading mechanism in the cohesion process by facilitating cooperation between more-developed and less-developed regions, urban and rural areas and facilitating EU integration.

- Enhanced complementarity in the implementation of Cohesion Policy funds and Horizon 2020 investments in all regions has to be ensured, supporting an innovation-driven uptake, in view of achieving strong smart, sustainable and inclusive growth in the EU.
- We should evaluate the results, including the increase of GDP based on EU money, and take the necessary measures.





Implementation - flexibility and discipline

- > The EPP Group is in favour of strong financial management. Flexibility in implementing the Funds under shared management has to be ensured, but Member States should take increased responsibility for the way EU money is spent. The success of shared management depends not only on the EU, but in particular on the efforts made by the Member States. We therefore call for the application of 'national declarations' to ensure that political responsibility is taken for the management of EU funds by national and regional authorities.
- > A clear distinction between errors, irregularities and deliberate fraud is needed and the Commission must always make sure the amounts unduly paid are recovered, respecting the principle of proportionality.
- > We ask the Commission to introduce a reporting system for Member States on the situation of completed operations supported by the ESI Funds five years after the project's completion.

Financial instruments

- > Financial instruments can provide solutions to certain challenges but cannot become the only implementation method for Cohesion Policy, with some projects needing grants instead. The EPP Group is in favour of reaching an appropriate balance between the two. Financial instruments should be promoted when they have added value, but it is essential to maintain the variety of tools for all regions (whatever their category) to be able to choose the implementation processes that are the most efficient and most meet the priorities and needs.

Timing of new Commission proposals

- > The preparations for the new regulations for Cohesion Policy have to be finished early enough, to avoid delays in the implementation of the new policy. The EPP Group urges both the co-legislators and the Commission to ensure that they are adopted by the end of 2018.
- > In the context of the duration of the MFF, the multi-annual nature of Cohesion Policy has to be taken into account, by ensuring either a maintenance of the

seven year period, or a 5+5 programming period with a clear mid-term revision of the policy.

Further recommendations for Future Cohesion Policy

- > Currently, GDP is used as an indicator for the allocation of funds. For the new programming period, the possibility of taking more indicators into consideration has to be explored.
- > Employment, social inclusion, addressing the demographic challenge and supporting the circular economy must also be priorities for Cohesion Policy. Actions and funding to fight youth unemployment in vulnerable regions are needed more than ever.
- > The money going to European Territorial Cooperation is set at 2.8 percent for the 2014-2020 period. Considering its added value, this amount needs to be increased.
- > Specific measures for the outermost regions must be preserved.
- > The EPP Group supports the strong urban dimension of Cohesion Policy. Many European economic, social or

environmental challenges can be best addressed directly by Europe's towns and cities. Future Cohesion Policy should strengthen its direct support to local governments by enhanced financing and tailored instruments for territorial development.





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