



## **Cohesion policy (CP) post-2020**

### ***Position paper***

Brussels, 9 May 2017

The underlying idea of the European Union is a peaceful cooperation between its different peoples and nations. Member states have defined common rights, duties and objectives in the Treaty of Lisbon. One of the key objectives of the Union is to promote economic, social and territorial cohesion, and solidarity among its various regions. This very objective is pursued with European Cohesion Policy, which creates, for regions, a unique investment instrument at an EU level, enabling regions to set up genuine development strategies which transcend national borders, and to fully participate in all EU policies such as the internal market while constituting, for the whole Union, the major policy for cohesion and long-term investment.

The Group of the Progressive Alliance of Socialists & Democrats in the European Parliament (S&D Group) fully backs the objective of economic, social and territorial cohesion. With this position paper, we seek to define a modern Cohesion Policy for tomorrow, learning from experiences from the past and taking into account challenges of today.

We want a Cohesion Policy that

- a) strives to attain sustainable economic development in regions, which will generate quality jobs, while fully respecting the COP21 agreement and Sustainable Development Goals;
- b) creates quality infrastructure for transport, telecommunication, and smart energy provision;
- c) supports regions in their response to common challenges arising from globalisation, climate change and migration, etc.;
- d) supports citizens in their development towards meeting their individual aspirations, needs and present challenges;

e) will therefore work to fully involve regions in line with their requirements.

To attain these goals we will have to set our priorities wisely. It will be indispensable to have an appropriate budget for Cohesion Policy, striking a good balance between investments *in* citizens as well as investments *for* citizens.

In this vein, for the S&D Group it is key that a modern Cohesion Policy in particular:

- invests in quality education, training and vocational training;
- improves the labour market situation, creates quality jobs, and tackles youth unemployment in particular;
- promotes social inclusion, combats poverty and any form of discrimination.
- supports the development of cultural and creative industries that are closely linked to innovation and creativity.

At the same time, a modern Cohesion Policy has to aim at attainment of objectives of a 'smart, sustainable and inclusive' growth. Taking into account the present reality while anticipating the challenges lying ahead of us, our priorities therefore especially are:

- promotion of research, technological development, innovation and creativity;
- investment in SMEs and start-ups;
- investment in digitalisation of industries and societies.

Furthermore, we want a modern Cohesion Policy to support the development of smart cities and rural areas.

To achieve these goals, a Cohesion Policy of tomorrow will need to be further simplified. We need to further diminish red tape that burdens regions and citizens, the main beneficiaries of Cohesion Policy.

Most importantly, we need the support of citizens. They have to be fully involved in the development of future strategies for their regions. Only by this means can we achieve real cohesion between regions with different strengths and weaknesses in the long-term.

That is what the S&D Group stands for, that is what we are defending.

The S&D Group insists that Cohesion Policy has to continue to play the fundamental role it has had since its establishment. CP is the main EU-wide policy that delivers added value on the ground which cannot be met by any other type of policy. It has been a key tool not only for reducing development gaps between the different European regions, but it also proved to be decisive in sustaining the economy through investments at micro level, also during times of economic and financial crisis, in particular in areas where national investments lack or are insufficient. CP needs to take into account the trend of the economic development and societal progress of the regions.

The bulk of Cohesion Policy funding is concentrated on less developed EU countries and regions in order to help them to catch up and to reduce the economic, social and territorial disparities that still exist in the EU. However, it is important that all regions continue to receive Cohesion Policy funds. Cohesion Policy is also a catalyst for further public and private funding, not only because it obliges Member States to co-finance from the national budget, but since it also creates investor confidence. A continuous and strengthened CP in the post-2020 period is needed if the EU wants to achieve its set objectives and to reduce existing social and economic divergences between regions and member states. We want a Cohesion Policy, which is visible but also sustainable in long-term perspective by addressing the key problems of our economies and our societies. CP policy is an important tool to support Europe's regions and cities to deal with new challenges, such as migration, needed measures against climate change, Energy Union, Digital Single Market, skills and employment, etc.

Cohesion policy has contributed significantly to the implementation of the Europe 2020 Strategy and to the achievement of its goals for smart, sustainable and inclusive growth. This Strategy needs to be revised accordingly in view of the post-2020 period of which CP should be part. We must ensure that our priorities are included in a new post-2020 EU strategy.

