European Parliament

Common Provisions Regulation

New rules for cohesion policy for 2021-2027

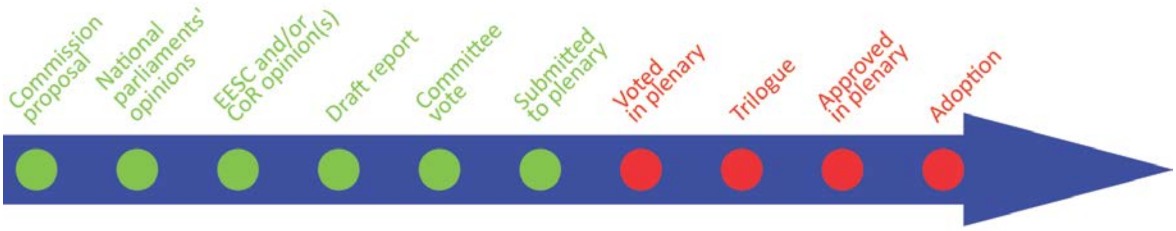
OVERVIEW

For the next EU budget, covering the 2021-2027 period, the European Commission proposes to update EU cohesion policy with a new set of rules. The proposal for a Common Provisions Regulation (CPR) sets out common provisions for seven shared management funds: the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. Additional specific regulations add certain provisions needed to cater for the particularities of individual funds, in order to take into account their different rationales, target groups and implementation methods.

The proposed CPR is of the utmost importance as it will set the main rules that govern the above-mentioned funds for the forthcoming period. While the proposal builds upon the previous sets of rules covering the 2014-2020 period, it nevertheless introduces a number of innovations. It aims, amongst other things, to simplify and improve synergies between the different EU policy tools.

Proposal for a regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund, and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.

Committee responsible:	Regional Development (REGI)	COM(2018) 375 29.5.2018
Co-rapporteurs:	Andrey Novakov (EPP, Bulgaria) Constanze Krehl (S&D, Germany)	2018/0196(COD)
Shadow rapporteurs:	Ruža Tomašić (ECR, Croatia) Iskra Mihaylova (ALDE, Bulgaria) Younous Omarjee (GUE/NGL, France) Monika Vana (Greens/EFA, Austria) Rosa d'Amato (EFDD, Italy)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Next steps expected:	Vote in plenary	



EPRS | European Parliamentary Research Service

Author: Vasileios Margaras
Members' Research Service

PE 625.152 – February 2019

EN

Introduction

The current Common Provisions Regulation (CPR), as well as specific regulations for ESI funds, regulate the funds that underpin EU cohesion policy for the 2014-2020 period. According to the European Commission, the fragmentation of the rules governing the different EU funds implemented in partnership with the Member States ('shared management') has complicated matters for the authorities managing programmes and discouraged businesses and entrepreneurs from applying for different sources of EU funding. To tackle these issues, the Commission proposes a new CPR, which sets out common provisions for seven funds. This single rulebook will cover the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund+ (ESF+), the European Maritime and Fisheries Fund (EMFF), the Asylum and Migration Fund (AMIF), the Internal Security Fund (ISF) and the Border Management and Visa Instrument (BMVI). Additional specific regulations have also been presented for the above-mentioned funds to cover their own particular elements.

Context

The Commission proposal for a multiannual financial framework sets out an amount of €330 billion for economic, social and territorial cohesion for the 2021-2027 period. The funding allocation for each fund can be seen in table 1. The Commission's proposal for the financing of the EMFF, AMIF, BMVI and ISF will be included in the fund-specific regulations for each fund. However, for the AMIF, the ISF and the BMVI, Member States will prepare programmes in accordance with the programme template set out in Annex VI of the CPR.

Table 1 – ERDF, CF and ESF+ envelopes for 2021-2027	2018 prices, € million
Cohesion policy total	330 624
European Regional Development Fund (ERDF)	200 629
- Investment for jobs and growth	190 752
- European territorial cooperation	8 430
- Outermost regions and sparsely populated areas	1 447
- Cohesion Fund (CF)	41 349
- of which contribution to CEF Transport	10 000
European Social Fund+ (excluding the amount for health, employment and social innovation)	88 646

Source: European Commission, CPR proposal, 2018.

