CPMR proposals for a strong and reformed post-2020 Cohesion Policy

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1. Introduction

This Position Paper presents the CPMR's vision for a reformed Cohesion Policy for the post-2020 period. It includes detailed proposals across the key aspects of Cohesion Policy of significant relevance for Peripheral and Maritime Regions.

At its last General Assembly meeting in November 2016, the CPMR adopted key principles underpinning Cohesion Policy, and set out initial ideas as to where the policy needed reform. Since then, the CPMR Secretariat set up Member-led discussion groups to develop proposals for the post-2020 period. These groups looked at the following issues:

- Simplification (led by Région Provence-Alpes-Côtes d'Azur, FR)
- Territorial Cooperation (led by the Provinces of Friesland and Noord Holland, NL)
- the European Social Fund (led by Regione Emilia Romagna, IT)
- Partnership and Multilevel Governance (led by Vastra Götaland region, SE)
- Financial instruments and the links with the European Fund for Strategic Investment (EFSI) (led by Land Mecklenburg-Vorpommern, DE)

This paper is structured in two parts: Section 2 presents the vision of the CPMR for the post-2020 period, and Section 3 includes detailed proposals grouped thematically. **These proposals are specifically addressed to the European Commission** to feed in reflections ahead the expected Cohesion package for the post-2020 period.

2. A vision for a modernised Cohesion Policy for post-2020

Europe has never needed 'cohesion' as much as it does today:

- **Economically speaking**, **the 2008 financial crisis has accelerated regional disparities** and is leaving some regions and Member States unprepared to face pressures of global competition. From the point of view of competitiveness, the EU has to ensure not to lag behind in key economic sectors on the global market and to safeguard its potential for future sustainable growth.
- **Socially speaking**, the EU average unemployment rate may be at its lowest level since 2009, but **over 40% of young people are unemployed in Greece, Spain and Italy**.
- **Territorially speaking**, recent studies[1] confirm **the concentration of wealth in Europe which is harming the very fabric of Europe and its 'convergence' model,** as eloquently described in the Commission's reflection paper on the Social Dimension of Europe

[1] See OECD Regions at a Glance 2016 for instance

Regional disparities matter. They threaten peace and social stability, fuel populism, and disrupt the completion of the Single Market. **This is why the CPMR believes that a modernised Cohesion Policy should be at the heart of current plans for a reformed European Union.**

The CPMR has the following vision for post-2020 Cohesion Policy:

- Cohesion Policy is a long-term investment policy **as much needed at European level** (to realise potential of Single Market, to realise EU objectives everywhere in Europe) **as it is at regional level**.
- Cohesion Policy should be a **central component for the realisation of EU objectives** and cover all regions. It should not be a separate, charity policy, in the EU policy framework.
- Cohesion Policy should **be integrated in a long term and overarching European strategy for growth and jobs** running from 2020 onwards. The areas of intervention of Cohesion Policy should directly support this strategy. The ESI funds should be more focused on the grand societal challenges which will also require attention after 2020 and support the industrial modernization process of big economic clusters and the transition towards a next economy for more jobs and economic growth in all European regions.
- The **fundamentals and original objectives of Cohesion Policy as an investment policy delivered under shared management must be maintained**. As imbalances across Europe persist, the objective of a harmonious development across Europe's regions remains extremely valid today. That is why Cohesion Policy needs to be modernised and reinforced for better effectiveness.
- **Effective processes within Cohesion Policy, such as Smart Specialisation Strategies,** must be reinforced for post-2020. Smart specialisation plays a key role for the fundamental economic transformation at the local, regional and interregional level in modernizing our economies.
- A level playing field at EU level requires that **all Europe's citizens are treated equally irrespective of where they live**. This is the spirit of the principles of economic, social and territorial Cohesion enshrined in the European Treaties and they must be reflected in a comprehensive way within Cohesion Policy and beyond, in any future scenarios for the future of Europe.
- **The territorial dimension of Cohesion Policy must be reinforced**. The reform should pay particular attention to islands regions and to the northernmost regions with very low population density according to the accession treaties for Sweden and Finland. The specific challenges inherent to outermost regions should also be given particular attention, as per article 349 TFEU.
- **Cohesion Policy budgetary resources must not be sacrificed** during the difficult negotiations ahead on a future EU budget for the post-2020 period.
- **The Commission should communicate clearly long-term benefits of Cohesion Policy programmes** and manage expectations regarding their ability to deliver very early in the programming period. This is particularly important in the context of difficult negotiations ahead with regards to the Multiannual Financial Framework (MFF).

