

Economic governance and cohesion policy

In the 2014-2020 programming period, support from cohesion policy is linked to compliance with EU economic governance rules. This rule was introduced in Article 23 of the Common Provisions Regulation of 2013 establishing the rules for all European Structural and Investment Funds. Subsequently, the European Commission published guidelines on the application of some aspects of Article 23, which reopened the debate on this controversial measure.

Article 23 of the Common Provisions Regulation

Article 23 of the [Regulation](#) establishing the common provisions for all European Structural and Investment Funds ([ESI Funds](#)) introduces a clause entitled ‘measures linking effectiveness of ESI Funds to sound economic governance’. A similar provision, linking suspension of EU funds to the breach of excessive budget deficit rules, previously existed for the Cohesion Fund. It was used once in 2012, with Hungary, but later [revoked](#). In the 2014-2020 period, however, it has been extended to all ESI Funds and to more procedures, including adjustment programmes for Member States benefiting from EU [financial assistance](#) mechanisms.

The [application of Article 23](#) has two ‘strands’. Under the first strand, Member States may be requested to re-programme their ESI Funds in line with relevant Council recommendations, by revising their partnership agreements and relevant programmes. In case there is not a satisfactory response to the request for reprogramming, or a failure to take corrective action, the Commission may propose to the Council the suspension of payments. Under the second strand, the Commission is obliged to propose suspension of commitments or payments in case of a breach of specific economic governance rules. Detailed guidelines for the application of Article 23 were published in a 2014 Commission [communication](#), which covers only the first strand of Article 23 (paragraphs 1-8).

The measure encountered mixed reactions. Supporters claim that it ensures effectiveness of EU spending and reinforces sound economic governance, while improving the environment for growth and investment. Opponents point out that it may have negative impacts on cohesion policy and its final beneficiaries, by undermining project lifecycles and punishing regions for the macroeconomic failures of central governments. In the 2014-2020 period, the measure has not yet been applied in practice.

The European Parliament

During the [negotiations](#) on the Common Provisions Regulation (CPR), the EP raised doubts over the fairness of the measure and pushed for increased legitimacy and accountability in the decision-making process. The EP has been granted the right to participate through a ‘structured dialogue’ with the Commission, although it has not gained the originally requested right to co-decision or veto power. The role of the EP is outlined in paragraph 15 of Article 23. The Parliament has also been successful in contributing to the establishment of a list of mitigating circumstances preventing the suspension of funds, such as a high unemployment rate, the share of people at risk of poverty, and contraction of GDP.

The EP [report](#) on ‘the European Structural and Investment Funds and sound economic governance: guidelines for the implementation of Article 23 of the Common Provisions Regulation’ (rapporteur: José Blanco López, S&D, Spain) emphasises the role of cohesion policy as an investment tool and warns against economic governance mechanisms potentially hindering the achievement of its goals. It advocates the use of Article 23 only as a last resort. If applied, it should be done in a justified, proportionate and transparent way, taking into account the economic and social situation. It welcomes the Commission’s intention to proceed with caution in this regard. It also pleads for close cooperation with the Commission and Council, and for the EP’s formalised engagement in the process, outlining proposals on how such an involvement might look like. The resolution is scheduled for a vote in plenary in October 2015 (Procedure file: [2015/2052\(INI\)](#)).