NB: The amounts proposed for the ERDF and the Cohesion Fund are slightly different according to the Commission's communication accompanying the proposal on the 2021-2027 multiannual financial framework. The allocations amount to €200 622 million and €41 374 million respectively (see page 30 of the communication).

As far as regional and cohesion policy is concerned, the discussion amongst policy-makers and stakeholders on the future policy priorities of the EU is now heating up, and the funding allocations per Member State are quite prominent in this debate. These are included in the Annex to the proposed CPR and are given in figure 1. Central topics in the discussions on the future of cohesion policy include the need to make EU funds simpler and more flexible for beneficiaries to use, while also strengthening the cohesion policy contribution to the EU's economic governance and increasing its added value. An additional point in the debate relates to the way the European Union addresses new or growing challenges such as migration, environment and technological innovation.

Figure 1 – Cohesion policy allocations per EU Member State 2021-2027

Member State	2021-27 allocation (EUR billion, 2018 prices)	Change from 2014-2020 period (%)	Aid intensity (EUR/head)	Change from 2014-2020 period (%)
BG	8.9	8	178	15
RO	27.2	8	196	17
HR	8.8	-6	298	0
LV	4.3	-13	308	0
HU	17.9	-24	260	-22
EL	19.2	8	254	12
PL	64.4	-23	239	-24
LT	5.6	-24	278	-12
EE	2.9	-24	317	-22
PT	21.2	-7	292	-5
SK	11.8	-22	310	-22
CY	0.9	2	147	-5
SI	3.1	-9	213	-11
CZ	17.8	-24	242	-25
ES	34.0	5	105	3
MT	0.6	-24	197	-28
IT	38.6	6	91	5
FR	16.0	-5	34	-9
FI	1.6	5	42	2
BE	2.4	0	31	-5
SE	2.1	0	31	-6
DE	15.7	-21	27	-20
DK	0.6	0	14	-3
AT	1.3	0	21	-4
NL	1.4	0	12	-3
IE	1.1	-13	33	-17
LU	0.1	0	16	-14

Source: European Commission, 2018.

The main objectives of the provisions of the proposed CPR are to substantially reduce unnecessary administrative burden for beneficiaries and managing bodies, while maintaining a high level of assurance of legality and regularity. The new CPR also aims to increase flexibility to adjust programme objectives and resources in the light of changing circumstances and to align the programmes more closely with EU priorities. This should be achieved through the alignment of the intervention logic and reporting with the MFF headings and increasing concentration requirements on priority areas. Forging a closer link with the European Semester process and setting more meaningful enabling conditions that need to be maintained throughout the implementation period are also part of the new proposal.

The changes the proposal would bring

Thematic objectives and major policy priorities

Although the new CPR is based on the framework of the current CPR, it nevertheless introduces a number of innovations. For instance, from 11 'thematic objectives' in the 2014-2020 period, the new regulation will now focus its resources on five policy objectives:

1. a smarter Europe, through innovation, digitisation, economic transformation and support for small and medium-sized businesses;
2. a greener, carbon free Europe, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change;
3. a more connected Europe, with strategic transport and digital networks;
4. a more Social Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare;
5. a Europe closer to citizens, by supporting locally-led development strategies and sustainable urban development across the EU.

According to the European Commission, the majority of European Regional Development Fund and Cohesion Fund investments will be geared towards the first two objectives: a smarter Europe and a greener Europe. Member States will invest 65 % to 85 % of their allocations under the two funds to these priorities, depending on their wealth status. The European Regional Development Fund and Cohesion Fund investments should help achieve the budget-wide target of at least 25 % of EU expenditure contributing to climate action. Furthermore, the 'thematic concentration', i.e. the repartition of resources by policy objectives, will no longer take place at regional level, but at national level.

Moreover, the CPR aims to support **locally-led development strategies** developed at the level closest to the citizens. It emphasises the need for inclusive partnership agreements with local and regional authorities. It also provides supportive tools for the EU's outermost regions. The Commission proposes to further strengthen the urban dimension of cohesion policy. As a result, 6 % of the European Regional Development Fund envelope is earmarked for investments in sustainable urban development at national level. The 2021-2027 framework also creates the European urban initiative, a new instrument for city-to-city cooperation, innovation and capacity-building across all the thematic priorities of the urban agenda for the EU. The European Agricultural Fund for Rural Development (EAFRD) is not part of the regulation, as in the previous CPR, but will nevertheless be directly affected by certain articles of the CPR.

