

Information session for regional offices

Cohesion policy proposals for 2021-2027 & state of negotiations

2-3 July 2019





A modern, dynamic policy of 331 billion euro (2018 prices)

Modern investment

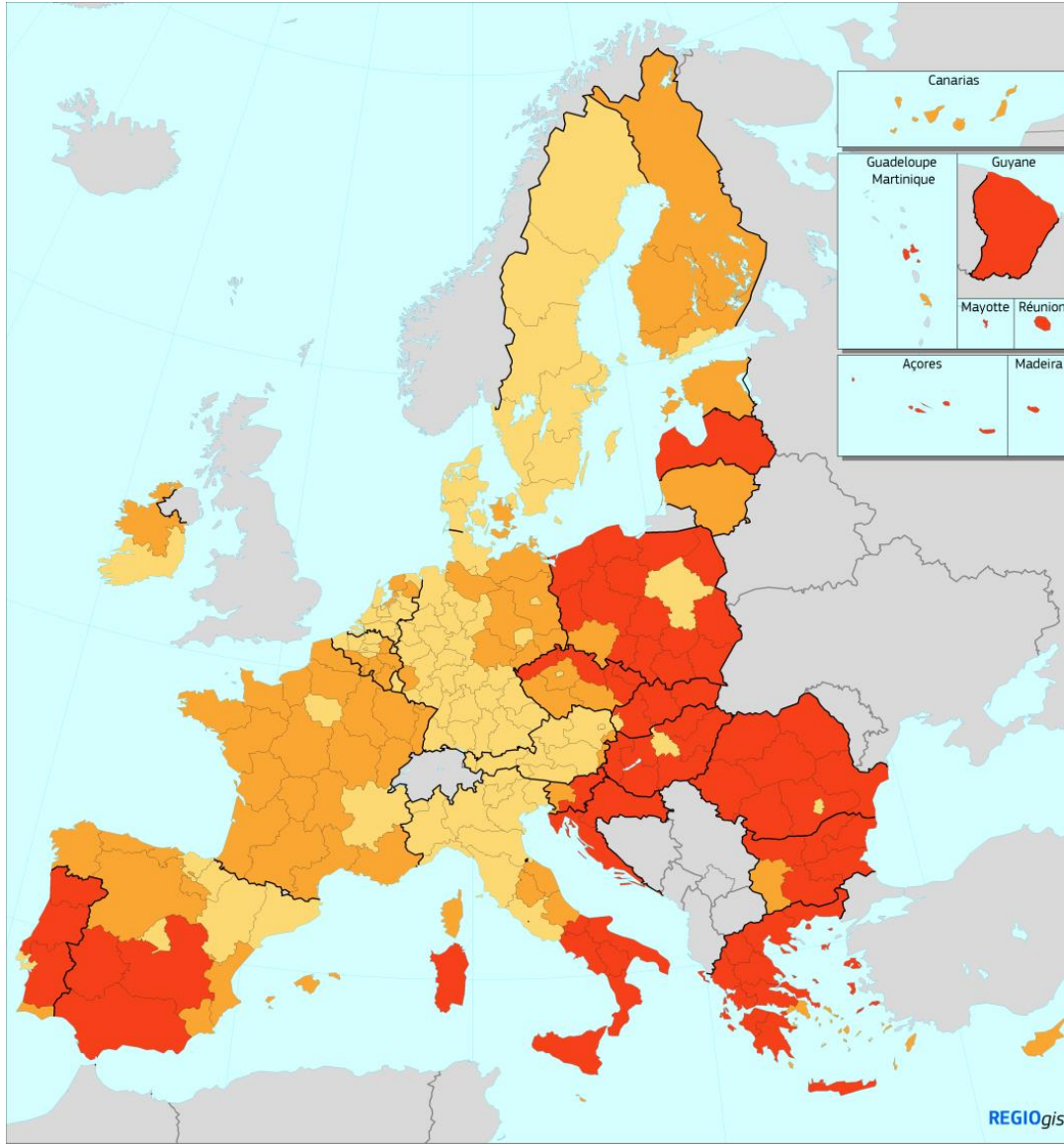
- Focus on transition to smart, low-carbon economy
- Stronger link to European Semester
- Comprehensive performance data (near real time), open data

