New cohesion policy and Multiannual Financial Framework (MFF) 2014-2020

Main achievements and setbacks for the CoR

Following the political agreement reached between the European Parliament and the Council on the cohesion policy legislative package for 2014-2020 and the final vote in the EP plenary session on the MFF, the time has come to look back at the main achievements and disappointments for the CoR in these negotiations. The Committee of the Regions has made its voice heard on the future of post-2013 cohesion policy in a series of opinions adopted over the past four years. It has adopted outlook opinions as requested by the Commission, an opinion on the Fifth report on cohesion, opinions on the regulations of each of the structural funds and a resolution on the package as a whole over the course of the inter-institutional negotiations. In this analysis we present what the Committee has achieved and where the main setbacks lie.

New category of "transition regions"

As requested by the CoR, a new category of "transition regions" has been created and all EU regions will continue to benefit from cohesion policy. Obviously the focus of funding will be on less developed regions, but the CoR warned of possible threshold effects and pointed out that even more developed regions face challenges, notably from a social policy point of view. Cohesion policy continues to be a powerful tool for supporting public investment across the EU, which is especially needed in the current period of economic crisis. The structural funds account for more than one third of all public investments in 13 Member States, over 50% in ten Member States and over 60% in seven other Member States.

Partnership and multilevel governance enshrined as key principles

Not only has the principle of multilevel governance been enshrined for the first time in the Common Provisions Regulation (CPR) alongside the partnership principle (Article 5), but the CoR has also succeeded in convincing the EP and the Council not to place lo cal and regional authorities on an equal footing with the social partners and NGOs, as was the case in the 2007-2013 period. In addition, an EU Code of Conduct will be drawn up as a delegated act to guide Member States in the implementation of these principles, although the Council was initially strongly opposed to the idea. Finally, the reformed cohesion policy will introduce partnership "agreements" to formalise these arrangements: although the word "contract" has disappeared, the CoR has consistently welcomed these developments.

European Social Fund firmly entrenched in cohesion policy

The CoR had expressed concerns that the European Social Fund (ESF) could become a sectoral fund detached from the rest of cohesion policy, but this risk has been avoided: the ESF will be covered by the CPR and the Common Strategic Framework (CSF). In some Member States, there are plans for the ESF to be managed at regional level in order to allow for better coordination with e.g. the ERDF, whilst in others this has already been the case for a long time (e.g. Italy). In most Member States, however, the ESF continues to be run at national level.

Introduction of a Common Strategic Framework

Contrary to the previous financing period, in which it covered only the three structural and cohesion funds (ERDF, ESF and Cohesion Fund), the CPR will now cover also the rural development fund (EAFRD) and the maritime/fisheries fund (EMFF), and a Common Strategic Framework (CSF) will be introduced to facilitate coordination between them. This explains the new term of "structural and investment funds". This innovation, welcomed by the CoR, is absolutely essential in order to foster an integrated territorial approach in the implementation of cohesion policy. The coordination mechanisms between structural and investment funds and territorial cooperation programmes have been strengthened in parallel, as requested by the CoR.

Strengthened territorial and urban dimensions

In line with the Barca report and supported by the CoR, the integrated territorial dimension of cohesion policy has been considerably strengthened and there is now also some recognition of functional areas. Some important new tools have been introduced, such as the extension of community-led local development (CLLD) to all funds, integrated territorial investments (ITI), joint action plans, territorial pacts (for the ESF) and multi-fund operational programmes. The new ITI instrument should be particularly useful in addressing urban challenges, and 5% of ERDF resources have been specifically allocated to integrated actions for sustainable urban development.