A focus on emerging needs stemming from **immigration trends** is also evident. The Asylum and Migration Fund, together with cohesion policy funds, can finance local integration strategies for migrants and asylum seekers. While the Asylum and Migration Fund would focus on short-term needs upon arrival (reception and healthcare, for example), cohesion policy funds could support long-term social and professional integration.

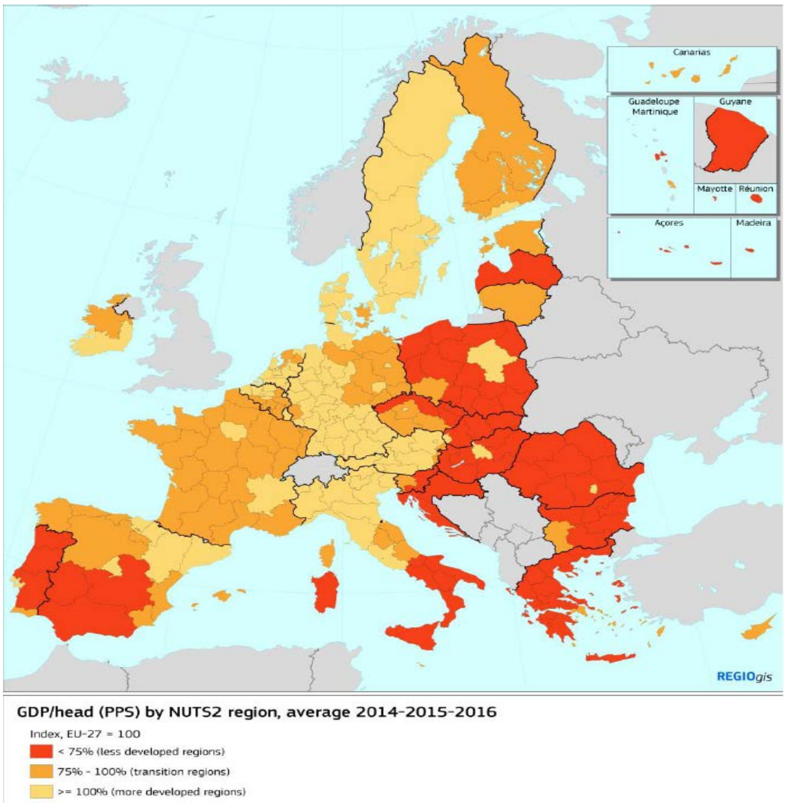
The '**enabling conditions**' continue the approach of the ex-ante conditionalities introduced for the 2014-2020 funding period. Some 20 conditions are proposed, which correspond to roughly half of the number of conditionalities in the previous period. There are also four horizontal enabling conditions in the area of public procurement, state aid and in relation to the application of the European Charter of Fundamental Rights and the United Nations Convention on Persons with Disabilities. The Commission claims there will be an ongoing focus on these preconditions, which are necessary for the projects' success. Member States will not have to draft action plans for fulfilment of enabling conditions. Instead, these should be respected during the whole programming period. If not, Member States will not be able to send payment claims to the Commission for EU-funded projects related to unfulfilled preconditions.

Allocation of funding

The three sets of regions that exist in the current period and receive funding (less developed, transition, and more developed regions) will continue to exist in the post-2020 period. However, certain thresholds have been modified. The category of 'less developed regions' will include EU regions whose GDP per capita is less than 75 % of the average GDP of the EU-27. The threshold for regions which are to be categorised as 'transition regions' will be raised. This category will include those regions with a GDP per capita between 75 to 100 % of EU average GDP (the limit for this category currently stands at 90 % of EU average GDP). The category of 'more developed regions' will include EU regions whose GDP per capita is above 100 % of the average GDP of the EU-27. Figure 2 shows the different eligible categories of regions in the 2021-2027 programming period (red: less developed regions, orange: transition regions, yellow: more developed regions).

According to a Commission technical briefing during the REGI Committee hearing of 20 June 2018, this change of thresholds was justified as statistics show that 'transition regions' lost ground during the previous years, making it necessary to find a solution to maintain funding support.

Figure 2 – New regional eligibility map 2021-2027



Source: European Commission presentation to the EP, 2018.

As regards the Cohesion Fund, the method is unchanged: it will support those Member States with a per capita GNI, calculated on the basis of Union figures for the period 2014-2016, less than 90 % of the average EU-27 per capita GNI for the same reference period.