Simple, flexible, dynamic

- 7 funds, 1 regulation (50% shorter)
- 80 key administrative simplifications
- Faster implementation (return to n+2)
- Responsive to emerging needs (e.g. migration)

For all regions

- Balanced and fair allocation method
- 75% of financial resources to poorest regions and Member States, where most needed



Regional eligibility map 2021-2027 based on 2014-16 GDP data

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)

Continued concentration on less developed

	2014-2020	2021-2027
Cohesion Fund	22%	13%
ERDF Less developed regions	53%	62%
ERDF Transition	10%	14%
ERDF More developed	15%	11%
Total	100%	100%
Share CF + ERDF less developed	74%	75%

1. Negotiations of the MFF

MFF negotiations – timing

- ✓ Objective to reach **a political agreement in 2019**
- ✓ EP position adopted in interim report on the MFF package voted on 14 November 2018
- ✓ MFF negotiating box prepared during AT and RO Presidencies
- ✓ EUCO June – **no discussion on figures** – supposed to be included under FI Presidency
- ✓ Sectoral proposals can only be finalised after MFF deal (i.e. in 2020)

Risk: new legislation may not be in place much earlier than for 2014-2020 period

MFF negotiations – EP position

- ✓ Period of 7 years with mid-term review by mid-2023 (but moving to 5+5 in future)
- ✓ EU budget to be increased to 1.3% of EU-27 GNI
- ✓ Areas with increased EU budget (research, young people, migration, climate...)
- ✓ Maintain cohesion policy budget for EU-27 at the level of 2014-2020 budget in real terms;
- ✓ Increase co-financing rates to 85%, 65% and 50%
- ✓ Increase Interreg to 3% of cohesion policy budget (instead of proposed 2.5%)
- ✓ Increase pre-financing year by year to reach 2% in 2025
- ✓ Limit CEF transfer to EUR 4 bn in 2018 prices and without the 70/30 split (i.e. keep national envelopes)

MFF negotiations – Council position

Main elements of last version of MFF nego box (subject to further discussion in Council):

- ✓ No MFF mid-term review, no technical adjustment of cohesion envelope
- ✓ Reference to rule of law conditionality included
- ✓ Reference to strengthening the link between the budget and the Semester is extended to cover links with the Social Pillar, migration, environment and climate change
- ✓ Reference on enhancing synergies between Horizon Europe and the structural funds included

MFF negotiations – Council position

Main elements of the last version of MFF nego box (subject to further discussion in the Council) :

- ✓ Thematic concentration – regional vs national level; attempt to relax the requirements (by including PO5 and Cohesion Fund into calculation)
- ✓ CEF-transfer: option to follow the 2014-2020 approach is included (ie safeguarding MS envelopes up to a certain date), transfer from CF is expressed as a percentage of the total CF envelope;
- ✓ Transfers: possibility is limited to two occasions only (at initial programming or at mid-term review). Possibility for transfer split: [5%] from shared management to direct or indirect management, and an additional [5-10%] within shared management (including between ERDF and ESF+);

MFF negotiations – Council position

Main elements of the last version of the MFF nego Box (subject to further discussion in the Council):

- ✓ Transition category – up to 100% EU average GDP p.c.
- ✓ Interreg allocation method revised in line with the new strands approach;
- ✓ Single capping percentage possibility introduced
- ✓ Additional allocation for poorest regions and Member States with severe economic downturn introduced
- ✓ Reference periods 2014-2016 vs 2015-2017 – no decision yet
- ✓ Decommitment rules (3 options, including n+3)
- ✓ Co-financing rate (possibility at national level)

2. Cohesion policy legislative package – process and timing

Process - timing – Parliament

EP adopted its 1st reading position on all elements of legislative package for post-2020 cohesion policy:

- ✓ Common Provisions Regulation and ERDF/CF– position adopted on 27 March 2019.
- ✓ ESF+ - position adopted on 4 April.
- ✓ Interreg – position adopted on 26 March
- ✓ ECBM - position adopted on 14 February.
- ✓ AMF, BMVI and ISF - position adopted on 13 March.