Against this background, we want Cohesion Policy to focus on the following priorities post-2020:

**Type of future strategy:**

Cohesion Policy, in the long-term perspective, is the EU's main investment arm that delivers added value to citizens. The policy's visibility in a region and its direct link to citizens is evident. Cohesion Policy investments help to complement EU policies such as education, employment, energy, the environment, the single market, research and innovation. In particular Cohesion

Policy provides the necessary investment framework and strategy to meet agreed growth goals and sustainability targets.

The EU cannot lose this most relevant policy for investment nor can it see it weakened. CP should maintain its basic raison d'être, which is to close the gap between different regions with targeted support towards the different economic, social and territorial conditions of European regions.

Furthermore, solidarity is at the core of the policy. All Member States (and each individual region) benefit from Cohesion Policy. We have to make this more visible and more open at the local and regional level.

### **Architecture of future Cohesion Policy:**

In order to protect Cohesion Policy we need to keep changes to a reasonable level. All stakeholders engaged in delivering the policy, including managing authorities and beneficiaries should be involved at all stages of the policy, such as the design and implementation of it. . The general framework of CP should be kept, with certain changes and adjustments to make it simpler, more efficient and effective and taking into consideration the implementation of the current programming period.

The Common Provision Regulation (CPR) can serve as a benchmark for streamlining and aligning policies and instruments. Furthermore, shared management has proven its worth. It empowers local, regional and national authorities on the ground, which is a major advantage. Consequently, it should be kept and strengthened for post-2020.

### **Programming period:**

A multi-annual financial framework of 7 years has proven its worth in the past. Under no circumstance should the planning of Cohesion Policy be shorter than this.

A programming period of 5+5 could be another option with a revision at mid-term to provide for flexibility, if needed. In line with the terms of both the European Parliament and the European Commission, it could work as a new opportunity to adapt it to evolving situations while maintaining its framework for a longer period.

Furthermore, it must be ensured that all conditions are in place for a swift start of the future programming period, without the long delays that characterized the current start of the period.

### **Partnership principle:**

It is important that the EU funds are used to create European added value. EU regulations, the European Code of Conduct on Partnership, should be followed closely. Nevertheless, the voice of the regions, regional and local stakeholders while setting up Operational Programmes needs to be heard. The so-called Partnership Principle, as laid down in the CPR, should be mandatory for national, regional and local authorities. This implies that they must include the input of regional and local level as well as that of the economic and social partners and civil society at all stages of the design, adoption and implementation of the new policy, including the composition of monitoring committees (Art. 5, Art. 48 CPR). This principle should be further strengthened post-2020.

### **Categories of regions:**

The current categories of regions ('more developed, less developed and transition (or a comparable provision) should be maintained, keeping in mind the principles and values on which Cohesion Policy was created, which is to reduce development gaps between regions based on solidarity.

However, an in-depth evaluation of the division in three different categories should be made.

### **Allocation of funding**

The S&D Group will ensure that EU Cohesion Policy remains an EU-wide policy, which gives access to resources, experience and assistance to all regions, irrespective of the GDP of the member state. The largest allocations should go to the less developed regions. However, continued support for transition and more developed regions should be provided so that every region can cope with the challenges that it is facing, retaining at the same time the necessary flexibility. We also need to make sure that less developed and transition regions do not have a sudden big reduction in financial means. Therefore, these financial resources have to be at an adequate level.

Furthermore, since member states play a significant role in determining which territorial unit corresponds to the appropriate level of intervention during the designing and implementation of programmes, an analysis on the level of the whole EU at the beginning of each programming period is necessary.

### **Eligibility:**

GDP should continue to be the main eligibility criterion as long as no other criteria have been identified which prove to be more effective. We go for further simplifying Cohesion Policy and its use for managing authorities and beneficiaries. Additional criteria could be added to fully take into account elements such as the sustainable development goals, the geographical situation, the case of industrial transition, the development gap, etc. Besides, member states should still have a degree of flexibility for using additional criteria to GDP at regional level, such as the employment rate or demographic factors, to enable targeted support.