The new allocation method for the funds builds on the 'Berlin formula', adopted by the European Council in 1999, which entails different calculation methods for the three different categories of regions mentioned above. This methodology mostly takes into account the gap between a region's GDP per capita and the EU's average, to reflect regional prosperity. It also includes social, economic and territorial challenges, such as unemployment, low population density and, for more-developed regions, education levels. The Commission proposes a slight modification of the method, which is still predominantly based on per capita GDP, but also includes new criteria for all categories of regions – youth unemployment, low education level, climate change and the reception and integration of migrants – to better reflect the socio-economic situation on the ground (table 2). Finally, the Commission proposes a 'safety net' to avoid changing Member States' allocations too abruptly (a ceiling limit of 24 % loss of funds for national envelopes).

Table 2 – Suggested allocation method criteria in the current and future period

	2014-2020	2021-2027
GDP (including GNI for Cohesion Fund)	86 %	81 %
Labour market, education, demographics	14 %	15 %
Climate	–	1 %
Migration	–	3 %
Total	100 %	100 %

Source: European Commission presentation at the EP, 2018.

Member States' contributions will need to be increased in terms of co-financing, as the financial contribution of the EU will be reduced. The European Commission therefore suggests that they should be fixed as following: 70 % for the less developed and outermost regions, as well as the regions covered by the Cohesion Fund and Interreg; 55 % for the regions in transition; and 40 % for the more developed regions (table 3). For more detailed information on co-financing, see Article 106 of the suggested CPR.

Table 3 – Suggested ceilings on EU contributions

Ceiling	**Regional category**
70 %	Less developed regions Outermost regions Cohesion Fund Interreg
55 %	Transition regions
40 %	More developed regions

Source: European Commission, Data compiled from the CPR proposal, 2018

Simplification

The proposed CPR includes a number of suggestions for measures to achieve further flexibility and simplification. One of these is to make more 'simplified costs options' available, meaning that beneficiaries can use estimates, such as flat rates or fixed prices for certain categories of costs or for staff and other business expenses such as insurance or rent. Expenses can also be reimbursed on the basis of results achieved. There will be no rules on revenue generation. The performance reserve has been dropped, as well as the drafting of annual implementation reports. There will be also a shift towards electronic data exchanges to allow substantive discussions on ruling questions. Seal of Excellence projects can be reinforced: a managing authority can take the decision to support a Seal of Excellence project with structural funds. In this case, no state aid rules would apply.

Various suggestions are also made regarding the simplification of audit and control. In the beginning of the programming period, there will be no need for the authorities in charge of implementing cohesion policy programmes to repeat the time-consuming designation process of the 2014-2020 period – Member States can roll-over the existing implementation system. In addition, for programmes with a well-functioning management and control system and a good track record (i.e. low error rate), the Commission proposes to rely more on the national control procedures in place. Furthermore, the single audit principle is extended. This means that beneficiaries such as small businesses and entrepreneurs should only be subject to a single check rather than multiple, potentially not fully-coordinated, audits, whereas for 'low error' programmes, there will be more reliance on national systems.

Flexibility

Flexibility and issues of reprogramming will be achieved via a mid-term review. When the programmes for the 2021-2027 programming period are adopted, only the allocations corresponding to the years 2021-2024 will be assigned to priorities. The allocations for the remaining two years – 2026 and 2027 – will be allocated following an in-depth mid-term review in 2024, leading to corresponding reprogramming in 2025. Member States will take four elements into account in reviewing the programmes: the challenges identified in the relevant country-specific recommendations adopted in the context of the European Semester in 2023 and 2024; the socio-economic situation of the Member State or region concerned; the progress made towards the milestones of the programmes' performance framework; and the outcome of the technical adjustment, an exercise which will be carried out in 2024 and lead to a review of national cohesion policy envelopes based on the most recent statistics.

The proposal also sets the possibility of transferring money from one priority to the other within an EU funding programme, without the need for formal Commission approval. The threshold for such transfer is set at 5 % of a priority's budget. A specific provision in case of a natural disaster is also envisaged, whereby it will be possible to mobilise funding as of day one of the event. In addition, it will be possible to combine financial instruments with grants in a single operation. EU Member States can also can redirect up to 5 % of the Structural Funds allocation through the InvestEU programme. These redirected sums will still need to serve cohesion policy objectives, but will follow InvestEU rules which are generally more flexible.

