ALIGNED TO POLITICAL PRIORITIES
Simplification, transparency and flexibility

In billion euro, current prices

I. SINGLE MARKET, INNOVATION AND DIGITAL
  €187.4
  1 Research and Innovation
  2 European Strategic Investments
  3 Single Market
  4 Space

II. COHESION AND VALUES
  €442.4
  5 Regional Development and Cohesion
  6 Economic and Monetary Union
  7 Investing in People, Social Cohesion and Values

III. NATURAL RESOURCES AND ENVIRONMENT
  €378.9
  8 Agriculture and Maritime Policy
  9 Environment and Climate Action

IV. MIGRATION AND BORDER MANAGEMENT
  €34.9
  10 Migration
  11 Border Management

V. SECURITY AND DEFENCE
  €27.5
  12 Security
  13 Defence
  14 Crisis Response

VI. NEIGHBOURHOOD AND THE WORLD
  €123
  15 External Action
  16 Pre-Accession Assistance

VII. EUROPEAN PUBLIC ADMINISTRATION
  €85.3
  17 European Public Administration

Source: European Commission
A modern, dynamic cohesion policy

Modern investment
- Focus on transition to smart, low-carbon economy
- Stronger conditions & link to European Semester
- Comprehensive performance data (in near real time), open data

Simple, flexible, dynamic
- 7 funds, 1 regulation (50% shorter)
- 50 key administrative simplifications
- Faster implementation (return to n+2)
- Responsive to emerging needs (migration, economy)

For all regions
- Balanced and fair "Berlin method"
- 75% to poorest regions, where most needed
- Tackling emerging needs and economic transition across the EU
Modernising the policy
Policy objectives

11 objectives simplified and consolidated to 5:

1. A smarter Europe (innovative & smart economic transformation)
2. A greener, low-carbon Europe (including energy transition, the circular economy, climate adaptation and risk management)
3. A more connected Europe (mobility and ICT connectivity)
4. A more social Europe (the European Pillar of Social Rights)
5. A Europe closer to citizens (sustainable development of urban, rural and coastal areas and local initiatives)

2 horizontal objectives:

- Administrative capacity building
- Co-operation between regions and across borders (embeds co-operation in mainstream)
ERDF THEMATIC CONCENTRATION

- Maintaining spending in the key areas for growth and jobs
- At national level based on GNI per head => flexibility

<table>
<thead>
<tr>
<th>For countries with:</th>
<th>minimum % PO1 (&quot;smarter Europe&quot;)</th>
<th>minimum % PO2 (&quot;greener, low carbon Europe&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI below 75%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>GNI 75-100%</td>
<td>45%</td>
<td>30%</td>
</tr>
<tr>
<td>GNI above 100%</td>
<td>60%</td>
<td>PO1 + PO2 min. 85%</td>
</tr>
</tbody>
</table>

- 6% of budget to urban development, delivered through local development partnerships
Changes in Interreg

- Embedding in mainstream via horizontal objectives
- Cross-border programmes: from fund distributors to centres of strategic planning
- New: Interregional innovation instruments
- New: Maritime co-operation goes from CBC to sea-basin level
- New: Specific component for the outermost regions (with co-operation outside EU)
- New: Co-operation outside the EU (incorporation of IPA/ENI)
- New: European Cross Border Mechanism (ECBC and ECBS)
Sustainable urban development

- New dedicated specific objective for integrated development of urban areas
- 6% of ERDF to go to urban development, delivered through local development partnerships via various tools
- Requirement for local development strategies – local ownership
- European Urban Initiative: a coherent approach to capacity building, innovative actions, knowledge and policy development and communication
Coherence with other EU instruments

4 key examples:

- Horizon Europe ("European excellence")
  ERDF ("regional relevance", smart specialisation, innovation diffusion) & reinforced seal of excellence mechanism

- CEF/CF: Transfer of EUR 10 billion from the CF to the CEF; trans-European transport networks projects to be financed both through shared and direct management

- Migration: all Cohesion Policy Funds will address long-term needs linked to integration, AMIF will focus on short term needs

- Reform Support Programme
  European Investment Stabilisation Function
Simplification and flexibility
Simpler

• The architecture itself – 7 Funds, 1 rulebook
• Rulebook half as long
• Handbook of 50 key administrative simplifications (examples on next slides)
Programming

What's in?

