European territorial cooperation (Interreg) 2021-2027

OVERVIEW

On 29 May 2018, the European Commission adopted several proposals aimed at defining the architecture of EU cohesion policy for the post-2020 programming period. The package includes a proposal for the new generation of European territorial cooperation (ETC) programmes, commonly referred to as 'Interreg'. The proposed regulation would bring significant changes to the current architecture of ETC, with the reshaping of the three traditional cooperation strands (i.e. crossborder, transnational and interregional cooperation) and the creation of two new components, one dedicated to outermost regions, the other to interregional cooperation on innovation. Another major novelty is the incorporation of cooperation with countries other than EU Member States.

The proposal is being examined simultaneously by the Council and the European Parliament. In Parliament, the Committee on Regional Development (REGI), responsible for the file, adopted its report on 3 December 2018. It is scheduled for a vote during the January I plenary session, with a view to fixing Parliament’s position for negotiations with the Council.

Proposal for a regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments

| Committee responsible: | Regional Development (REGI) | COM(2018) 374 29.5.2018 |
| Rapporteur: | Pascal Arimont (EPP, Belgium) | 2018/0199(COD) |
| Shadow rapporteurs: | Kerstin Westphal (S&D, Germany) | Ordinary legislative procedure (COD) |
| | Sławomir Kłosowski (ECR, Poland) | (Parliament and Council on equal footing – formerly 'co-decision') |
| | Martina Anderson (GUE/NGL, United Kingdom) | |
| | Bronis Ropė (Greens/EFA, Lithuania) | |
| | Rosa D’Amato (EFDD, Italy) | |
| Next steps expected: | First-reading vote in plenary | |
Introduction

On 29 May 2018, the European Commission adopted proposals aimed at restructuring cohesion policy after 2020. One of these concerns the next generation of European territorial cooperation (ETC) programmes, better known as ‘Interreg’. Currently in its fifth round, Interreg has existed since 1990. Financed by the European Regional Development Fund (ERDF), it is the EU’s key instrument when it comes to supporting cooperation between partners across borders, removing barriers to development and encouraging the adoption of common strategies to solve common problems.

Existing situation

Regulatory and financial aspects

Currently one of the two goals of cohesion policy, European territorial cooperation aims to support the harmonious development of the Union’s territory as a whole. The current regulatory framework governing ETC consists of three regulations (i.e. the common provisions regulation, or CPR, laying down common rules for the implementation of the five European structural and investment (ESI) funds, including the ERDF, the source fund for ETC actions; the ERDF regulation, determining the specific objectives and the scope of ERDF support; and a dedicated ETC regulation); delegated acts, implementing acts, guidance documents and communications.

The envelope allocated to ETC in the 2014 to 2020 period (€10.1 billion in current prices) represents about 2.8 % of the total cohesion policy budget spread across 107 programmes. These fall into three categories: cross-border cooperation (involving regions lying directly on the borders or adjacent to them); transnational cooperation (covering specific larger areas, such as the Baltic Sea region) and interregional cooperation (working at pan-European level). The ETC budget also includes the ERDF allocation for Member States to participate in EU external border cooperation programmes supported by other instruments (the Instrument for Pre-Accession Assistance (IPA) and European Neighbourhood Instrument (ENI)). Cross-border cooperation is the largest of the three ETC strands, both in terms of funding (its share represents about 74 % of the cooperation goal budget) and the number of programmes implemented (60 along the internal borders, 28 at external borders).

Currently, ETC/Interreg is based on 11 thematic objectives (defining priority sectors and areas of intervention) laid down in the ERDF Regulation, which are closely aligned to the goals of the Europe 2020 strategy for smart, sustainable and inclusive growth. In order to maximise impact, at least 80 % of the funds for each cooperation programme must concentrate on a maximum of four thematic objectives among the 11 existing ones (a process known as ‘thematic concentration’). The regulations allow an ERDF co-financing (i.e. intervention) rate of up to 85 %.

Achievements and issues

The added value of European territorial cooperation and its essential contribution to EU integration have been repeatedly highlighted. Recent research, based on concrete cross-border examples selected to cover the whole EU territory, highlights evidence of its contribution in a variety of areas, including, among many others, the creation of new cooperation and sales opportunities for small and medium-sized enterprises; the establishment and improvement of public transport links; the setting up of joint facilities (e.g. waste management plants, libraries, energy and healthcare infrastructure and projects); the provision of bilingual professional training; the establishment of a cross-border labour market offering additional employment opportunities; the implementation of joint touristic strategies. The research paper notes, however, that the potential of such territorial cooperation is far from being exploited, partly because of the rather low resources allocated to it.