Process - timing – Council

CPR divided into Blocks – partial mandates covering already majority of provisions:

- ✓ 19 December 2018 – block 1 (programming) and 5 (management and control);
- ✓ 15 February 2019 – block 2 (enabling conditions and performance review);
- ✓ 3 April – block 3 (monitoring, evaluation, communication) and block 4 (eligibility and financial instruments);
- ✓ 17 April – block 6 (financial management);
- ✓ 29 May – block 7 (definitions, delegation of powers, transitional and final provisions).
- ✓ 19 June – Annexes (PA and programme templates, audit trail, payment application, categories of intervention, indicators)

Financial provisions put aside → part of the MFF discussions: drafting will only be dealt with once political agreement is reached

Trilogues

- ✓ Started already with previous EP (Feb/March) – discussion on programming (Block 1) – NO agreement
- ✓ Multi-layered approach including different formats/levels (political and technical meetings)
- ✓ Trilogues will continue with new EP after the rapporteurs are chosen and approved and the negotiating mandates confirmed – possibly end September/October
- ✓ Council preparations for trilogues:
 - ✓ SMWP meetings in July and September
 - ✓ FI PRES objective: test MS on key amendments of EP
 - ✓ Objective: agree on Blocks 1,2, 5 by December

3. Common Provisions Regulation – CPR Key elements



Where do today's instruments fit?

Common Provisions Regulation

- Covers 7 funds, i.e. ERDF, CF, ESF+, EMFF, AMIF, ISF and BMVI
- Delivery elements are here

ERDF/CF regulation

ESF+

regulation

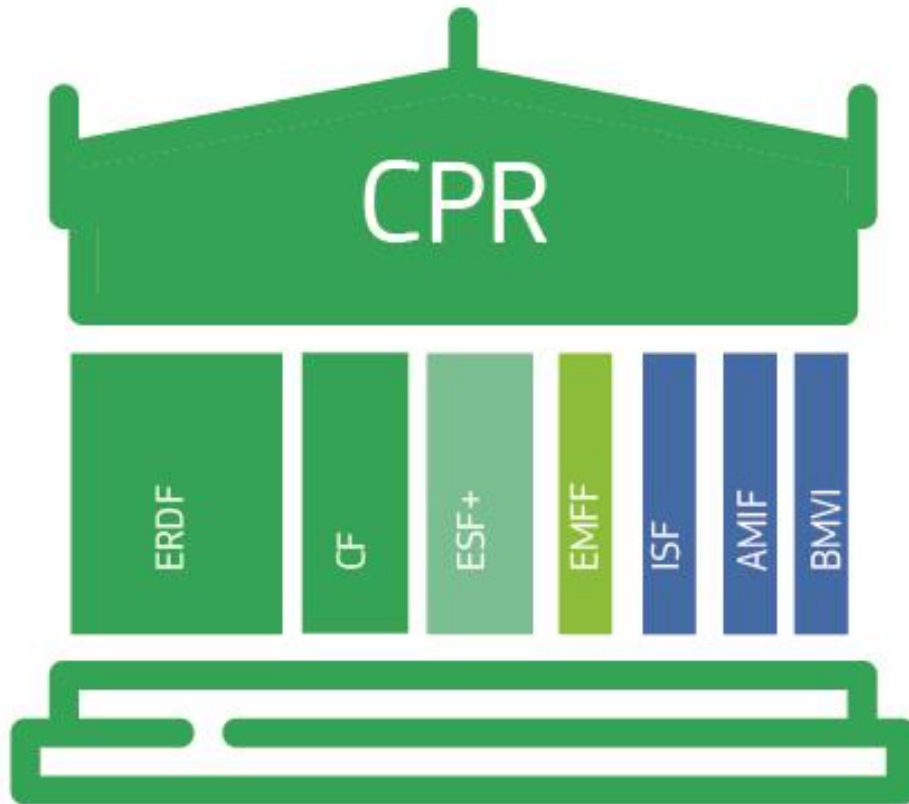
- Policy priorities are here, eg:
 - specific objectives
 - thematic concentration
 - urban development
 - outermost regions

ETC regulation

- Territorial co-operation funded by ERDF
- Includes external assistance
- New interregional innovation instrument

ECBM: off-the-shelf legal instrument to simplify cross-border projects

Reminder: 7 funds, 1 regulation



CPR covers delivery.
1 set of rules is:

- More coherent
- Simpler to learn
- Simpler to combine

Partnership Agreement and partnership principle

COM:

- ✓ obligatory PA
- ✓ EAFRD not covered by CPR but AMIF, BMVI, ISF included
- ✓ Code of Conduct on partnership - same as for the 2014-2020 period – DA 240/2014