3. Specific proposals to modernise Cohesion Policy for the post-2020 period

3.1 An efficient post-2020 Cohesion Policy anchored as the EU investment policy

The CPMR believes that Cohesion Policy can only thrive in the post-2020 period if its role as an investment policy is clearly defined in the EU policy framework. This requires a broader exercise involving all Directorates General in the European Commission to set out which funding instrument and policy is best suited to carry out European objectives.

This is particularly important with regards to the European Fund for Strategic Investment (EFSI). **This means establishing clear boundaries between the EFSI and Cohesion Policy, clear opportunities when the two instruments can be combined, and clear mechanisms on how to achieve this.**

CPMR Member Regions believe that:

- **The lack of a clear vision at European Commission level with regards to investment creates an uneven playing field between the EFSI and Cohesion Policy funds:**
  - EFSI financing (even when handled by national or regional promotional banks) is **not subject to state aid rules**, whereas regionally managed European Structural and Investment (ESI) funds are.
  - **ESI funds co-financing is taken into account in calculations of Member States' public debt** whilst EFSI contributions by Member States are not.
  - ESI funds are subject to **complex (but comprehensive) auditing and performance requirements,** whereas the EFSI is only subject to one criteria, which is 'additionality'[2].
  - Article 125 of the proposed "omnibus regulation" represents a **potential one-way redirection of agreed upon Cohesion Policy funding** to other policies' instruments including the EFSI.

- **Combining the EFSI with ESI funds is particularly cumbersome** in the current framework, according to significant evidence from CPMR regions. The combination of ESIF and the EFSI is too complex and prevents the identification of effective funding solutions.

- **Cohesion Policy supports long term development strategies** at European and regional levels, **and seems better suited to supporting SMEs, research and development, and addressing social issues** (labour market integration, youth unemployment, social inclusion, etc.) Evidence from the projects currently financed by the EFSI suggests that it responds to needs for large scale projects, mostly on energy and transport.

- **Synergies between the EFSI and ESI funds can be an opportunity for large scale regional infrastructure projects, with the involvement of regions**. As of February 2017, 67 out of 205 EFSI financed projects are locatable at regional level[3], mainly large infrastructure projects (energy, environment, R&D, social, etc.) Because of their size, these projects have a huge impact on spatial development at regional level. EFSI supported projects are linked to competences that are traditionally at local and/or regional level. This would require changes in the way regional authorities are involved in some way in terms of the project selection process.

- **EFSI financed projects should indeed be additional investments** generating a clear European added value and contributing to job creation and economic growth, in line with the established performance-based character of Cohesion Policy. Many EFSI transport infrastructure projects (e.g the financing of motorways or airports) are not in line with EU policies supporting sustainable and environmental transport modes[4].

[2] Article 5 of the REGULATION (EU) 2015/1017 establishing the European Fund for Strategic Investment
[3] Source: EIB project database
[4] See Bankwatch report 'The best laid plans'

Regarding the performance of Cohesion Policy as an investment policy vis à vis the EFSI, the CPMR has the following proposals for the European Commission:

- **Clear boundaries between the EFSI and Cohesion Policy should be established** with regards to areas of intervention and types of projects supported.
- **Clear rules are needed to define when and how ESI funds and the EFSI can be combined**, but also regarding when such a combination is not useful.
- A constructive way forward to foster sustainable and integrated regional development could be based on **synergies between the EFSI and ESI funds regarding major projects**. Regions with large scale infrastructure needs on their territories could identify these in their operational programmes as strategic projects with a EU added value with the approval of the Commission (DG REGIO), and these would be considered by the EFSI selecting committee as priority strategic projects.
- The EFSI should cover country-specific or region-specific operational and market risks to **ensure that less developed regions and specific territories** (such as islands and outermost regions) **can access EFSI financing better**.
- **EFSI financing not being subject to state aid rules**, whereas regionally managed ESIFs are, **needs to be addressed**.
- **The Commission must ensure the additionality, European added value and contribution to job creation and economic growth of EFSI financing**, in line with the established performance-based character of Cohesion Policy.
- **The collection, evaluation and communication of results from the EFSI and Cohesion Policy should be harmonised**. The effects of the EFSI on job creation and economic growth should be more accurately monitored.

3.2. A post-2020 Cohesion Policy delivered via grants and a constructive use of financial instruments

Financial instruments play an ever more important role in Cohesion Policy. The CPMR believes that **the best approach for the post-2020 period is a constructive one: rather than opposing grants and financial instruments, it is more appropriate to define where financial instruments add most value,** within a future Cohesion Policy that should continue to rely primarily on grants.

CPMR Member Regions believe that financial instruments should:

- **Be targeted to respond to evidence of ''real economy''**. It is clear from recent CPMR analysis that financial instruments seem to be most effective when they support projects linked to research, development and innovation, SME support actions and the low carbon economy (Thematic Objectives 1, 3 and 4), but less so for social issues.
- **Be used where appropriate.** To maximise efficiency and results, flexibility at regional level for managing authorities to set up financial instruments in accordance with their capacity and experience should be the objective. A more prescriptive approach would not be suitable due to the way the market functions in specific regions (for instance outermost and island regions).
- **Be as simple to use as a banking product.** Evidence from CPMR regions suggests that managing authorities at regional level are primarily concerned about rule compliance. There is therefore no incentive to try new and untested approaches (such as using financial instruments) that may compromise compliance with EU audit requirements.

- **Be appropriately coordinated with other EU financial instruments.** There is a wide multiplicity of different rules regarding EU financial instruments and even a stark competition between different instruments: EIB loans, EFSI, COSME, ESI funds or national, etc.
- **Be frontloaded** to ensure the rapid disbursements of funds when they are demanded by the market.
- **Allow for flexible possibilities** to adapt to negative interest rates, to enable managing authorities to cover their costs as lenders when interest rates are negative.
- Be used in **cross-border, transnational and interregional cooperation programmes and macro-regional strategies.**

Regarding the performance of Cohesion Policy spending and the use of financial instruments, the CPMR has the following proposals for the European Commission:

- **Financial instruments in the post-2020 period should focus on market failures and follow market demand** within a territory and sector of activity as a matter of priority.
- **No targets as regards the compulsory use of financial instruments should be imposed** by the European Commission (at national or programme level).
- The European Commission should **examine why the off-the shelf instruments for financial instruments have not been used in most Member States** so far.
- Regulations could **set clear advisory guidelines on when to optimally use financial instruments** (e.g. when financed projects generate sufficient revenues) to encourage their take up by managing authorities, since grants will always be more attractive to beneficiaries than loans.
- Financial instruments should be supported by **technical assistance** for capacity building at regional level, especially for specific territories of the EU with smaller markets and limited experience in this field.
- **The set-up, reporting and audit rules should be easy and user-friendly** to maximize the leverage-effect of the ESI funds programmes together with financial instruments.
- Financial instruments should **not be hindered with additional requirements of no relevance to investment**, such as combatting tax avoidance.
- The implementation of financial instrument**s should not be slowed down or even hindered by ex-ante evaluations** that seek to quantify a subsidy element given to recipients.
- The Commission services should **coordinate rules governing financial instruments** to ease implementation and avoid confusion from the side of managing authorities and final beneficiaries (e.g COSME, EIB loans, etc.)