Greater flexibility in thematic concentration and Financial engineering

The CoR has succeeded in convincing the EP and the Council to introduce more flexibility in the thematic concentration of the various funds on Europe 2020 priorities compared to the Commission's initial request (with the exception of European territorial cooperation). This flexibility will allow a more integrated/territorial approach in programming funds at local and regional level, since a wider menu of thematic priorities is needed for these strategies. In the case of the ESF for instance, the number of investment priorities with thematic concentrations should be extended to 5 or 6 (out of 18) instead of 4. Regarding the ERDF, greater flexibility has been introduced for transition regions, as requested by the CoR. The possibilities for using financial engineering instruments have been extended to all thematic priorities and all funds, which should open up new possibilities for public-private partnerships in financing EU projects. This will be critical for some regions given the decrease in grant funding as a result of the MFF negotiations. The role of the European Investment Bank will also be strengthened, as requested by the CoR.

Territorial cooperation: EGTC review and macroregions

The EGTC regulation has been reviewed along the lines of the CoR requests, although some elements still do not satisfy the main demands of the stakeholders expressed in the past by the CoR, notably the fact that tacit approval measure do not apply in the Member State where the EGTC has its headquarters and that the articles of the law contain no clear statement applicable to its staff (there is only a reference in the recitals). In addition, increased reference was made to macroregions in the cohesion policy legislative package, which will help to support its implementation, in particular by means of transnational cooperation: the EC will have to take into account the existence of macro-regional strategies when adopting the list of transnational areas to receive support.

Even though the Committee has expressed its general satisfaction with the new cohesion policy for 2014-2020, it has been disappointed on a number of scores. The key setback is the reduction of the overall budget for cohesion policy in real terms compared to 2007-2013.

Budget reduction in real terms compared to 2007-2013

The overall budget for cohesion policy has decreased in real terms compared to 2007-2013. The only areas for which a modest increase can be observed are territorial cooperation (ETC), youth unemployment (new initiative) and the European Social Fund (ESF). With regard to the latter, the budget increase is however diminished by the transfer of the Fund for European aid to the most deprived from the CAP to the cohesion policy budget line without the equivalent transfer of the budgetary appropriations (EUR 2.5 billion). In addition, the final agreement provides for the ESF to be allocated only 23.1% of the cohesion policy envelope in each Member State, whereas the CoR (along with the EC and the EP) had requested a share of 25%. This turn in events is disappointing given the additional objectives allocated to cohesion policy in general and to the ESF in particular.

Delayed outcome of the negotiations

For the last financing period (2007-2013), the final regulations were published in the Official Journal of the EU at the end of July 2006, whereas this time they will not be published before December 2013 at the earliest. This means that the time schedule for adopting partnership agreements and operational programmes laid down under the CPR could not be followed and programming had to take place in parallel with inter-institutional negotiations, which was obviously far from ideal (no definitive legal text, uncertainty over the final outcome, official texts not available in all EU languages). For this reason, it is doubtful whether it will be possible to implement all the new features included in the cohesion policy legislative package for 2014-2020 from an operational point of view.

Macroeconomic conditionality

For reasons of investment fairness and efficiency, the CoR has been constantly opposed to the suspension or cancellation of commitments and payments in the event of non-compliance with EC macroeconomic recommendations by a national government, but has agreed to the amendment of partnership agreements and operational programmes based on these recommendations. Indeed, the final outcome of the negotiations allows forthe possibility of amending partnership agreements and operational programmes based on macroeconomic recommendations (as agreed by the CoR), but it also introduces the possibility of suspending commitments and payments in the event of non-compliance by Member States with the EU's macroeconomic recommendations, contrary to the CoR's position.

A number of safeguards were nevertheless introduced by the EP in the final agreement, making this suspension difficult to apply:

The scope and level of the suspension of commitments/payments shall be proportionate and effective, respect equality of treatment between Member States and take into account the economic and social circumstances of the Member State concerned, in particular with regard to the impact of any suspension on the economy of the Member State concerned and the level of unemployment in that Member State;

The suspension of payments shall not exceed 50% of the payments of each of the programmes concerned, whilst the suspension of commitments cannot exceed 50% of the commitments relating to the next financial year or 0.5% of nominal GDP (the lower of these 2 thresholds);

Priority shall be given to the suspension of commitments: payments shall be suspended only when immediate action is sought and in the case of significant non-compliance;

The EP is to be formally involved in the suspension procedure (obligation to notify the Member State concerned, possibility of a structured dialogue, etc.).