Funding is an issue raised by many stakeholders, practitioners and institutional players, including the European Parliament. They all find that the resources available to Interreg do not match the scale of the challenges it has to address. Further problems, identified in an Interact programme secretariat
note, include the complex and resource-intensive **coordination and administration** of multi-country programmes and projects; insufficient political **backing**; weak **complementarity** with other structural and investment fund programmes; and insufficient use of Interreg project **results**. Excessive red tape is also a major hurdle. Experts participating in a 2017 European Committee of the Regions **workshop** pinpointed several priority areas for the simplification of ETC, including the application of State aid rules; the quantity, structure and applicability of regulations and guidelines; management verifications and audits; and also administrative requirements, both at programme and project level. At project level, simplification was also deemed a priority in the award and application procedure, financial implementation phase, reporting and follow-up.

**Parliament's starting position**

Parliament has called repeatedly for reinforced territorial cooperation, including in its March 2018 **resolution** on the post-2020 multiannual financial framework (MFF), and has asked for a significant increase in the ETC budget in the next programming period, for instance in its April 2018 **resolution** on the seventh cohesion report, in its June 2017 **resolution** on building blocks for a post-2020 EU cohesion policy, and in its September 2016 **resolution** specifically dedicated to ETC. In the latter text, Parliament made recommendations on the future of ETC, stressing that it had proved its effectiveness. Noting that its potential went beyond regional policy, Parliament argued that its basic cooperation philosophy and current structure should be maintained, including the emphasis on the cross-border component. Stressing the importance of cross-border cooperation at the external borders of the EU under the Instrument for Pre-Accession Assistance and European Neighbourhood Instrument, Parliament asked Member States to ensure that good practices cutting red tape for the beneficiaries of Interreg programmes be applied to programmes on the EU’s external borders. It also called for regional and local bodies to play a greater and more significant role in proposing, managing and evaluating ETC, especially regarding cross-border cooperation.

Most recently, in September 2018, Parliament adopted a **resolution** on boosting growth and cohesion in EU border regions, in which it underlined the very important and positive role of ETC programmes, cross-border cooperation in particular, in the economic and social development and cohesion of border regions, including maritime and external border regions. It welcomed the fact that in the Commission’s MFF proposal for 2021 to 2027, ETC is preserved as an important objective, with a more distinct role within cohesion policy after 2020. It insisted once again on the need to endow ETC – particularly its cross-border component – with a more substantial budget; to simplify the programmes and to give them the flexibility to better address local and regional challenges.

**Council starting position**

In its **conclusions** of March 2018 on streamlining the delivery system and implementation of cohesion policy and the European structural and investment funds post-2020, the Council acknowledged the European added value of European territorial cooperation (a point already highlighted in its **conclusions** from November 2016 on results and new elements of cohesion policy and the European structural and investment funds). It underlined that cross-border, transnational and interregional territorial cooperation, including across maritime borders and with third countries, should remain part of cohesion policy post 2020, while stressing the need to facilitate the implementation of ETC programmes in order to increase their effects. It took note of the suggestions concerning further EU action to facilitate cross-border cooperation presented in the **communication** on 'Boosting growth and cohesion in EU border regions', calling on the Commission to consider extending such studies to the maritime and further external borders of the EU. On innovation, the Council welcomed the Commission 2017 **communication** on smart specialisation, including the pilot actions to test new approaches for **interregional innovation projects**.
Preparation of the proposal

The Commission’s ex post evaluation of Interreg 2007-2013, issued in July 2016, revealed that Interreg programmes contributed not only to a number of improvements in areas such as accessibility, joint education and training, increased protection from environmental and man-made risks, and internationalisation of SMEs, but also to wider effects, notably by reducing specific barriers to cooperation (mainly cultural and physical ones), and improving social integration. In terms of weaknesses, the evaluation found that Interreg programmes remained very broad and aimed primarily at developing cooperation and linkages; they were rarely embedded in a global strategy geared to the development and economic integration of the regions concerned; the notion of functional region was insufficiently taken into account; there was limited coordination between Interreg programmes and mainstream ones.