#### **Grant character of Cohesion Policy/Financial Instruments (FIs):**

The future CP should strive to achieve the right balance between grants and FIs, for the sake of efficiency, added value and territorial realities. Grants, being an effective form of support in manifold areas of public intervention, must be maintained as the main tool of Cohesion Policy, especially for smaller beneficiaries. We recognise the benefits of loans as well as of financial instruments as useful investment tools and that with sufficient administrative capacity. However, they should not push aside the traditional support through grants but rather be used to attract complementary financial support for cohesion.

Thus, FIs should be used as an additional tool only for those sectors where they have demonstrated that they are more appropriate than grants for achieving CP objectives and where they bring value for money, limited to activities, which may generate profit such as promotion of start-ups, specific support for SMEs and other market-oriented measures.

Furthermore, the role of the European Investment Bank Group (EIB) should be reconsidered with regard to financial instruments under CP and the European Fund for Strategic Investments (EFSI).

For the S&D Group it remains clear, however, that grants have to continue to be an indispensable tool in Cohesion Policy for the realization of projects.

#### **Thematic concentration:**

We are in favour of keeping the thematic concentration. Thematic concentration is very important since it helps to align Cohesion Policy instruments with the general policy objectives of the Union. For most of the regions the available resources are limited and wasting them in too many directions would be ineffective and counterproductive. However, some flexibility for regions to decide on which priorities they want to focus on based on their specific needs should be allowed.

Moreover, there should be certain benchmarks ensuring that the funds are targeted predominantly where they would have the highest effect. In this perspective it is important that the thematic concentration does not remain limited only to EU funds but also covers national and regional public investments in the supported fields.

In order to achieve sustainable results through thematic concentration we want to aim at greater coherence.

### **Performance and results:**

In future we have to develop indicators on outcomes, for example, if a recipient obtains and retains a job or goes into further or higher education. Also we need to consider indicators for target groups such as young people, women, older people or long term unemployed. Of course the question remains what to do when performance indicators are not met. The loss of funds should be a last resort so other ways of improving performance need to be considered.

Finally, we need to provide a wider range of themes from which Member States can choose from. This would help ensure that the EU priorities are met whilst allowing Member States and Regions flexibility.

Demonstrating the effectiveness of EU funds is vital if we are to retain support for Cohesion Policy post 2020.

### **Control:**

We support a CP, which continues distributing EU public means, while at the same time advocating a strong control and accountability of these means. Control is a process in the whole life cycle of Cohesion Policy financial assistance. We can have successful management and implementation only if proper control is implemented at every stage and adequate measures are undertaken to remove shortcomings.

Three levels of control, that is by the member states, the European Commission and the European Court of Auditors, should continue, as they increase the possibility of identifying and correcting irregularities. However, further improvements are needed. It is, for example, very important that harmonized definitions, procedures and mechanisms of checks, audit and reporting are used at the different levels. We also support a single audit chain because it reduces the burden on administration and the beneficiaries, as well as excessive expenditure.

That being said, a single audit can only be successful if the three main levels of control cooperate and work together. It is crucial that clear and uniform rules are established and relevant guidance and technical assistance to involved administrations is provided.

Controlling Cohesion Policy expenditures should not be limited only to identifying and sanctioning irregularities. It should be used for collecting information about reasons for irregularities and also for collecting data on where good practices are established. Thus, it should contribute to suggesting solutions especially in cases of non-fraudulent irregularities.

Furthermore, control procedures should focus more on assisting the managing authorities and the beneficiaries in avoiding and effectively correcting errors as well as non-fraudulent irregularities.

### **Simplification of Cohesion Policy:**

Simplification is one of the crucial elements of the cohesion policy post 2020. The current programming period shows that the steps taken towards simplification of CP have not brought the desired results. Therefore, an effort should be made to simplify the cohesion s policy management system at all governance levels. In this context, the future CP should have a common framework and common rules with different sections related to the different funds available.

E-cohesion should become accessible to everyone in order to promote easier access, less red-tape and less paperwork for both administration and beneficiaries, as well as the exchange of best practice examples between regions and/or member states. The EC should accept e-cohesion for applications, audit and verification, as well as for a wide(r) use in a multi-fund-approach.