EP: Reintegration of the EAFRD into the CPR, obligatory PA, strengthening partnership principle

Council: exclusion of AMIF, BMVI, ISF from PA and voluntary PA (exception would mean that at least 14 Member States would not have to prepare PA), weakening of partnership principle

Programming (incl. mid-term review)

COM:

- ✓ '5+2' programming
- ✓ more flexibility for MAs thanks to possibility of programme amendments without Commission decision (up to 5 % of a priority & 3% of programme allocation)

EP: 5+2 programming and thresholds set at 7% and 5%

Council: 7-year programming with “flexibility amount“ of 50% of EU contribution for 2026 & 2027; higher thresholds for programme amendments without Commission decision set at 8% / 4% respectively

Transfers and Contributions

COM:

- ✓ Voluntary nature
- ✓ Contribution to InvestEU – PA level as well, max 5% of each Fund
- ✓ Transfer to shared management Funds or direct and indirect management instruments – max 5% of programme allocation
- ✓ Transfer between categories of regions (during PA submission or mid-term review)
- ✓ Cross-financing at 10%

EP: Limit contribution and transfers between categories of regions

Council: Levels will be established during the MFF negotiations; cross-financing at 10%

Technical assistance

COM:

- ✓ Flat-rates linked to payments applications (2.5% for ERDF/CF and 4% for ESF+)
- ✓ No possibility of a horizontal TA programme
- ✓ Financing not linked to costs

Council: Real costs for TA (and separate TA programme) also possible, proposed flat-rate system kept (% increased)

EP: similar to Council position + very detailed list of actions to be supported from the Commission's TA, including obligation of 15% for communication activities

Integrated territorial development

COM:

- ✓ Support through well known instruments – ITIs and CLLD, and another territorial tools (only under PO5)
- ✓ In case interventions under ITI/CLLD address specific objectives under PO1-2, but are programmed under PO5, their allocation is not counted towards ERDF thematic concentration requirements and thematic enabling conditions do not apply

Council and EP:

No major changes, EAFRD back in the relevant Articles on CLLD since it can play the role of a Lead Fund

Enabling conditions

COM:

- ✓ Horizontal (Annex III) and thematic (Annex IV)
- ✓ Application throughout the entire programming period
- ✓ No systematic monitoring by COM or reporting to COM
- ✓ Fulfilment when ALL criteria are met => No action plan needed
- ✓ No expenditure can be declared if the enabling condition applying to the underlying specific objective (priority) is not fulfilled

EP: No substantial change

Council: if conditions are not fulfilled, expenditure can be certified but not paid by Commission (to tackle concerns over N+2); against requirements going beyond directives (e.g. public procurement); new proposals were discussed: European Pillar of Social Rights, CSRs, migration

Monitoring, evaluation and communication

COM:

- ✓ Monitoring Committee – balanced composition and obligatory voting right for each member
- ✓ More frequent transmission of data – 6x per year
- ✓ Communication obligations – some new elements, such as publication of forthcoming calls; mandatory and frequent publication of list of operations; new concept of operations of strategic importance
- ✓ Explicit provision on financial corrections if beneficiaries do not comply with obligation

EP: limited changes (i.e extend the requirements on communication and visibility for beneficiaries)

Council: transmission of data – 4x per year, voluntary voting right for each member, lower the maximum threshold from 5% to 2% for financial corrections for beneficiaries

Financial support from the Funds

COM:

- ✓ Eligibility of VAT under EUR 5 million
- ✓ No more specific provisions for PPP schemes, revenue generating projects
- ✓ New forms of reimbursement of the Union contribution to a programme in line with FR (Omnibus):
 - ✓ financing not linked to costs
 - ✓ reimbursement based on simplified cost options

EP: VAT eligibility shall be determined on a case-by-case basis, with some exceptions;

Council: VAT – back to current rules; introduce grants based on conditions, as a continuation of repayable assistance

Financial Instruments (FIs)

What's new?

- Streamlined and shortened ex-ante assessment
- Simplification (e.g. for combination in one operation of FI and grants, eligibility, management fees, payments...)
- Integrated assurance and reporting systems with grants
- Possibility to contribute to InvestEU

EP: clarification for combination in one operation; direct award contract for implementation of FIs introduced; reduced contribution to InvestEU in volume and timing

What's out?