In its 2017 communication on Boosting growth and cohesion in EU border regions, drawing on the results of the cross-border review initiative, the Commission proposed a series of measures to overcome obstacles to cross-border interactions of people and firms, which included ‘considering the legal and financial framework for cross-border cooperation’. This entails exploring ways in which future funding programmes, including Interreg, can make a more strategic contribution to the prevention and resolution of border obstacles and the development of cross-border public services.

The Commission’s impact assessment, produced in May 2018 to accompany the ETC proposal, noted that, despite their relatively small funding intensity (€20 per head of population), Interreg cross-border programmes had funded over 6 800 projects in priority policy areas by the end of 2013, and that interregional and transnational cooperation programmes were examples of good EU value for money. Similarly, the public consultation on cohesion policy highlighted transnational and cross-border cooperation initiatives as a clear examples of cohesion policy value added. Building on the success of previous Interreg programmes highlighted in the assessment, the Commission is proposing that cross-border programmes should move from primarily managing and distributing funds to focus on promoting exchange, facilitating cross-border activity and working on strategic planning. It is also proposing the addition of extra-EU cooperation. The EPRS has carried out an initial appraisal of the Commission’s impact assessment.

The changes the proposal would bring

The proposed regulation introduces significant novelties to European territorial cooperation, compared with the current programming period.³

Architecture

The three traditional cooperation strands would be reshaped. The cross-border cooperation component (‘component 1’ in the Commission’s proposal) would concentrate on land borders, while cross-border cooperation on maritime borders would be integrated into an enlarged ‘transnational cooperation and maritime cooperation’ component (‘component 2’).⁴ The interregional cooperation component (‘component 4’) would be limited to two programmes (there are presently four), one to enable all kinds of experience, innovative approaches and capacity building in relation to the implementation of programmes and to promote European groupings of territorial cooperation (EGTCs), and one to improve the analysis of development trends.

The proposed regulation on ETC also provides for the creation of two new cooperation components, one dedicated to outermost region cooperation, among themselves and with their neighbouring countries and territories (‘component 3’), and one on ‘interregional innovation investments’, a new tool managed directly by the European Commission, aimed at helping actors involved in smart specialisation strategies to cluster together (‘component 5’).
Resources and co-financing rates

According to article 104(7) of the new CPR, the 2021 to 2027 ETC budget (€8.43 billion in 2018 prices) would represent 2.5% of the overall envelope available for economic, social and territorial cohesion. In line with suggested changes to the ETC architecture, the proposed regulation envisages redistribution of support between the various cooperation components. The share for cross-border cooperation would be reduced (to 52.7% of the budget), while the share for transnational cooperation and maritime cooperation would be increased, making up 31.4% of the budget. 3.2% of the resources would go to outermost region cooperation; 1.2% to interregional cooperation; and 11.5% to the new ‘interregional innovation investments’ component. The Commission is also proposing a reduction in the ERDF co-financing rate for Interreg programmes (from up to 85% in the 2014 to 2020 period to 70% maximum in the post-2020 period). A higher rate would however be possible for cooperation at the EU’s external borders.

Specific objectives and thematic concentration

Besides contributing to the five policy objectives set out for the ERDF in article 4 of the new CPR (which replace the 11 thematic objectives of the current period), ETC programmes would serve two Interreg-specific objectives, one to support strengthening institutional capacity and enhancing legal and administrative cooperation (‘A better Interreg governance’), the other to address specific external cooperation issues such as safety, security, border crossing management and migration (‘A safer and more secure Europe’).

On thematic concentration, the proposed regulation provides that at least 60% of the funds\(^2\) for each Interreg programme running under the cross-border, transnational/maritime and outermost region cooperation components should be allocated on a maximum of three of the five ERDF policy objectives, and an additional 15% of the budget should focus on one of the two Interreg-specific objectives. Programmes operating under the transnational and maritime cooperation strand that support a macro-regional strategy or sea-basin strategy should concentrate from 70% (maritime component) to 100% (transnational component) of their resources on the objectives of that strategy. Those pertaining to the interregional cooperation component should allocate 100% of their financial envelope on the Interreg-specific objective ‘a better Interreg governance’.