The wider use of simplified cost options (flat-rates, unit costs and lump sums), in particular the 'ready-made' rates embedded in EU Regulations, promote easy access and legal (and audit) certainty. Supporting the wider take-up and less complex rules for simplified costs should therefore include more rates/ methodologies provided directly by the EC ('off the shelf') - rather than being developed by programming authorities or requiring Commission's approval as well as enhanced ex ante support to managing authorities from the EC.

One of the possible adjustments could be to define and identify - at EU level - standard costs, which could be used as term of reference, with some adjustments depending on the realities of different countries/regions. Common regulations on public expenditure and budget are progressively being implemented in all member states. Consequently, it would be useful to adapt at EU level a definition of a "standard cost", mainly for administrative costs but also for materials or any other potentially standardized expenses.

EU bodies and institutions should accept the budgetary control regulation of any given EU country so that the evaluation of the spending of Cohesion means can be based on final results instead of regular micro-controlling. Therefore, regarding audit, a "trust agreement"/a "confidence pact", that is a contract between the different levels of administration (European, national and regional/local) could be envisaged. With this agreement, the audit procedure used by local/regional or national authorities should be automatically validated by EU authorities, thus allowing a reduction of the administrative burden. Once accepted at the beginning of the process, the rules concerning audit procedure should be considered valid in the entire EU. It will prove that the audit system works, and it will be more transparent.

We support the preliminary proposals by the High Level Group on Simplification insofar that they will lead to a further simplification of Cohesion Policy.

**Administrative capacity:**

Administrative capacity building and training should receive appropriate support, in particular for public authorities, as they are essential for the correct and effective implementation of Cohesion Policy.

**Macro-economic conditionality:**

Cohesion Policy (CP) has been effective in reducing regional disparities during the last programming periods, until the onset of the crisis. However, relevant competitive asymmetries due to heterogeneous national macroeconomic conditions and policies (tax and contributive systems; the quality of public institutions; competitive devaluations of national economies outside the Eurozone; proximity to growing markets) still cause a high degree of variability of economic outcomes among CP recipient regions. In the light of this, the S&D Group recognizes the need for a coordination of CP with EU macroeconomic policies, as a support for member

states in their reform agenda, but it is against any attempts of “semestering” CP. Regions cannot be held responsible for macroeconomic choices of national governments. Hence, we reiterate our strong opposition against any form of macroeconomic conditionality.

Overall, the discussion on the future of CP should identify appropriate measures to lessen the above mentioned competitive asymmetries, thus coping with the current lack of fiscal harmonization and the coexistence of euro and non-euro economies in the EU.

Social cohesion can be achieved with the convergence of real economies and this should be the ultimate test for CP.

### **Functional urban areas:**

A strong cohesion policy focusses on both cities and rural areas. The EU is one of the most urbanised areas in the world. Towns and their surroundings (i.e. functional urban areas) are home to 70% of EU citizens. They are engines of the economy that boost growth and create jobs, which also spread out into the rural surrounding. At the same time they are places where poverty, unemployment and pollution are concentrated. Cohesion policy should take this into account and enable cities and urban areas to tackle these challenges using European funds.

The idea of earmarking a part of ERDF money for cities (Art. 7.4 of the ERDF-Regulation) was a good step that should be kept in the next programming period - the actual level of 5% is a first one, but should be seen as a minimum. The innovative actions in the area of sustainable urban development (Art. 8 of the ERDF-Regulation) should be evaluated and - if their results are convincing - strengthened. Also, a future cohesion policy should give urban authorities more power in managing and spending funds.

The results of the "European Urban Agenda" (Pact of Amsterdam) and its Partnerships should be evaluated and the findings implemented in a future CP. Especially the expected results regarding "better funding" pillar (one of the three pillars of the Urban Agenda) could be used to improve innovative and user-friendly sources of funding for urban areas.

### **Cross-border Cooperation:**

Cross-border cooperation is an important tool to overcome bottlenecks, which still exist between the border regions of the different member states. As 38% of the EU population live in border regions, cooperation helps these EU citizens of different nationalities to have contacts beyond borders. Therefore, it seems obvious that adequate financial appropriations

need to be made available to support this policy. This all the more so as the most EU added value is realized not only through the cooperation in cross-border regions via the full usage of the “four freedoms” of the internal market, but also through contribution to peace, stability and regional integration.