3.3. A post-2020 Cohesion Policy based on strengthened and more flexible partnership and multilevel governance arrangements

Regional and local authorities use Cohesion Policy and regional operational programmes to integrate European policy objectives in their own regional development strategies, starting from the Europe 2020 strategy and its objectives which are translated regionally.

The CPMR believes that **the territorial dimension of Cohesion Policy goes hand in hand with 'regional empowerment'**, which is alluded to in the Harnessing Globalisation reflection paper. This is why we believe that **the shared management principle of the policy is crucial and needs to be maintained** to avoid territories being disconnected from the European project. **Trust is of the utmost importance for shared management to work effectively** for all stakeholders involved, especially between managing authorities and the European Commission.

CPMR Member Regions believe that:

- **Multi-level governance mechanisms should be strengthened for post-2020 Cohesion Policy**. It is of key importance for the future of the European Union that regional and local authorities hold a strategic role in the planning, governance and selection of European Structural and Investment funds' (ESI) investments, since all investments are locally made. Multi-level governance arrangements:
    - **make Europe visible at local and regional level**. For many citizens, ESI funds are the only connection they have with the European Union.
    - **facilitate the coordination of funding from different administrative levels** so that they can build on, strengthen and complement each other.
    - ensure that a broad range of stakeholders participate in the process, consequently guaranteeing that expertise, experience and technical know-how is shared. **The partnership principle ensures commitment and ownership** by all involved stakeholders.

- **More flexible arrangements can improve the efficiency of the policy for the future.** Structural funds can be flexible and they are in fact already able to meet up with upcoming and urgent needs when operational programmes are built on regional development strategies, the various funds are coordinated, and partnership at regional level work properly. However, **additional flexibility measures are needed to be put in place, especially for countries where ESI funds constitute a large proportion of national and regional funding**.

- **There needs to be a radical change in the ways Cohesion Policy is communicated.** Cohesion Policy communication should also focus on macroeconomic data, including the expected leverage effect of investments supported by ESI funds.

- **Increasing the incentive to use Integrated Territorial Investments (ITI) and Community-led local development (CLLD) as they generate clear benefits to the regions.** ITI has proved to bring a regional context to a national programme when the EU funds are managed at national level (particularly for the ESF). These tools have helped ensuring calls were made to fit local needs and helped the programme to overcome delays experienced at national level. However, evidence from the CPMR survey on the ESF show that **there has been rather low take-up of ITIs in peripheral regions**, with less than 10% of respondents employing these tools. The lack of understanding at regional level on the benefits and functioning of ITIs clearly undermines its potential.

Regarding strengthened multilevel governance and partnership arrangements, the CPMR has the following proposals for the European Commission:

- **The European Commission should remain the guardian of the partnership principle,** as foreseen in article 5 of the Common Provision Regulation (CPR). Introducing more carrot-like incentives, such as a yearly benchmarking exercise, or a RegioStar award for best partnership and multilevel governance arrangements, could enable this.
- **The involvement and influence of regional authorities in the implementation and management of Cohesion Policy should be improved**. Decisions on where to target the funds should be decided at regional or local level as a priority, including with regards to the ESF.
- **The quality of informal involvement of partners should be increased** by means of clarifying the structures and roles of different committees, increasing transparency and improving guidance.
- **All Cohesion policy funding should be implemented through regional operational programmes** at NUTS 2 level, according to the constitution of each Member State. Regional authorities responsible for regional growth and development should be involved in selecting the actions planned within ESI funds financed national programmes.
- In cases of crisis or unexpected events, managing authorities should have **more flexibility to modify programmes** and reallocate resources between priority axis and between Thematic Objectives within one axis **without needing to resort to the European Commission**. Each operational programme should contain a **regional reserve of unallocated funding to be allocated according to critical needs** during the programming period. The decision to use this unallocated reserve would be down to the managing authority and competent regional authority.
- To **encourage regional authorities to take-up territorial instruments**, **ITIs and CLLD**, the Commission should provide greater support and guidance on how to use them. The Commission should also better communicate the benefits of ITIs and encourage the exchange of best practises, the dissemination of information and good examples among regions.