European Semester, macroeconomic conditionality and tight management

The European Semester's country-specific recommendations will be taken into account twice during the 2021-2027 period: first as a roadmap for the programming of the funds and for the design of cohesion policy programmes, at the beginning of 2021-2027; subsequently, the most recent country-specific recommendations will also guide a mid-term review of the programmes in 2024, to adjust to new or persistent challenges. Over the course of the period, Member States should regularly present their progress in implementing the programmes in support of the country-specific recommendations to the Commission.

Macroeconomic conditionality is retained as part of the proposals. When a Member State fails to take effective or corrective action in the context of key EU economic governance mechanisms (excessive deficit procedure, excessive imbalance procedure), or fails to implement the measures required by a stability support programme, the Commission shall make a proposal to the Council to suspend all or part of the commitments or payments for one or more of the programmes of a Member State. However, the Commission may, on grounds of exceptional economic circumstances discard the process of suspension of funds.

The new framework includes a return to the n+2 (years) rule, as opposed to the n+3 rule applicable in 2014-2020. The Commission claims that this change will happen gradually, to ensure adequate room for adjustment while leading to tighter financial management. This particular measure was presented as a way to help to speed up the implementation of programmes. In cases of de-commitment, where a sum committed to a programme has not been claimed by a Member State after a certain period of time – i.e. the Commission receives no invoices to cover that sum – this money ceases to be available to the programme and returns to the EU budget. The Commission suggests that this roll-over arrangement and continuity, with the possibility of phasing 2014-2020 projects into the new period, will allow for a quick start to the programming period, making it easier to manage programmes successfully against the de-commitment rule. For the same purpose, it suggests that the amounts of pre-financing are also reduced and will now constitute 0.5 % of the programme resources to be paid each year except for 2027, the final year of the new funding period.

Parliament's starting position

In 2017, the European Parliament adopted a resolution (2016/2326) on building blocks for a post-2020 EU cohesion policy (rapporteur: Kerstin Westphal, S&D, Germany). Although this resolution does not directly relate to the proposed CPR, it represents an EP view on cohesion policy. In various areas, the CPR proposal seems to meet certain of the resolution's basic demands, in particular when it comes to adopting measures for simplification and synergies between different EU funds and policy tools. Both the new CPR and the EP resolution stress the need for early preparation and setting a clear legislative framework so that EU funded programmes are not delayed in the 2021-2027 period. The EP resolution emphasises the need for better communication, which is also mentioned in the proposed CPR. Both the EP resolution and the CPR proposal emphasise the importance of innovative low-carbon local development and the importance of a strong urban dimension in EU policies. The integration of migrants is an additional priority underlined in both of them.

However, the EP resolution includes positions that do not accord with other elements of the proposal, such as the rejection of macroeconomic conditionality. Furthermore, although the Commission proposal slightly modifies the GDP allocation funding method, it does not take extensive account of the additional or alternative methods of financial allocation suggested by the Parliament. While the CPR proposal supports certain measures regarding the outermost regions, very little progress is visible for other areas of geographical specificities – islands, cross-border regions, peripheral regions and sparsely populated areas – which form part of the EP demands. Parliament also emphasises the importance of rural areas and the development of rural-urban links. The proposed new CPR accompanies a reduced budget for cohesion policy. The EP resolution, on the other hand, has stated its support for an increased budget, or one similar to that of the pre-2020 period.

In 2018, the European Parliament adopted a resolution (2017/2279) on the Commission's 7th cohesion report (rapporteur: Marc Joulaud, EPP, France). Parts of this resolution are in tune with the priorities of the CPR. The resolution considers that cohesion should continue to adequately cover all European regions. It supports a strong thematic concentration on a limited number of priorities and emphasises that cohesion policy should focus more on supporting territories affected by globalisation. It considers that the ESI funds should be used effectively to help the EU meet its commitments under the Paris Climate Agreement (COP21) and insists that funding under the solidarity instruments for use in the event of natural disasters should be made available as rapidly as possible. It considers that cohesion policy can help to meet new challenges, such as security or the integration of refugees under international protection. However, it stresses that cohesion policy cannot be the solution to all crises, and opposes the use of cohesion policy funds to cover short-term financing needs outside the policy's scope. While considering that grants should remain the main cohesion policy funding instrument, it acknowledges that financial instruments can be effective in certain cases. The resolution makes further suggestions for a simplified cohesion policy. It underlines the importance of community-led local development and supports additional measures for the outermost regions. It claims that the EU funds must respect the UN Convention on the Rights of Persons with Disabilities (UNCRPD).

