Cohesion Policy post 2020

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Goals of Cohesion Policy

• Two main goals:
  • Reducing territorial disparities
  • Investing in EU priorities

• What is the target
  • Small disparities
  • A sufficient infrastructure network (TEN-T) (road, rail, energy, broadband...)
  • Compliance with EU directives (environmental)
  • Reaching the EU targets (faster) renewable energy, GHG emissions, migration integration
Regional disparities in GDP per head in EU-15 and EU-28, 1980-2016

Population weighted coefficient of variation

- EU15
- EU-28

Regional disparities in GDP per head, employment and unemployment in EU-28, 2000-2017

Population weighted coefficient of variation index, 2000=100

GDP per head (PPS)
Employment rate (20-64)
Unemployment rate
Policy objectives from 11 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)
4. A more social Europe (the EU Pillar of Social Rights)
5. A Europe closer to citizens (sustainable development of urban, rural and coastal areas and local initiatives)

Horizontal issues: administrative capacity building, cooperation outside the programme area
ERDF 200 billion
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 Smarter Europe</th>
<th>minimum % PO2 Greener, low carbon Europe</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>
Changes in ETC

- 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

• Requirement for local development strategies – local ownership

• European Urban Initiative: a coherent approach to capacity building, innovative actions, knowledge and policy development and communication (includes Urbact, Urban Development Network, Urban innovative actions…)
Cohesion fund 41 billion

• Can support (PO2) A greener, low-carbon Europe and mobility under (PO3) A more connected Europe
• Member States with a GNI below 90%
• Funding is not fixed. It has been reduced given the progress made on TEN-T and environmental infrastructure investments

• 10 billion goes to the Connecting Europe Facility
• Transition category is broader: 75%-100%

• How to organise a single programme for regions in different categories?
### Lower co-financing ceilings

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

VAT is eligible on operation below 5 million
No specific rules for revenue generating projects
Continued concentration on the poorest regions and countries

<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</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</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td>developed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
European Social Fund + 100 Billion

• Three priorities linked to the pillar of social rights
  1. Equal opportunities and access to the labour market (including quality and inclusive education and training systems)
  2. Fair working conditions and
  3. Social protection and inclusion.

• Thematic concentration for ESF
  • Fostering social inclusion at least 25%
  • Fighting material deprivation at least 4%
  • Support youth employment at least 10% for Member States with a rate of young people neither in employment nor in education or training (NEET) above the Union average
Step 1: "Berlin method"
(% indicates financial weight)

<table>
<thead>
<tr>
<th>Category</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


Change in GDP per capita in % points

EL  CY  ES  IT  FI  NL  PT  SI  HR  SE  FR  BE  DK  AT  CZ  LU  BG  HU  DE  SK  EE  LV  RO  PL  MT  LT  IE
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
## 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>
</tr>
<tr>
<td>HR</td>
<td>8.8</td>
<td>-6</td>
<td>298</td>
<td>0</td>
</tr>
<tr>
<td>LV</td>
<td>4.3</td>
<td>-13</td>
<td>308</td>
<td>0</td>
</tr>
<tr>
<td>HU</td>
<td>17.9</td>
<td>-24</td>
<td>260</td>
<td>-22</td>
</tr>
<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>
</tr>
<tr>
<td>SK</td>
<td>11.8</td>
<td>-22</td>
<td>310</td>
<td>-22</td>
</tr>
<tr>
<td>CY</td>
<td>0.9</td>
<td>2</td>
<td>147</td>
<td>-5</td>
</tr>
<tr>
<td>SI</td>
<td>3.1</td>
<td>-9</td>
<td>213</td>
<td>-11</td>
</tr>
<tr>
<td>CZ</td>
<td>17.8</td>
<td>-24</td>
<td>242</td>
<td>-25</td>
</tr>
<tr>
<td>ES</td>
<td>34.0</td>
<td>5</td>
<td>105</td>
<td>3</td>
</tr>
<tr>
<td>MT</td>
<td>0.6</td>
<td>-24</td>
<td>197</td>
<td>-28</td>
</tr>
<tr>
<td>IT</td>
<td>38.6</td>
<td>6</td>
<td>91</td>
<td>5</td>
</tr>
<tr>
<td>FR</td>
<td>16.0</td>
<td>-5</td>
<td>34</td>
<td>-9</td>
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<tr>
<td>FI</td>
<td>1.6</td>
<td>5</td>
<td>42</td>
<td>2</td>
</tr>
<tr>
<td>BE</td>
<td>2.4</td>
<td>0</td>
<td>31</td>
<td>-5</td>
</tr>
<tr>
<td>SE</td>
<td>2.1</td>
<td>0</td>
<td>31</td>
<td>-6</td>
</tr>
<tr>
<td>DE</td>
<td>15.7</td>
<td>-21</td>
<td>27</td>
<td>-20</td>
</tr>
<tr>
<td>DK</td>
<td>0.6</td>
<td>0</td>
<td>14</td>
<td>-3</td>
</tr>
<tr>
<td>AT</td>
<td>1.3</td>
<td>0</td>
<td>21</td>
<td>-4</td>
</tr>
<tr>
<td>NL</td>
<td>1.4</td>
<td>0</td>
<td>12</td>
<td>-3</td>
</tr>
<tr>
<td>IE</td>
<td>1.1</td>
<td>-13</td>
<td>33</td>
<td>-17</td>
</tr>
<tr>
<td>LU</td>
<td>0.1</td>
<td>0</td>
<td>16</td>
<td>-14</td>
</tr>
<tr>
<td>EU27</td>
<td>331</td>
<td>-9.9</td>
<td>106</td>
<td>-11</td>
</tr>
</tbody>
</table>
Comparison of aid intensities 2014-2020, 2021-2027