3.4. A simpler Cohesion Policy for beneficiaries and managing authorities

Evolution rather than revolution is needed to drastically simplify Cohesion Policy in the future. A radical overhaul of the management and controls systems of the policy may seem attractive politically, but could lead to significant disruption early in the programming process as managing authorities get to grips with the new legislative framework. Evolutionary steps are therefore more desirable to streamline the delivery of the policy in the future.

CPMR Member Regions believe that:

- **Better timing for the adoption of the Cohesion package is needed:** to make the preparation of the future programmes simpler and faster, it is crucial that the next set of regulations is adopted as early as possible, and earlier than last time[5]. Cohesion Policy does deliver tangible results over the mid to long term, as shown in the ex post evaluation of Cohesion Policy programmes 2007-2013, but these results often come too late to make an impact on the next round of reform.

- **The cumbersome designation of authorities should be addressed:** the current process of designing authorities has been exceedingly long, lasting around two years. There is no evidence that the new process in place for 2014 – 2020 lead to more robust management systems.

- **Rules and guidance notes should be clarified:** legal interpretation is required to implement ESI funds regulations, and this has sometimes been unwieldly and confusing due to additional guidance notes published during the programming period.

- **A 'state aids friendly' Cohesion Policy:** ESI funds should be treated in the same way as other European programmes focused on investment, such as Horizon 2020 and the EFSI. As long as the aid is granted in line with the objectives of an operational programme (which has been negotiated with and adopted by the European Commission), there should be no need for state aid verification. Support granted by means of competitive calls (as opposed to commissioning) is also increasingly gaining importance within ESI funds. The scope of support from the ERDF should be extended to the financing of operating aid linked to the offsetting of additional costs for regions referred under article 174 TFEU.

- **Higher tolerable error rate:** the fact that a whole programme can be blocked if the error rate is more than 2% of the controlled expenditure is not a proportionate approach**. It results in a management system that puts most of its efforts on controls, rather than on other important tasks** (accompanying beneficiaries or communicating on the programme, etc.). Cohesion policy is the only EU policy subject to this provision. There should be zero tolerance against fraud. However, error rates might be explained by other circumstances such as a missing document or changing rules or guidelines.

- **Constructive auditing processes**: auditors need to work constructively and proactively with managing authorities to make procedures more efficient and to reduce the risks of errors during the programming.

- **No retroactivity of rules**: retroactivity of rules and guidelines creates uncertainty and can lead to complexity both for managing authorities and beneficiaries and create problems with interpretation, facilitating errors. It has also a negative impact on how the European Union communicates with citizens.

- **Geographical eligibility outside programme area:** in order to facilitate synergies between instruments (e.g. Horizon 2020 and the ERDF) the possibility for managing authorities to use the ERDF outside the programme area should be facilitated rather than restricted. This would enable them to mobilize the ERDF on projects of common interest. Article 70.2 of CPR makes no mention of a pro rata method to be applied, which is a result of a too restrictive interpretation in the comitology procedure. The simplification proposals introduced in the omnibus give this possibility. It would be interesting to clarify directly in Article 70.2 that this (capped) possibility can be used without obligation to justify or calculate the benefits for the programme area. Projects located outside of an Interreg cross-border area can also have a great cross-border added value.

[5] Regulations were adopted only in December 2013, with the European Maritime and Fisheries Fund adopted only in July 2014, making it impossible to have programmes ready for the 1st of January 2014

Regarding the simplification of Cohesion Policy, the CPMR has the following proposals for the European Commission:

- The CPMR calls on the Commission to **improve the alignment and coordination of key strategic documents** (Partnership Agreements, Country Papers) in the future.
- **One single set of rules for all ESI funds should be introduced**, including one method for calculation of costs), one online monitoring system and a uniform method of monitoring and auditing the execution and results of a project, applicable to all programmes.
- **The logic would be that all structural Funds projects are exempted from the state aid notification process.** All projects selected under a competitive delivery process (e.g calls for tender and not direct commissioning) and INTERREG projects should in any case be exempt from the state aid notification process. **Specific attention should be paid to the islands and peripheral regions affected by permanent handicaps** which severely restrain their development and undermine their integration to the single market.
- **The Cohesion legislative package should be adopted early on so that regional authorities cannot be blamed for delays**. The European Commission should come up with a realistic timetable with regards to adoption of operational programmes. None of the post-2020 MFF scenarios currently considered in the context of Brexit should harm Cohesion Policy on an operational basis.
- **The tolerable error rate should be set at 5% instead of 2%** of the controlled expenditure.
- **More regular discussions between auditors and managing authorities** ex ante should be envisaged to share expertise and solve problems of interpretation.
- **The next regulations on Cohesion Policy should be clear and unambiguous**, setting out all compulsory elements, to avoid issues of legal interpretation and the profusion of guidance. Guidance notes should not be legally binding. Instead, more dissemination of good practices should be guaranteed.
- **The designation of authorities should be simpler and faster for the next programming period** to avoid any delays in the implementation of the operational programmes.
- **Modification of rules or changes of a legal interpretation** during a programming period nature **should not be retroactive.**
- **Reducing the number of controls at national level**, such as ring-fencing of funds and reduction of designation of target groups, giving greater flexibility to local and regional authorities to target allocations where it is most needed should be ensured.
- There should be incentive to **make the use of Simplified Cost Options more systematic** as it has proved to be an effective tool for ESF programmes.
- **Specific measures should be introduced with regards to small projects** (e.g. up to € 25.000) by generalising simplified cost options and lump sums, strengthening e-cohesion, speeding up payments for beneficiaries, and raising the level of advance payments for subsidies for beneficiaries, up to 15-20% of the total amount.
- **With regards to multifund programmes, processes should be streamlined and simplified** to ensure that regions and programmes can benefit from synergies.

3.5. A post-2020 Cohesion Policy featuring a more place-based European Social Fund

The CPMR Members recognise that **the European Social Fund has an essential territorial dimension that mirrors areas of regional competences (lifelong learning, training, social inclusion to name a few) across all European regions.** This is why the ESF must continue to be part of Cohesion Policy in the future. This is essential so that the EU's renewed focus on Social Europe can be realised on the ground.

CPMR Member Regions call for:

- **Maintaining the overall architecture and objectives of the ESF for post 2020, solidly part of the Cohesion Policy and anchored in the regional contexts.** The ESF has played a key role for territories in terms of investment in human capital, modernisation of public administration, support for reforms and creation a more business environment. It is particularly important for specific territories such as outermost regions, whose unemployment rate is among the highest in the EU.

- **Areas of intervention for the ESF are suitable for the 2014-2020 period, but more flexibility at regional level is required for the sake of results and efficiency.**

- **Strengthening cross-border cooperation in the framework of ESF as it helps to achieve its objectives.** In the context of the current challenges faced by the EU, this aspect of regional policy becomes all the more significant as regards the integration of migrants, unemployment and the apparent skills mismatch that exists in some territories, and the potential new challenges in cross-border mobility with third countries that may arise post-Brexit.

- **Reinforcing Smart Specialisation Strategies (S3) as they are useful to guide the development of ESF regional programmes.** 62% of respondents of CPMR survey on the ESF, stated that their regional smart specialisation strategies fed into the development of their regional ESF operational programme. As local and regional authorities had to map out local labour market needs in their S3s, they have acquired a clear vision of the local labour markets needs investment in human capital, but also in those sectors that have the potential for growth and job creation.

- **Building on the potential of the Youth Employment Initiative (YEI).** Regions largely support the YEI but there is room to improve the mechanism in order to fully deliver the expected results. The CPMR survey identified several key issues with regards to the YEI which undermines the potential of this initiative, such as the difficult requirements of the eligibility criteria, the lack of funding resources, its complexity and pressures due to the short lifespan of the initiative.