The resolution also contains ideas that do not fully constitute main priorities in the proposed new CPR. The Parliament emphasises the importance of paying greater attention to peri-urban and rural problems as well as those of the regions mentioned in Article 174(3) TFEU. It stresses the need to take account of complementary indicators to per capita GDP and calls for the ESI funds to be used to address demographic challenges. It underlines the possibility of relying on the European Pillar of Social Rights, and calls on the Commission to take better account of this aspect in the European Semester. Finally, it calls for efforts to minimise the negative impact of the United Kingdom's withdrawal from the EU on other European regions.

Preparation of the proposal

In 2015, the Juncker Commission tasked a group of independent experts (the high-level group monitoring simplification for beneficiaries of ESI funds) with presenting concrete proposals to simplify access to and the use of EU funds, also in preparation of the post-2020 framework. The need for fewer, shorter, clearer rules was further highlighted in the Commission's June 2017 reflection paper on the future of EU finances. According to the CPR proposal (see section on results of ex-post evaluations, stakeholder consultations and impact assessments), the various ESI funds covered by the CPR were evaluated individually, and many of the findings are most relevant to their specific regulations. According to the Commission, three key findings are applicable to the CPR: i) simplification is a major priority; ii) flexibility is required to respond to emerging issues; iii) the potential use of financial instruments needs to be enhanced.

Council starting position

In its conclusions on the 'synergies and simplification of cohesion policy' of November 2017, the Council of the European Union called for synergies between ESI funds and other EU instruments. It sees the amount and complexity of rules introduced for the 2014-2020 programming period as continuing to represent a challenge for beneficiaries and Member State authorities, and remains committed to a substantial simplification of these rules. In its conclusions of March 2018 'on streamlining the delivery system and implementation of cohesion policy and the European structural and investment (ESI) funds post-2020', the Council considers that challenges continue, and that a substantial simplification of the implementation of the ESI funds is needed. It calls on the Commission to consider the introduction of a simpler delivery system. The conclusions also include a number of priority themes for the territorial approach of cohesion policy.

In its 12 April 2018 conclusions on 'delivery and implementation of cohesion policy after 2020', the Council takes the view that cohesion policy post-2020 should be strongly based on the principles of subsidiarity and proportionality, recognising the important role of the competent authorities of Member States and regions with regard to programming, implementation, monitoring, evaluation, control and auditing. It acknowledges the slow start to programmes in the 2014-2020 period, and takes note of the different reasons for delays, such as the late adoption of the legislation, the complexity and the introduction of new rules, time-consuming procedures for designating the competent authorities in the Member States, as well as the overlap of the 2014-2020 period with the closure of the 2007-2013 programming period. It considers that challenges persist and a substantial simplification of the ESI funds is needed. The Council also maintains that while the use of financial instruments should remain optional, the provisions related to financial instruments post-2020 should encourage Member States and regions to deploy these instruments where and when their use is deemed appropriate.

Advisory committees

The European Committee of the Regions (CoR) adopted its opinion in its December 2018 plenary session. It endorses the key objectives that the Commission pursues with the proposed new CPR, in particular to modernise cohesion policy by making it simpler, more flexible and more effective, and to substantially reduce unnecessary administrative burdens for beneficiaries and managing authorities. It underlines the importance of the principles of partnership and multi-level governance and calls for the inclusion of the existing code of conduct as an annex to the draft regulation. It calls for the full implementation of the code of conduct to ensure that the involvement of local and regional authorities amounts to full partnership. The CoR opinion points out that taking the EAFRD out of the CPR risks undermining the integrated approach of the Structural and Investment Funds in rural areas and calls, therefore, for this fund to be reintroduced into the CPR. It also calls for maintaining the current 'n+3' rule. According to the opinion, the current level of co-financing rates should be kept at 85 % for the less developed regions, the outermost regions, as well as for the Cohesion Fund and the ETC goal, at 70 % for the transition regions, and at 50 % for the more developed regions. It considers that the safety net envisaged by the Commission at national level would not prevent disproportionate cuts in individual assisted areas – something which would not be justified by cohesion policy – and therefore suggests a similar safety net at regional level. It also reiterates the firm opposition of the CoR to the idea of macro-economic conditionality.