- Simplified, more focused and more strategic programming in structured form
- Performance-oriented: Mid-term review in 2025
- Synergies: Closer link with the European Semester
- Annexes: to replace some 40 empowerments from 2014-2020

What's out?

- No more changes of the PA during period
- Eliminated overlaps between PA and programmes (e.g. enabling conditions only in progs)
- Fewer procedures: combining technical adjustment with performance review
More flexible

- New transfer possibility: Member State may request the transfer of up to 5% of programme resources to another EU instrument.
- Simpler reprogramming: up to 5% of a priority (3% of programme) without Commission decision.
- "5+2" Programming:
  - 5 years programmed initially
  - 2026-27 allocations programmed after mid-term reviews in 2024-25 (basis: emerging needs, performance)
  - Technical adjustment fed in (modifying allocations from 2025)
Simpler reimbursement

What's in?

- SCOs (simplified cost options). Unit costs, fixed rates, lump sums.
- "Financing not linked to costs" (= based on conditions or milestones)
- TA linked to implementation or milestones, as above

What's out?

- Less reimbursement of eligible costs = less paperwork, receipts, invoices
- NB: The measures on this slide are potentially the most cost-saving simplifications. Study suggests could save 25% of administrative costs.
Eligibility

What's in?
- Flexibility when responding to natural disasters
- Separate and clearer rules on durability and relocation
- For operations below 5 MLN EUR of total costs, VAT eligible. In all other cases VAT is ineligible.

What's out?
- Applying specific rules on revenue generating operations
- Appraising and adopting major projects; instead "operations of strategic importance" followed by monitoring committee
Simpler management and control

What's in?

- More proportionate system for low-error-rate programmes: reliance on national systems, no system audit, audit sample of maximum 30 operations
- Simpler process for acceptance of accounts (and no "zero accounts")
- Clarity on document retention period for beneficiaries (5 years from end of year with last reimbursement)

What's out?

- No designation procedure: roll-over of existing systems
- Fewer layers of control: Certifying Authorities replaced by an accounting function (which will not duplicate controls)
- Administrative verification of 100% of payment claims. Post-2020: risk-based sample
Performance, monitoring and evaluation

What's in?

- Performance framework will cover all output and result indicators
- "Open data" on progress every 2 months
- Structured and dynamic policy dialogue between COM and MS in the annual review meeting

What’s out?

- Performance reserve (replaced by "5+2")
- Annual implementation and progress reports for cohesion policy
- Ex ante evaluation
Facilitated use of financial instruments

- Encouraging financial instruments (FIs) by simplification:
  - Lighter ex-ante assessments
  - Integrated rules for grants and FIs
    (=> easier to master rules, easier to combine instruments)
  - Simpler rules on eligibility, payments and management fees
  - No separate reporting
- Voluntary contribution up to 5% of each Fund to new "InvestEU" instrument. Rules of InvestEU, but cohesion objectives.
Solidarity and responsibility
### Lower co-financing ceilings

<table>
<thead>
<tr>
<th>Ceiling</th>
<th>Applies to</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>Less developed regions, Outermost regions, Cohesion Fund, Interreg</td>
</tr>
<tr>
<td>55%</td>
<td>Transition regions</td>
</tr>
<tr>
<td>40%</td>
<td>More developed regions</td>
</tr>
</tbody>
</table>

"Quid pro quo": VAT eligibility

No specific rules for revenue generating projects
From N+3 to N+2 over the period
Allocations & eligibility
Step 1: "Berlin method" (% indicates financial weight)

<table>
<thead>
<tr>
<th></th>
<th>2014-2020</th>
<th>2021-2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (incl. GNI for Cohesion Fund)</td>
<td>86%</td>
<td>81%</td>
</tr>
<tr>
<td>Labour market, education, demographics</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Climate</td>
<td>-</td>
<td>1%</td>
</tr>
<tr>
<td>Migration</td>
<td>-</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Labour market: unemployment rate, youth unemployment rate, employment rate
Education: early school leavers, tertiary level of education, low level of education
Demographics: population of regions, low density of population
Climate: Green House gas emissions in the non ETS sectors
Migration: Net migration of non EU citizens
The main driver of changes: change in GDP per capita