Incorporation of cooperation outside the EU

Since territorial cooperation between Member States and economic, financial and technical cooperation with non-EU-countries are covered by different parts of the Treaty on the Functioning of the European Union, it is not legally possible to establish a single cooperation fund inside and beyond EU borders. However, for the purpose of simplification, the Commission proposes that rules be established for EU’s external financing instruments (IPA III, NDICI, OCTP)\(^6\) to transfer part of their resources to Interreg programmes. These would then be implemented mostly under ETC/Interreg rules. By integrating cooperation with countries other than EU Member States, the ETC regulation would thus provide a comprehensive framework for cooperation at internal and external borders.

Rules for small project funds

The proposed regulation on ETC introduces provisions for small project funds, which have been implemented since Interreg has existed but have never been covered by specific rules.\(^7\) The text proposes, in part, to make use of simplified cost options and of lump sums obligatory below a certain threshold, in order to simplify the management of small project financing.

Result indicators

While maintaining and refining the common set of output indicators,\(^8\) the proposal adds for the first time a common set of result indicators for Interreg programmes, which would allow real-time reporting on the Open Data Platform and comparisons across programmes and Member States.
Simplification

The Commission proposes a number of simplification measures for cohesion policy in the 2021 to 2027 period, most of which are framed by the CPR. In the simplification handbook outlining its suggestions, the Commission lists, among other improvements proposed in relation to Interreg, the introduction of a common audit sample for Interreg programmes, which would reduce considerably the number of audits covering territorial cooperation programmes; the streamlining of maritime and cross-border funds; the deletion of expenditure limits for spending outside the programme area; the simplified review for ETC programmes. The integration of support from the EU’s external financing instruments, as explained above, is another major aspect of simplification.

A number of the points listed above were touched upon by Parliament in its 2016 resolution on ETC. Parliament considered the issue of research and innovation across borders, urging the adoption of cross-border innovation strategies while establishing complementarities with existing smart specialisation strategies and programmes and strategies. It underlined the potential for grassroots cooperation among citizens offered by the ‘small projects fund’, calling for the funding of small projects to be encouraged. Parliament argued for simplification, asking the European Commission to consider specific actions to cut red tape for ETC beneficiaries in the post-2020 period and simplify the rules on reporting, auditing and state aid. It also stressed the need to evaluate ETC programmes more effectively in order to demonstrate their impacts and added value, and to establish more qualitative indicators in order to reflect the results achieved more clearly.

Advisory committees

The European Committee of the Regions drafted an opinion on the proposal as part of the mandatory consultation (rapporteur: Marie-Antoinette Maupertuis, EA, France). In its text, adopted at the plenary session of 5 December 2018, the Committee regrets cuts to the ETC envelope proposed by the Commission and opposes reducing EU co-funding rates from 85 % to 70 %. It calls for an increase in the budget available for components 1 to 4 (to up to 3 % of the cohesion policy budget). The Committee endorses the establishment of interregional innovation investments, asking that this new initiative be financed with a specific, additional budget corresponding to 0.3 % of total cohesion policy funding, and that it also involves less innovative regions. The Committee opposes the proposal to move maritime cross-border cooperation from component 1 to component 2 (transnational cooperation).

The European Economic and Social Committee also examined the proposal, with Henri Malosse (Employers – Group I, France) as rapporteur. It adopted its opinion on 19 September 2018. The Committee is asking for a ‘simplification shock’ in relation to project size, with simplification of project assessment forms and methods and the use of minimum lump sum or flat-rate procedures for administrative and management activities; an increase in appropriations for cohesion policy, especially ETC; the maintenance of the 85 % co-financing rate for small projects, the most vulnerable regions, and civil society measures; and genuine partnership with civil society. It proposes to re-incorporate European cooperation measures between islands into cross-border cooperation and/or create a sixth category for this with its own budget; it supports the proposal to attach priority to innovation, with an independent budget and procedures enabling direct access for non-state actors; and welcomes the creation of a single implementation framework with non-EU countries.

National parliaments

The deadline for national parliaments to carry out a subsidiarity check was 31 July 2018. None of the Member States that examined the proposal issued a reasoned opinion.

Stakeholders’ views

The Cohesion alliance, an EU-wide coalition for a strong cohesion policy after 2020, launched last year by the European Committee of the Regions together with the major European associations of...
regions and cities, is following the Commission proposals closely, and has expressed general concern about suggested cuts to regional funds, and the risks of centralising cohesion policy.