- Detailed provisions for eligibility
- Separate assurance approach
- Separate reporting system
- SME Initiative (may be part of InvestEU option)

Council: Possibility for the continuation of FIs from one period to another; direct award contract for implementation of FIs introduced; Increase the flat rates for management costs and fees for FIs

Management and control

COM:

- ✓ No designation procedure - roll-over of existing systems
- ✓ CAs replaced by an accounting function - no duplication of controls in the future
- ✓ Risked based management verifications
- ✓ Fewer audits on operations at beneficiary level: single audit arrangements (reference to EPPO)
- ✓ Enhanced proportionate arrangements (reference to EPPO)

EP: selection of operations, COM's proposal enhanced by additional criteria e.g. energy efficiency

Council: limit provisions on control and COM powers (Article 67 – selection of operations), e.g. possibility for COM to require consultation on criteria for selection of operations; delete reference to the EPPO in single audit, but kept for enhanced proportionate arrangements

Financial management and accounts

COM:

- ✓ Maximum 4 applications per year
- ✓ 10% retention on interim payments
- ✓ New condition for suspension of payments: reasoned opinion by the Commission for an infringement under Article 258 TFEU putting at risk the legality and regularity of expenditure

EP: limited changes

Council: Increase the number of payment applications from 4 to 7; 5% retention on interim payments only; limit the condition for suspension of funds in the case of infringements (sufficient direct link with expenditure)

4. ERDF and Cohesion Fund

Operationalise the policy objectives (Art. 2)

COM:

- ✓ 5 policy objectives (smarter, greener/low-carbon, more connected, more social, closer to citizens) implemented through 21 specific objectives
 - ✓ Example: smarter Europe has 4 specific objectives (innovation, digitalisation, SMEs and skills)
- ✓ Provision under each policy objective for horizontal measures:
 - ✓ Capacity building for programme managers & implementing bodies
 - ✓ Enhance cooperation (inside and outside a given Member State)

EP: digitalisation moved from PO3 to PO1 and urban transport moved from PO3 to PO2; new specific objectives: i.e. protection of migrants, green infrastructure in functional urban areas

Council: public transport moved from PO3 to PO2

ERDF thematic concentration (Art. 3)

COM:

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

For countries with:	minimum % PO1 ("smarter Europe")	minimum % PO2 ("greener, low carbon Europe")
GNI below 75%	35%	30%
GNI 75-100%	45%	30%
GNI above 100%	60%	PO1 + PO2 min. 85%

- ✓ 6% of budget to urban development, delivered through local development partnerships (can overlap with above)

EP: review thematic concentration – less ambitious and at the level of category of regions

Council: part of MFF negotiations

Scope: excluded actions (Art. 6)

COM:

- ✓ **On efficiency grounds** (undertakings in difficulty, airports, broadband where 2 networks already exist)
- ✓ **Where other EU mechanisms exist** (decommissioning of nuclear power, reducing greenhouse gases)
- ✓ **Environmental policy choices** (construction of nuclear power stations, residual waste treatment, fossil fuels)
- ✓ **Other policy choices** (e.g. tobacco)

EP: large derogations under article 6 and cancelation of some paragraphs (broadband, rolling stock)

Council: large derogations under article 6 (airports, gas replacing coal, treatment of residual waste)

Sustainable urban development (Art. 8, 9,10)

COM:

- ✓ 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

EP: Increase of minimum requirements for urban development to 10%

Council: No changes in substance for sustainable urban development

Outermost regions (Art. 11)

COM:

- ✓ Guadeloupe, French Guiana, Martinique, Réunion, Mayotte, Saint-Martin, the Azores, Madeira, Canary Islands
- ✓ "Remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development" (Article 349 TFEU)
- ✓ To offset the Art. 349 constraints, ERDF and CF may support:
 - ✓ Operating costs (eg of transport)
 - ✓ Investment in airports (Art. 6)
 - ✓ Provision of public service obligations