Who gets how much Cohesion Policy
From "N+3" to "N+2": phased in by 2028

- 60% of 2021 allocation subject to "n+2" rule in 2023
- Remaining 40% due in 10% tranches over 2024-27 ("n+x")
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
  - 2 years programmed after mid-term review (2024-25)
  - Technical adjustment fed in (modifying allocations from 2025)
Creating the conditions for success

Enabling conditions (used to be "ex ante")

- Fewer (35 to 20), clearer, tighter link to policy
- Condition for declaration of expenditure (= no more action plan: instead, conditions followed throughout period)

EU Governance

- European Semester
- Macroeconomic conditionality
- Reform Support Programme
- Rule of law
Legal architecture
7 funds, 1 regulation

CPR covers delivery. 1 set of rules is:
- More coherent
- Simpler to learn
- Simpler to combine
More funds, half the words

Number of words

CPR (vers 15.12.17) vs Post2020 CPR (vers 28.05.18)
Key legal instruments

Common Provisions Regulation (CPR)
- Covers 7 funds, i.e. ERDF, CF, ESF+, EMFF, AMIF, ISF and BMVI
- Delivery elements are here

ERDF/CF regulation
- Single regulation for both funds
- Policy priorities are here (specific objectives, thematic concentration requirements, etc)

ETC regulation
- Territorial co-operation including external assistance
- New interregional innovation instrument

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

Also: ESF+ regulation
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 relocation and project sustainability
- 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 authorities and 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
Increased 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.
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
Coherence with other EU instruments

- **Horizon Europe** ("European excellence")
  - ERDF ("regional relevance", e.g. 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, while AMIF will focus on short term needs.
A stronger link with the European semester

Semester in 2019 dedicated to issues relevant to cohesion policy

Enabling conditions replace ‘ex-ante conditionalities. These conditions will be fewer (20 instead of 35), clearer and more closely linked to the policy. They will be followed over time, no action plans required.

Macro-economic conditionality remains

Reform support initiative
Rule of law

- The Union can suspend, reduce or restrict access to EU funding in a manner proportionate to the nature, gravity and scope of the deficiencies.
- Proper functioning of
  - the authorities implementing the Union budget
  - investigation and public prosecution of fraud or corruption relating to the Union budget,
- Effective judicial review by independent courts
- Prevention and sanctioning of fraud, corruption or other breaches of EU law relating to the budget
- Effective and timely cooperation with the European Anti-Fraud Office and with the European Public Prosecutor’s Office.
Rule of law concerns what funds?

All EU funds in shared management
Funds in direct and indirect management where the financial beneficiary is a government entity (national, regional, local authority...)

Will not affect the individual beneficiaries! Member States would continue to be obliged to implement the affected programmes and make payments to Erasmus students, researchers, civil society or any other final recipients or beneficiaries.

HOW WILL IT WORK?

The Commission sees that conditions for invoking the mechanism are fulfilled
The Commission informs the Member State concerned
Member State has a specified time period which shall not be less than one month to send explanations
The decision to impose such protective measures will then be taken by the Commission
The Council will need to adopt the decision through reversed qualified majority voting¹
The measures will stay in place until the deficiencies regarding the rule of law cease to exist
Main points

• 9.5 billion EUR for Interreg programmes (stable budget)
• More focussed on land borders
• Institutional cooperation and joint public services
• Comes on top of cooperation financed by other programmes (possible within all five policy objectives)
• Some simplifications in the architecture: combining macro regional strategies with transnational or maritime cooperation
• Reconsidering land-based transnational areas
From 3 to 5 strands

1. *Land border regions (internal and external)*
   - The highest potential for interaction
   - Multiple programmes along the same simple (two-country) border could be combined
   - Cross Border programmes involving three or four countries are maintained

2. *Transnational is complemented with a sea basin dimension to promote maritime cooperation*

3. *Outermost regions have a dedicated strand*

4. *Interregional cooperation: Interact and ESPON*

5. *Interregional innovation investments*
Thematic menu for Interreg

• All ERDF policy objectives and specific objectives
• Additionally the ESF+ specific objectives (PO 4) with cross-border dimension:
  • Access to quality employment
  • Access and quality of education, training and life-long learning
  • Access to quality, sustainable and affordable healthcare
  • Accessibility, resilience and effectiveness of healthcare systems and long-term care services
  • Promotion of social inclusion and tackling poverty
• Two additional specific objectives
  • A better Interreg governance
  • A safer and more secure Europe (CBC external; transnational; outermost)
Main simplifications for Interreg

• No more designation of authorities

• Fewer management verifications (from almost 100% verifications of expenditure to verifications on the basis of a risk analysis)

• Simplified cost options extended (or even made obligatory).

• Proportionate audits Operations to be audited will be selected by the Commission using a common sample covering all programmes that have submitted financial information on time.
European Cross-border Mechanism

• *For a specific projects the rules of one Member State could apply to a neighbouring Member State*
Flexibility

• A region can use parts of its own allocation together with another region within the entire EU (available within all five thematic objectives)
Timeline

This is a much tighter schedule than in the past negotiations