Regarding the territorial dimension of the European Social Fund, the CPMR has the following proposals for the European Commission:

- **European Social Fund operational programmes should be managed at regional level**, or should at least strengthen the involvement of local and regional stakeholders as they are best placed to know the social and economic needs at regional level.
- There should be **greater flexibility in the areas of intervention** of the ESF to ensure better alignment with the specific needs of the regions.
- Reinforcement of **the territorial dimension of the ESF** given the diversity of the context in the Member States and the various level of development in the regions.
- **The focus of ESF cross-border cooperation areas should primarily be on employment supply and demand**, including the recognition of foreign qualifications. Other areas of which cross- border cooperation should be training and education, social protection, science and medicine, administrative capacity-building, and culture.
- **Smart Specialisation Strategies should be maintained and reinforced with a focus on cross-border and cross sectoral cooperation** as they have proved to be useful to guide the development of ESF regional programmes in particular.
- **Reassert that local and regional authorities are best placed to identify relevant stakeholders and contribute to strengthen cooperation among them and to plan ESF intervention** that complement the initiatives supported by the ERDF and by other programmes useful for pursuing Smart Specialisation Strategies.
- **Youth unemployment should be a priority mainstreamed within the ESF** which should be addressed within a long-term vision and strategy for ensuring the access of the young people in the labour market and fair, quality job opportunities.

3.6. A post-2020 Cohesion Policy coherent with the European Semester

The CPMR understands that there is a link between Cohesion Policy and the European semester and recognises the potential support of Cohesion Policy in helping carrying out structural reforms related to the priority areas it supports. The CPMR is concerned that the link with the European Semester is only realised with Cohesion Policy and not other EU instruments and policies supporting investment.

CPMR Member Regions believe that:

- **The nature of the relationship between the EU economic governance and Cohesion Policy is currently a punitive one**. The promise of sanctions have a negative connotation on Cohesion Policy, particularly in countries and regions where it is most needed.

- **Cohesion Policy already indirectly supports EU economic governance and the implementation of structural reforms in two ways**: first of all via ex ante conditionalities which improve the conditions for investment, and secondly via Thematic Objective 11 (modernising public administration) for Member States that use it.

- **The European Semester process is targeted at Member State level** (with country specific recommendations (CSRs) issued by the Council every year) but regions are directly impacted by the actions of the national level to implement these. Many CSRs touch upon areas of competences which are traditionally at regional level (vocational training, apprenticeship, etc)

- **Cohesion Policy cannot be undermined and lose its main role as territorial development policy** because of reforms resulting in operational programmes directly linked to the implementation of structural reforms.

Regarding the link between Cohesion Policy and the European Semester, the CPMR has the following proposals for the European Commission:

- **Cohesion Policy remains a territorial development policy to help realise economic, social and territorial cohesion above all else.** However, if a formal link was to be established between the European Semester and Cohesion Policy for the post-2020 period, it should be **positive rather than punitive (given that sanction mechanisms are not effective)**. In return:
  1. **An annual structured dialogue on the state of cohesion within the EU** should be introduced as part of the European Semester process to guarantee coordination between the levels of governance;
  2. **ESI Fund managing authorities should have more flexibility to modify their operational programmes** and a **more formal involvement in the European semester process**, along the lines of a Code of Conduct of Partnership.
- **Ex ante conditionalities should remain, as they contribute to create an investment friendly environment which will ensure a better implementation of ESI funds** However, they should be simplified as the complexity of the system undermines their potential.
- **Macroeconomic conditionality should be removed** from the Cohesion Policy framework in the **post-2020 period, in order to avoid a double penalty for regions when they respect the rules of the Stability and Growth Pact. Regions cannot be held responsible for the national deficit as they usually are already subject to strong budgetary restrictions compared to the national State. Moreover, we believe that, as stated in the article 174 TFEU, the economic, social and territorial cohesion of the EU should be preserved.**
- **The European semester documents** (Annual Growth Survey, the National Reform Programmes) **should include a thorough territorial analysis** paying attention to the role of regional authorities in implementing (CSRs) and the situation of specific territories.