Step 2: Caps and safety nets

- Absorption and equity cap (ranges from 2.3% of GDP for RO, BG and HR to 1.55% for most MSs)

- Safety nets and limits:
  - - 24% lower limit – the "safety net"
  - + 8% "reverse safety net"
  - 0% limit on increases in Member States with >120% GNI
Cohesion policy

Comparison of aid intensities 2014-2020, 2021-2027

Aid intensity (Euro per capita per year in 2018 prices)

2014-2020
2021-2027
Poly. (2014-2020)
Poly. (2021-2027)
### Allocations by Member State

<table>
<thead>
<tr>
<th>Member State</th>
<th>2021-27 allocation (billions, 2018 prices)</th>
<th>Change from 2014-2020 period (%)</th>
<th>Aid intensity (EUR/head)</th>
<th>Change from 2014-2020 period (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BG</td>
<td>8.9</td>
<td>8</td>
<td>178</td>
<td>15</td>
</tr>
<tr>
<td>RO</td>
<td>27.2</td>
<td>8</td>
<td>196</td>
<td>17</td>
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<tr>
<td>HR</td>
<td>8.8</td>
<td>-6</td>
<td>298</td>
<td>0</td>
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<tr>
<td>LV</td>
<td>4.3</td>
<td>-13</td>
<td>308</td>
<td>0</td>
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<tr>
<td>HU</td>
<td>17.9</td>
<td>-24</td>
<td>260</td>
<td>-22</td>
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<tr>
<td>EL</td>
<td>19.2</td>
<td>8</td>
<td>254</td>
<td>12</td>
</tr>
<tr>
<td>PL</td>
<td>64.4</td>
<td>-23</td>
<td>239</td>
<td>-24</td>
</tr>
<tr>
<td>LT</td>
<td>5.6</td>
<td>-24</td>
<td>278</td>
<td>-12</td>
</tr>
<tr>
<td>EE</td>
<td>2.9</td>
<td>-24</td>
<td>317</td>
<td>-22</td>
</tr>
<tr>
<td>PT</td>
<td>21.2</td>
<td>-7</td>
<td>292</td>
<td>-5</td>
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<td>SK</td>
<td>11.8</td>
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<td>-22</td>
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<td>ES</td>
<td>34.0</td>
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<td>3</td>
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<td>MT</td>
<td>0.6</td>
<td>-24</td>
<td>197</td>
<td>-28</td>
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<tr>
<td>IT</td>
<td>38.6</td>
<td>6</td>
<td>91</td>
<td>5</td>
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<tr>
<td>FR</td>
<td>16.0</td>
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<tr>
<td>FI</td>
<td>1.6</td>
<td>5</td>
<td>42</td>
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<tr>
<td>BE</td>
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<td>31</td>
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<td>SE</td>
<td>2.1</td>
<td>0</td>
<td>31</td>
<td>-6</td>
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<tr>
<td>DE</td>
<td>15.7</td>
<td>-21</td>
<td>27</td>
<td>-20</td>
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<tr>
<td>DK</td>
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<tr>
<td>LU</td>
<td>0.1</td>
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<td>16</td>
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</tr>
<tr>
<td>EU27</td>
<td>331</td>
<td>-9.9</td>
<td>106</td>
<td>-11</td>
</tr>
</tbody>
</table>

*Source: European Commission*
**Continued concentration on less developed**

<table>
<thead>
<tr>
<th></th>
<th>2021-2027</th>
<th>2014-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohesion Fund</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>ERDF Less developed regions</td>
<td>62%</td>
<td>53%</td>
</tr>
<tr>
<td>ERDF Transition</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>ERDF More developed</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Share CF + ERDF less developed</td>
<td>75%</td>
<td>74%</td>
</tr>
</tbody>
</table>
New regional eligibility map 2021-2027

GDP/head (PPS) by NUTS2 region, average 2014-2015-2016

Index, EU-27 = 100
- < 75% (less developed regions)
- 75% - 100% (transition regions)
- >= 100% (more developed regions)
Next steps
Your help is crucial

- to explain the proposal and convince our stakeholders

- in the negotiation phase – we must clarify the details of the modernisation and simplification agenda to be able to "sell"
Thank you for your attention

#CohesionPolicy
#EUinmyRegion