The European Economic and Social Committee (EESC) adopted its opinion in October 2018. It objects to any budgetary cuts and rejects macro-economic conditionality, arguing that it penalises regions and citizens. It regrets that the new rulebook is not a single set of rules. The opinion also finds the rules related to thematic concentration too strict. It recommends that the Commission develop tools to allow areas with structural and permanent disadvantages (islands, mountain regions etc.) to effectively tackle their specific and complex challenges. The EESC also recommends that ad-hoc solutions should be found for those countries/regions which were classified as convergence regions during the 2007-2013 programme, benefiting from an 80 % co-financing rate during the 2014-2020 period, and which will now be classified as transition regions benefiting from a 55 % co-financing rate. It states that the EAFRD should be integrated in the rulebook and supports the strengthening of ties with the ESF+. It takes note of the dissatisfaction of the European social partners concerning the code of conduct, and asks that it should be revised in direct consultation with them. The opinion also rejects the removal from the new CPR proposal of the principles of promotion of equality between men and women, non-discrimination, accessibility of persons with disabilities, and sustainable development.

National parliaments

The deadline for the submission of reasoned opinions on the grounds of subsidiarity was 10 September 2018. A number of national legislative bodies such as the Czech Senate and Chamber of Deputies, the German Bundesrat, the Seimas of the Republic of Lithuania, the Luxembourg Chamber of Deputies, the UK House of Lords, the Portuguese and Spanish Parliaments have provided opinions on the proposed CPR. These state that the proposal is in line with the principle of subsidiarity and also include various suggestions on the implementation of the CPR.

Stakeholders' views

In a press release, the Cohesion Alliance welcomes proposals to cover all regions with a strong role for cities and regions, but warns against the impact of funding cuts. It welcomes the intention to ensure cohesion policy for all and preserve the principle of multilevel governance. However, in its view, the proposed 10 % reduction in the MFF and the centralisation risk posed by the new regulations might prevent local actors from efficiently supporting citizens and business.

In a statement, the Conference of Peripheral Maritime Regions (CRPM) amongst other, welcomes the Commission efforts to simplify the policy and the proposal for increased EU support for interregional cooperation for innovation. It is concerned that considerable structural and investment funds resources would be diverted to the new InvestEU instrument. It states that the strengthening of the European Semester dimension will divert the policy from its initial Treaty objectives. Through the removal of cross-border maritime cooperation programmes, maritime Member States and regions will be penalised due to their geographical specificities.

In a press release, a coalition consisting of ten European NGOs calls upon the European institutions to uphold equality between women and men, accessibility for persons with disabilities and non-discrimination in the proposal for a Common Provisions Regulation 2021-2027, as well as in the fund-specific regulations.

Legislative process

The proposal is being examined simultaneously by the Council and the European Parliament. Within the Council, the proposal is being studied by the Working Party on Structural Measures.

The European Court of Auditors (ECA) is consulted on this proposal, given its importance for spending. In its opinion on the CPR proposal, the Court welcomes the efforts towards simplification, which, if properly implemented, have the potential to reduce the administrative burden and shift the focus from inputs to results. However, it considers that a number of provisions lack clarity, which is likely to lead to different interpretations, affecting legal certainty. Simplification should not result in greater risks to compliance with the rules, or hinder optimal use of EU funds. The document also notes that the Commission proposes five high-level policy objectives rather than linking spending to an EU-wide strategy. These objectives are not designed to be translated into measurable results or targets at EU level. As a result, the proposed reform may turn out to be even less performance-oriented than in the period 2014-2020. The auditors emphasise that the proposed regulation shifts additional responsibility for managing and controlling EU funds to the Member States. Limiting, or even eliminating, the Commission's supervision of how Member States spend EU funds could jeopardise the progress made in reducing the level of irregular and ineffective spending in the area of cohesion. The opinion makes 58 proposals for the legislators and the Commission to consider.

The REGI co-rapporteurs on the file for the European Parliament are Andrey Novakov (EPP, Bulgaria) and Constanze Krehl (S&D, Germany). They presented their draft report during the REGI meeting of 8 October 2018. A further nine EP committees have given opinions on the file. The report was adopted in the REGI committee meeting of 22 January 2019, by 25 votes in favour, one against and nine abstentions.