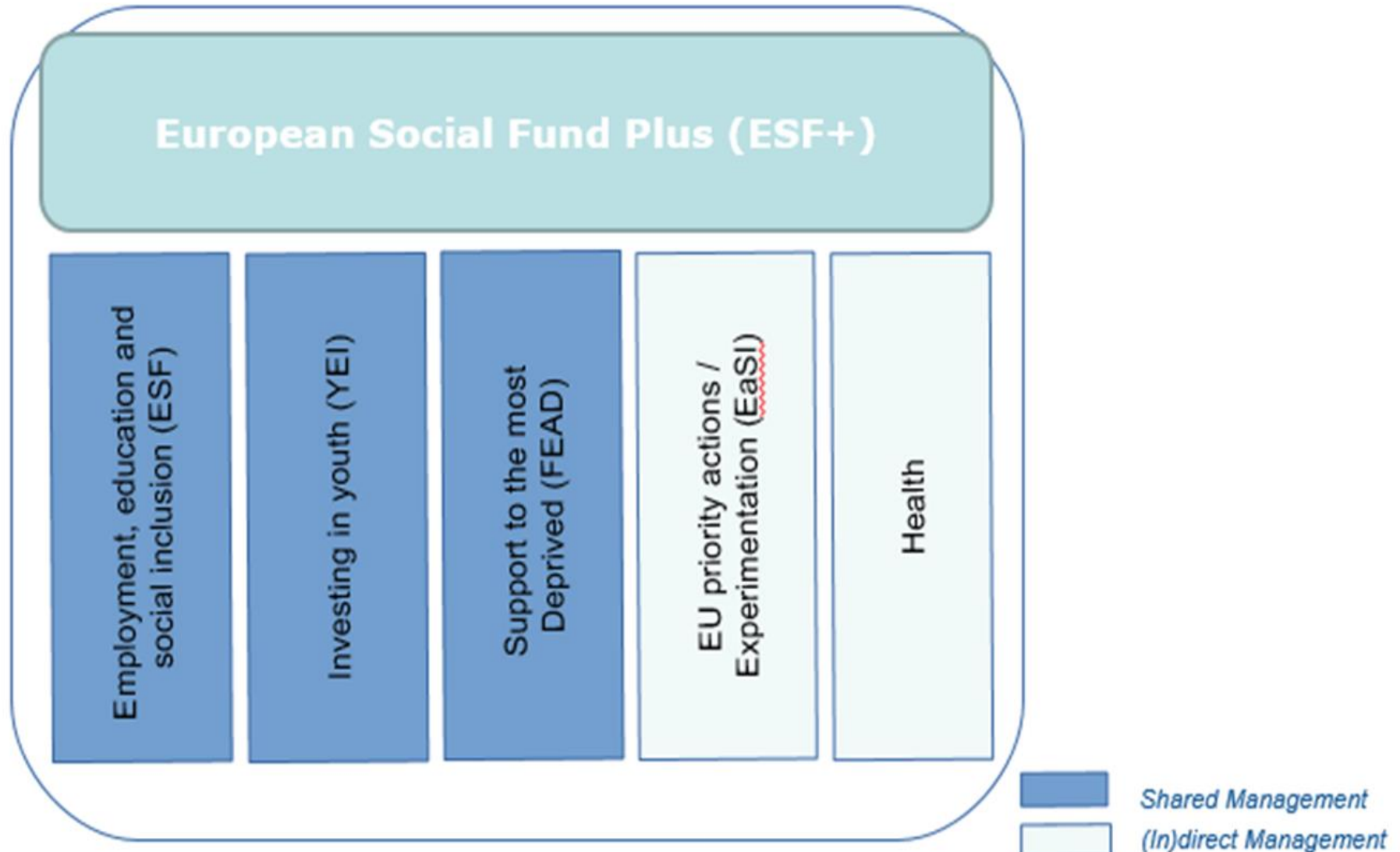
EP: eligibility of large enterprises in outermost regions

Council: Specific allocation for outermost regions not subject to thematic concentration

5. ESF+



The ESF+ : 5 funds coming together



Policy Objective 4 - A More Social Europe – Implementing the European Pillar of Social Rights

ESF+ Specific Objectives

EMPLOYMENT

- (i) Access to employment of all jobseekers
- (ii) Modernising labour market institutions and services
- (iii) Women's labour market participation, work/life balance, well-adapted working environment, adaptation of workers & enterprises, active & healthy ageing

EDUCATION TRAINING

- (iv) Improving the quality, effectiveness and labour market relevance of education and training systems
- (v) Promoting equal access to and completion of, quality and inclusive education
- (vi) Lifelong learning, upskilling, anticipating change and new skills requirements