3.7. A post-2020 Cohesion Policy with a strengthened Territorial Cooperation objective

European Territorial Cooperation (ETC), also known as Interreg, is one of the two goals of Cohesion Policy, and is considered as one of the most effective and visible aspects of Cohesion Policy. There is no other policy instrument that exists to foster cooperation across European regions. In light of rising populism, the need for cooperation across Europe has never been so important. A stronger and well-resourced territorial cooperation programmes are therefore crucial for the post-2020 period.

CPMR Member Regions believe:

- **The architecture of ETC should be streamlined:** The geographical boundaries of European Territorial Cooperation programmes often overlap while the themes eligible for funding are, to a large extent, identical. Conversely, national rules apply and therefore each program has its own rules, prescribed approach and criteria. The large number of different programs can lead to a lack of transparency, cause confusion and increased obstacles for participants and beneficiaries' participation.

- **ETC programmes should be based on strong multilevel governance and partnership arrangements:** Cohesion Policy programmes are based on shared management, multilevel governance and the partnership principle. These features are even more important as regards cooperation programmes, which involve a great variety and number of stakeholders from different regions and countries. The possibilities to use 'seed money'[6] should be exploited fully to better involve stakeholders.

- **ETC programmes should be 'needs-based':** maritime and peripheral regions often deal with specific problems in areas such as fisheries, coastal tourism, coastal environment and accessibility which cannot always be handled under the current priorities.

- **Cooperation with the United-Kingdom should be fostered in future ETC programmes:** the exit of the United Kingdom from the membership of the European Union will have a direct impact on ETC and in particular for adjacent countries and regions. The UK is currently involved in 14 cooperation programmes (the four interregional programmes, 5 transnational programmes and 5 cross-border programmes). It is crucial to maintain close relationship with UK regions through ETC programmes.

[6] Such as the EU Strategy for the Baltic Sea Region seed money facility

Regarding European Territorial Cooperation in post-2020 Cohesion Policy, the CPMR has the following proposals for the European Commission:

- **Regional authorities must remain at the core of cooperation programmes,** macro-regional and sea basin strategies. Their involvement must improve for the post-2020 period, along with that of other stakeholders.
- The commission should evaluate whether the large number of existing different cooperation programmes is needed and **whether some cooperation programmes could be merged or, if geographically overlapping, better linked together**. Cooperation programmes working on common themes could include a budget line dedicated to capitalisation and exchange of good practices.
- **Funding resources for Territorial Cooperation programmes should be allocated per programme level** as opposed to national level.
- Thematic concentration of cooperation programmes should be based on **a sound analysis of the needs** of the territory.
- Interreg programmes should have **more flexibility regarding thematic concentration rules to better consider the diversity of territories**, area-specific themes and criteria inside cooperation areas. They should be allowed to develop broader objectives than the existing Thematic Objectives.
- **Enhance levels of complementarity between ETC and the mainstream programmes.**
- To set up a **European regulatory framework for rules governing Interreg calls for proposals**. These rules at European level could also tackle the appeal procedures, which are currently set at national level.
- **Better geographical and thematic alignment of macro-regional and sea basin strategies with ETC programmes (and vice-versa)**, especially with transnational programmes, for areas covered by a macro-regional or sea basin strategies.
- Special attention should be given to island and outermost regions to strengthen their regional cooperation and integration. This should be done **by creating specific ETC programmes for islands sharing the same sea basin** to enhance cooperation on their common priority areas per sea basin and by **exempting islands from the current limit of 150 km of maritime borders** from other eligible areas that currently applies in cross-border cooperation programmes.
- In view of the uncertainties surrounding the exit of the UK from the EU and the future participation of the UK in Interreg programmes, as a non-EU country, it is vital that **transitional cooperation programmes for UK-EU borders are envisaged.** CPMR regions want to continue cooperating with UK partners in the future.
- With regards to the participation of parties located outside the eligible area of a programme in cooperation projects, the eligibility of projects should be more flexible by **raising the 20% authorized threshold for financing operations located outside the Union**.

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The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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