Performance reserve

The CoR and EP had been opposed to the introduction of a performance reserve but agreed to a framework to measure performance in the absorption of EU funds. The CoR feared in particular that a reserve of this kind could actively encourage regions to adopt a lowlevel of ambition when setting their milestones in order to get rewarded when achieving them, which would be contrary to its initial purpose. It also pointed out that there had been a performance reserve in the 2000-2006 period, but it had had limited success according to the European Court of Auditors. Instead, the CoR and the EP have been advocating the introduction of a flexibility reserve that would be funded by the automatic decommitments of EU funds (instead of returning them to Member States) and used to fund innovative projects in priority policy areas. The final outcome of the negotiations however foresees the creation of a performance reserve amounting to 6% of the resources allocated to each fund (compared to 5% proposed by the EC, and 7% requested by the Council).

Unfinished simplification

Cohesion policy should be easier to implement thanks to all the simplification efforts proposed by the Commission and supported in the inter-institutional negotiations. For instance, the draft ESF Regulation extends the use of simplified cost options and makes their use obligatory for smaller operations. However, these overall simplification efforts are expected to be considerably undermined by some of the new features introduced for 2014-2020 (notably: ex ante conditionalities, macroeconomic conditionality and performance reserve). Note: although they may make implementation more difficult, the CoR has supported the introduction of ex ante conditionalities but has warned against a cumbersome and excessively detailed framework that would create absorption issues for EU funding.

Capping rate

The CoR has complained that its prerogatives were infringed as it was not consulted on the method of distributing cohesion policy national allocations and capping levels , which should feature as an annex to the CPR. The EP accepted in the trilogues the text put forward by the Council (as endorsed by the European Council in February 2013), but there has as yet been no legislative proposal from the Commission and no transparency in trilogue inter-institutional discussions on this matter either.

Unclear implementation of the Youth employment initiative (YEI)

The details of the implementation arrangements for this initiative remain unclear, such as the degree of involvement of local and regional authorities and the extent to which we can expect swift absorption of funds in the short term frontloading of budgetary appropriations in 2014 was agreed last June as part of the MFF political agreement), two elements on which the CoR has expressed its concerns. A regional eligibility threshold has been agreed by the EP and the Council but this does not mean that the management of the YEI will be systematically decentralised at regional level, despite clear local/regional competences in this field.

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	MFF 2014-2020	MFF 2007-2013	Comparison 2014-20 vs. 2007-13	
	EUR million	EUR million	EUR	%
1.Smart and Inclusive Growth	450,763	446,310	+4.5bn	+1.0%
1a. Competitiveness for Growth and Jobs	125,614	91,495	+34.1bn	+37.3%
1b. Economic, Social and Territorial cohesion	325,149	354,815	-29.7bn	-8.4%
2. Sustainable Growth: Natural Resources	373,179	420,682	-47.5bn	-11.3%
3. Security and Citizenship	15,686	12,366	+3.3bn	+26.8%
4. Global Europe	58,704	56,815	+1.9bn	+3.3%
5. Administration	61,629	57,082	+4.5bn	+8%
6. Compensations	27	n/a	+0.027bn	n/a
Total	**959,988**	**994,176**	**-35.2bn**	**-3.5%**

Source: Council of the European Union

MFF 2014-2020 and 2007-2013 comparative table (commitment appropriations, in 2011 prices).
On 19 November 2013 the European Parliament approved the Multiannual Financial Framework (MFF) for the coming 2014-20 period. The following table resumes the approved amounts for the main headings included in the budget.