SOCIAL INCLUSION

- (vii) Active inclusion
- (viii) Socio-integration of migrants and marginalised communities e.g. Roma
- (ix) Equal and timely access to services; social protection healthcare systems and long term care
- (x) Social integration of people at risk of poverty;
- (xi) Addressing material deprivation

Gender equality, equal opportunity & non-discrimination

Also contributes to other policy objectives, in particular, to PO 1 a Smarter Europe; PO 2 A Greener, low-carbon Europe



ESF+ thematic concentration and programming requirements (Art. 7, 9 to 11)

- ✓ To be met at MS level, unless stipulated differently
- ✓ Social inclusion: at least 25% of the ESF+ resources of a MS have to be allocated to the specific objectives (SO) (vii) to (xi)
- ✓ Material deprivation: at least 2% of the ESF+ resources of a MS has to address SO (xi). BUT in duly justified cases, this may include support to the social integration of the most deprived, i.e. SO (x)
 - ✓ To be programmed under a dedicated priority or programme
 - ✓ 2% is taken into account for meeting the 25% on social inclusion

ESF+ thematic concentration and programming requirements (Art. 7, 9 to 11)

- ✓ Youth employment: MS with high NEET rates (above the Union average) should programme at least 10% of their ESF+ resources for 2021-2025 to support youth employment
 - ✓ BUT: for the outermost regions with high NEET rates: at least 15% of the ESF+ resources in their programmes,
- ✓ Relevant CSRs and challenges under the EU Semester: appropriate amount of ESF+ resources under shared management
 - ✓ COM proposal : programmed under one or more dedicated priorities (Art. 11)
 - ✓ Council PM: no longer dedicated priority – explicit that it can be a multi-fund priority

European Parliament (1st reading)

- ✓ Increases the ESF+ budget to €120.5 billion
- ✓ Dilutes the obligation for MS to concentrate funding on CSRs
- ✓ Increases and adds new thematic concentration requirements:
 - ✓ 27% to social inclusion actions, including 5% dedicated to child poverty and targeted actions to support (a future) Child Guarantee
 - ✓ 3% to ex-FEAD measures, in addition to social inclusion;
 - ✓ youth measures (3% for all MS; 15% for MS with high NEET rate and whenever the NEET rate spikes above the EU average
 - ✓ 2% for capacity building of social partners and civil society

Council

Partial mandate for negotiations (except MFF issues):

Key elements of the COM proposal were preserved except:

- ✓ Dilution of the obligation for Member States to use the ESF+ for addressing relevant CSRs
- ✓ Weakening of capacity building for social partners and civil society as it is no longer an obligation that each programme has to provide support for this
- ✓ Reduction of the reporting requirements

6. Interreg and ECBM

Interreg

Changes

COM:

1. Cross-border programmes: from fund distributors to centres of strategic planning and exchange, facilitators of cross-border activity
2. **New**: External cross-border cooperation (= incorporation of IPA/ENI cross-border aspects)
3. **New**: Maritime co-operation goes from CBC to sea-basin level
4. **New**: Specific component for the outermost regions (with co-operation outside EU)
5. **New**: Interregional innovation investments
6. **Continuation** of support for peace and reconciliation on the island of Ireland (PEACE PLUS programme)

5 Components of Interreg

COM:

1. Terrestrial cross-border cooperation (component 1)
2. Transnational cooperation and maritime cooperation (component 2)
3. Outermost regions cooperation (component 3)
4. Interregional cooperation (component 4)
5. Interregional innovation investments (component 5)

Positions of co-legislators

EP:

- ✓ Maritime cooperation to be included under cross-border component
- ✓ Interregional innovative investment to be treated separately, removed as distinct component
- ✓ URBACT and Interreg Europe to be back

Council:

- ✓ Maritime cooperation to be included under cross-border component
- ✓ Interregional innovative investment moved under ERDF; proposals also for shared management (instead of Commission proposal for direct/indirect)
- ✓ URBACT and Interreg Europe to be back

Policy and specific objectives for Interreg

COM:

- ✓ All ERDF and Cohesion Fund policy and specific objectives available
- ✓ Under the policy objective 'A more social Europe'
 - ERDF scope enlarged to cover ESF-type actions
 - Derogation for PEACE PLUS

Two 'Interreg-specific objectives':