### **Territorial cooperation in the EU:**

Territorial cooperation is one of the important aspects of the Cohesion Policy in the EU. It adds substantial added value to realise EU objectives and encourages solidarity between European regions. The very essence of the European integration process is based on the principle that national or regional borders should not be an obstacle to cooperation, economic development and mutual understanding.

In a moment where the basic principles of the EU integration are endangered by populists and extremists, territorial cooperation should be reinforced and adapted to the new challenges. Having a reformed and more efficient policy in terms of cooperation between regions, cities and in - general - communities in the EU, will be useful for strengthening European integration as well as for its general social, economic and cultural development.

Where a **macro-regional** strategy has been established, there should be an obligation to connect the efforts both through territorial cooperation instruments and via the strategy itself. Resources are by definition limited. The need to coordinate the efforts between these two instruments is clear and must be reaffirmed with specific measures to be taken at EU, national, regional and local level.

Furthermore, a sort of more **structured integration** of the territorial cooperation tools with the ESIF, particularly in the programming phase, should be assured. In some cases, territorial cooperation initiatives have been launching projects and ideas which then had difficulties to secure appropriate funding.

### **Outermost regions and Northern Sparsely Populated Areas**

A level playing field at EU level requires that all citizens are treated equally irrespective of where they live. Outermost regions (ORs) have constraints, such as remoteness, insularity, economic dependency etc. that make them structurally underprivileged areas. However, and besides the specific geostrategic importance they offer to the EU, ORs enjoy assets, resources and potential, which are currently undervalued in areas of importance to EU research, innovation and growth.

Consequently, long-term investment needs to be encouraged and innovation promoted in the ORs, in order to provide a firm and sustainable basis for their economic and social development and give to the renewal of the EU strategy for ORs a better chance of success which is now being prepared by the Commission. They should capitalize on their individual strength by modernizing and diversifying their economies. It is important that universities and research centres from the ORs focus on programs of investment, aiming at reducing their accessibility deficit, making them more competitive, and improving regional integration.

ORs should be a privileged space for the applicability of experimental projects that can be implemented in other European regions. In this sense, an increase of investment in the ICT to empower research for a better social, cultural and economic development is needed. What is also wanted is a strong approach to education as well as vocational and professional training to reduce early school leaving and to guarantee adult qualifications.

Cohesion Policy, in its essence of reducing inequalities and promoting territorial cohesion, should establish specific frameworks concerning the accessibility of residents from ORs in order to assure better access for them to the continental platform to the same conditions as for other European citizens.

The Northern Sparsely Populated Areas, NSPA, is a specific area of Europe, characterized by harsh climate, low density population and long distances. The remoteness from larger markets leads to a competitive disadvantage that needs to be addressed at a European level (with a legal basis in protocol 6 of the Accession Treaty for Sweden, Finland and Austria, and article 174 of the Treaty on the European Union). The EU Structural and Investment Funds, with the extra allocation for the NSPA has been an essential tool for development and has an important role to play also in the future.

### **Further Structural Funds besides the ERDF (and Cohesion Fund)**

#### **EMPL- ESF:**

We need efficient investments in human capital. People are the real driving force behind innovation, higher added value and the establishment of fair and progressive societies. The S&D Group promotes a strong “social pillar” of the Cohesion Policy. This is needed due to persisting high rates of unemployment, the increase in poverty and social exclusion, and the growing inequalities in Europe. This requires a stronger focus on human development and an increase in the share of the ESF (currently set at 23.1% as minimum share of the CP envelope).

In order to boost investments in the social area and to make the ESF more attractive for young people an increase of the ESF co-financing rate could be considered, corresponding to 85% for less developed regions, 80% for transition regions and 75% for developed regions.

We acknowledge that the conditions under which the CP is operating are rapidly changing. This policy needs to be kept up-to-date to meet future challenges. Therefore, in view of the scope of the ESF, next to GDP, additional criteria may also be envisaged, such as the respective national score in UN Human Development Index or the Social Progress Index. Such criteria would allow underperforming member states and regions to receive a bonus in the form of lower national co-financing rates in exchange for their commitment to dedicate more efforts and funds on social development.