The REGI committee report proposes to increase the overall resources for economic, social and territorial cohesion by around €47.5 billion to a total of €378.1 billion (2018 prices). It also supports the reintegration of the EAFRD into the CPR. The Commission proposal provides for 97.5 % of the overall envelope to be spent on the jobs and growth goal, and only 2.5 % on the Interreg goal. The REGI report proposes to modify those percentages to 97 % and 3 % respectively. Furthermore, it introduces an increase in the fixed amounts of the allocation to the European Urban Initiative and for transnational cooperation supporting innovative solutions.

The Commission proposal would allow Member States to transfer up to 5 % of their cohesion policy allocation in order to increase their allocations under InvestEU. The amendments in the REGI report seek to limit the transfer to 1 % of ERDF, the ESF+, the Cohesion Fund and the EMFF before the mid-term review, and up to 2.5 % under the mid-term review for investments that are in line with cohesion policy objectives and in the same category of regions targeted by the funds of origin. The report also proposes to limit the transfer from the Cohesion Fund to the Connecting Europe Facility to €4 billion. The Commission proposal would also allow Member States to transfer up to 5 % of their allocations under a specific fund to a different fund. The REGI committee proposes allowing such transfers of up to 5 % out of any fund, but only towards the ERDF, CF and ESF+, thus preventing the hollowing out of cohesion policy. The Commission proposal would allow for up to 15 % of the allocation for less developed regions to be transferred to other categories of regions, whereas the committee report proposes to limit such transfers to 5 %.

The Commission proposal provides for maximum co-financing rates which differ according to the fund and the category of region. The Committee proposes co-financing rates of 85 % for less developed regions, 65 % for transition regions and 50 % for more developed regions. In the case of funding paid out of the Cohesion Fund, for the outermost regions, or under Interreg programmes, it proposes that the maximum co-financing rate should be 85 %, as in 2014-2020. The committee also considers that it is appropriate to gradually increase the pre-financing rate over the course of the multiannual framework. It therefore suggests increasing the pre-financing rate in steps each year, so as to reach 2 % in the final two years of the programming period.

The REGI report proposes that serious failure to comply with recommendations linked to the European Semester process should only lead to the suspension of commitment appropriations and not payment appropriations. Even in serious cases, such suspensions should not be able to exceed a certain proportion of the funds to be spent in a Member State.

The Commission proposal provides for the mid-term review by the Member States of programmes supported by the ERDF, the ESF+ and the CF. The REGI committee report takes the view that the outcome of the mid-term review should not lead to compulsory amendment of each programme. It also proposes indicative financial planning for the entire 2021-2027 period, which is more favourable to managing authorities, beneficiaries and projects.

The European Commission proposed that the commitments still open on 31 December 2029 should be de-committed. REGI decided to extend the de-commitment rule to 31 December 2030 (n+3) in order to allow more time for the implementation of cohesion policy programmes. In addition, for the 2014-2020 period, the current CPR contains provisions putting in place special controls for major projects. Those provisions have not been included in the new proposal. The REGI committee report proposes amendments to reintroduce a streamlined version of the current rules on major projects, albeit with a higher threshold.

EP SUPPORTING ANALYSIS

Margaras V., Challenges for EU cohesion policy: Issues in the forthcoming post-2020 reform, EPRS, February 2018.

Sapala, M., Post-2020 MFF and own resources: Ahead of the Commission's proposal, EPRS, May 2018.

OTHER SOURCES

Common provisions on ERDF, ESF+, Cohesion Fund, and EMFF and financial rules for those and for Asylum and Migration Fund, Internal Security Fund and Border Management and Visa Instrument 2021–2027, European Parliament Legislative Observatory (OEIL).

EU budget: Regional Development and Cohesion Policy beyond 2020, press release, European Commission, 29 May 2018.

Regional Development and Cohesion Policy beyond 2020: Questions and Answers, Fact Sheet, European Commission, 29 May 2018.

Regional development and cohesion beyond 2020: the new framework at a glance, Fact Sheet, European Commission, 29 May 2018.

DISCLAIMER AND COPYRIGHT

eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

http://epthinktank.eu (blog)

Second edition. The 'EU Legislation in Progress' briefings are updated at key stages throughout the legislative procedure.