- ✓ 'A better Interreg governance'
 - support for capacity building, addressing cross-border legal and administrative challenges
 - support for institutional capacity to support macroregional strategies
 - support for trust-building, people-to-people, civil society
- ✓ 'A safer and more secure Europe'
external borders: support for border crossing management, mobility and migration management, including the protection of migrants

Thematic concentration

	Percentage	On what?
Components 1, 2 and 3	At least 60%	Maximum of 3 out of 5 policy objectives
Components 1, 2 and 3	Another 15%	Better Interreg governance or Safer and more secure Europe
Transnational programme supporting a strategy	100%	Objectives of the strategy
Maritime programme supporting a strategy	At least 70%	Objectives of the strategy

Council: Thematic concentration requirements on Interreg specific objectives lowered and made optional

Programming (1)

COM:

- ✓ Partnership Agreement → only list of Interreg programmes
- ✓ Content of Interreg programmes
 - ✓ Summary of the main development challenges and strategy for contribution to policy objectives
 - ✓ Justification for selection of policy objectives and specific objectives
 - ✓ Priorities - each priority corresponds to a single policy objective
 - ✓ Financing plan
 - ✓ Communication and visibility
 - ✓ Partnership

Programming (2)

COM:

- ✓ Pre-commitment of participating countries
- ✓ Submission of programmes: entry into force of Reg. + 9 months (exc.: external CBC)
- ✓ **NEW!** Transfer of up to 5% of initial allocation of a priority (with 3% of total programme budget ceiling) – no need for amending decision of Commission

EP: no substantial changes

Council: Increased flexibility for reallocation within programmes (10% and 5%); deletion of the obligation to annex to programmes indicative list of large infrastructure projects (> EUR 2,5 million)

Additional new aspects

COM:

- ✓ Co-financing rates: 70% at programme level; higher % possible for external border programmes
- ✓ Small project fund definition included
- ✓ Flat rate TA

EP: increased co-financing rates to 85%; exemption of Interreg projects from state aid reporting requirements beyond the current rules; increase financing rates for TA

Council: increase TA from 6% to 10% for Interreg programmes involving outermost regions and cross-border external programmes; possibility for bodies other than European Grouping of Territorial Cooperation (EGTC) or cross-border legal bodies to become beneficiaries of small project funds

European Cross Border Mechanism (ECBM)

Why this new instrument?

Example: extension of Strasbourg (FR) tram to Kehl (DE)



Strasbourg – Kehl tram. Obstacles included:

Adaptation of tram equipment (lights, wheels, fire extinguisher)

Mixing of road signals for road and tram traffic

Legal status of equipment: bridge, tram platform, ticket machines.

Coordination of public certification for the circulation of trams

Installation of travel ticket machines with mixed systems

Separate tariff system

Recognition of travel tickets

Distribution of tickets sellers

Responsibility for **security & policing** during cross border travels

Conditions for financial support through ministries

... led to a lengthy process

2009 Memorandum
of Understanding



2016
Convention on Tariffs

Other examples (among many)

- ✓ Firefighters and ambulances often cannot help because of cross border legal differences
- ✓ Different legal provisions hamper traineeships
- ✓ Lengthy and costly cross-border mail delivery
- ✓ Lack of legal certainty for medical practitioners in hospital across the border
Restricted supervision of PhD students from neighbouring countries
- ✓ Cross-Border triathlon where runners residing in MS at finish line, need more authorisations than those residing in MS at departure.

What are ECBM, ECBC and ECBS?

- ✓ Off the shelf legal instruments (no impact on EU budget)
- ✓ Tackling administrative barriers by allowing limited application of one Member State's rules in a neighbour.
- ✓ Voluntary (but effective system on each border obligatory: Art. 4)
- ✓ The European Cross Border Mechanism (ECBM) has 2 options:
 - ✓ Commitment (ECBC): itself enables derogation from normal rules
 - ✓ Statement (ECBS) signatories undertake formally to legislate to amend normal rules

Positions of co-legislators

EP: Plenary vote in February (1st reading)

- ✓ ECBM should remain a voluntary tool
- ✓ Its use decided on a project-by-project basis

Council: still being discussed

- ✓ Strong reservations of Member States in relation to ECBM – the need for such a legal instrument is questioned
- ✓ “constitutional issues” - one discussed
- ✓ CLS preparing a legal opinion

no indication of precise timing and/or next steps from upcoming FI PRES