In the current programming period, we are witnessing a stronger emphasis on FIs. However, all the investments by ESF are targeted at activities which do not and cannot generate “direct return on investment in the short term”, especially regarding education and social inclusion measures.

The majority of beneficiaries of ESF are either public institutions (municipalities, schools, universities) or non-governmental organizations. Therefore it is clear, that especially in these areas, we need to continue the support in the form of grants.

There is an urgent need to improve inclusiveness, quality relevance of formal and non-formal education, training and lifelong learning opportunities in the European Union, and we should promote and support projects targeting education systems, teachers and trainers.

#### **AGRI - EAFRD:**

The effort made in order to enhance the complementarity between cohesion policy and agricultural and rural development needs to be continued in the next programming period. The transformations occurring in the Common Agricultural Policy have made the first and second pillar of the CAP increasingly complementary. Many different rural development measures are defined within a programming framework that also involves tools provided within the first pillar. As a consequence, the competitiveness of the agricultural sector, its environmental and social role, capacity for innovation are currently supported by a complex policy which cannot separate the economic aspects from the other aspects, such as the territorial one.

#### **PECH - EMFF:**

Many coastal areas are highly dependent on fisheries. Demographic change is already one of the most serious challenges in Europe and affects coastal communities. Regions must be proactive in tackling the consequences of demographic change and need prospects for the future. Therefore, the current European Maritime and Fisheries Fund (EMFF) supports the economies and diversification of coastal areas. Against this background the S&D Group is convinced that the future Cohesion Policy should keep and improve flexibility and synergies between funds, i.e. allow for the combination of resources in a project.

The EMFF aims at establishing sustainable fisheries. Its purpose is to support the Common Fisheries Policy as reformed in Regulation 1380/2013. With this reform several new concepts were introduced which imply a change to the way fishermen are allowed to conduct their work. The S&D group is of the opinion that the introduction of strong alterations should provide for lower co-financing rates for the persons concerned.

For example, the so-called landing obligation is one of these changes introduced by the reform. Up until the 2013 reform fishermen were allowed to throw overboard unwanted fish (discards) which now has to be landed and is counted against the quota. Therefore, fishermen have the incentive to use more selective nets. These, however, do not always come without costs. The EMFF supports the purchase of more environmentally friendly nets with a lower co-financing rate in comparison to other investments.

## **ANNEX**

### **Achievements of Cohesion Policy funds 2007 -2013**

The figures below provide us with a snapshot of key achievements so far in the 2007-13 period. They also show how EU Cohesion Policy is helping to weather the crisis and produce growth. This is important in communication with the EU citizens.

#### **• Creating jobs and growth**

Income has increased in the poorest EU regions with GDP per capita growing in these areas from 60.5 % of the EU average in 2007 to 62.7 % in 2010.

594 000 new jobs were created from 2007 to 2012.

#### **• Investing in people**

2.4 million participants in ESF actions supporting access to employment, found a job within 6 months (2007-2010).

There were around 15 million ESF Participants every year.

#### **• Supporting enterprises**

254 800 small and medium-sized enterprises (SMEs) received direct investment aid.

More than 323 000 jobs were created in SMEs. 121 400 start-ups were supported.

#### **• Strengthening research and innovation**

114 000 research projects have been supported. 35 500 co-operation projects were supported and 41 600 new long-term research jobs were created. 8.2 million more EU citizens were covered by broadband connectivity.

#### **• Improving the environment**

Water supply systems have been modernised, benefiting 5.9 million citizens and more than 6.8 million citizens are now served by wastewater projects. It is also worth mentioning that 1100 km<sup>2</sup> of area have been rehabilitated.

#### **• Modernising transport and energy production**

There has been additional capacity km modernised

Railways: 287 km built and 3 940 km modernised

## **Aims for 2014-2020**

By 2020 the EU aims to meet five concrete objectives – on employment, innovation, education, social inclusion, and climate/energy. Each Member State has adopted its own national targets in these areas. In order to reach these goals and address the diverse development needs in all EU regions, EUR 351.8 billion – almost a third of the total EU budget – has been set aside for Cohesion Policy for 2014-2020 on 11 thematic objectives to help deliver Europe 2020 goals.

(Taking into account national contributions and other private investment, the impact of Cohesion Policy for 2014-2020 is expected to be about EUR 450 billion).