In a note on the future of Interreg, the Conference of Peripheral Maritime Regions voiced an initial reaction to the ETC proposal. It regretted the decrease in the ETC budget and warned that the reduction of EU co-financing rates would be particularly detrimental to smaller actors. The CPMR insisted that maritime cross-border cooperation programmes should be maintained as a priority after 2020, deeply regretting the removal of maritime cooperation from component 1. While welcoming the possibility for cooperation among outermost regions and the reinforcement of interregional cooperation on innovation, it raised questions regarding the management mode suggested for both components (direct or indirect management, instead of shared management). Regarding the concentration of funding, the CPMR stressed the need to ensure enough flexibility to cope with unforeseen changes and to be able to respond to territorial needs.

In its position on the Commission’s proposal for the EU budget 2021-2027, the European Trade Union Confederation stressed that ETC, i.e. cross-border, transnational and interregional cooperation, should be managed with the full involvement of regional social partners from all regions involved, and called for this to be clearly stated in article 6 of the proposed new CPR and in the proposed ETC regulation, insisting on the need to put an end to the current bad practice of some cross-border programmes involving the social partners from only one Member State.

**Legislative process**

In the European Parliament, the file was referred to the Committee on Regional Development (REGI), with the Committee on Foreign Affairs (AFET) and the Committee on Development (DEVE) being associated under Rule 54 of the Rules of Procedure. The REGI committee appointed Pascal Arimont (EPP, Belgium) as rapporteur. He submitted his draft report in July 2018.

The REGI committee adopted the report on 3 December 2018. The text introduces a series of changes to the Commission proposal. In particular, it raises the 2021-2027 ETC budget to €11.16 billion (in 2018 prices), i.e. to 3% of the overall envelope available for economic, social and territorial cohesion, and lifts the ERDF co-financing rate for Interreg programmes from the proposed 70% up to 80%. Regarding the reshuffled ETC architecture put forward by the European Commission, the report brings the three traditional cooperation strands closer to their current shape, providing for the reintegration of cooperation on maritime borders into the cross-border cooperation strand (component 1) and ensuring that existing programmes under the interregional cooperation strand (component 4) can continue. While outermost regions’ cooperation is taken on board as an integral component of ETC, the interregional innovation investments (component 5) is removed from the ETC components and outlined as a separate initiative, the subject of a new article in the regulation detailing its scope and coverage. The report also modifies the proposed distribution of support between the various cooperation strands, allocating 67.16% of the budget to cross-border cooperation, 17.68% to transnational cooperation, 3.2% to outermost regions’ cooperation; and 3.27% to interregional cooperation. The share planned for the initiative on interregional innovation investments amounts to 8.69% (i.e. €970 million, which is the amount initially proposed by the Commission). The text provides however for the possibility to re-allocate prorata among components 1 to 4 resources that would remain uncommitted by 31 December 2026. On another note, the report introduces greater flexibility in thematic concentration (easing of the obligation to spend 15% of the budget on one of the two Interreg-specific objectives; more flexibility for programmes supporting a macro-regional strategy or a sea-basin strategy).

The report is scheduled for a plenary vote in January 2019.

Ministers held a policy debate on the legislative package for cohesion policy post-2020 in the General Affairs Council meeting of 30 November 2018. Discussions took place on the basis of a discussion paper prepared by the Austrian Presidency, putting forward a number of suggestions.
regarding, among other things, European territorial cooperation. Those include i) adjusting the architecture proposed in the Interreg regulation in a way that it stays as close as possible to that of the 2014-2020 period, with its three ‘strands’ (Interreg A for maritime and terrestrial cross-border cooperation; Interreg B for transnational cooperation; Interreg C for interregional cooperation), and continuing to the maximum extent existing programmes of all three strands; ii) as an exception to the above-mentioned principle of continuity, organising cooperation of outermost regions as proposed by the Commission, and defining it as a separate, fourth strand (Interreg D) for outermost regions; and iii) shifting the proposed component 5 on Interregional Innovation Investments from Interreg to the ERDF and further defining its scope as a dedicated initiative in the ERDF regulation.

The Presidency’s suggestions were supported by a majority of delegations. Ministers’ political guidance will serve as a basis for further work at expert level.

EP SUPPORTING ANALYSIS

OTHER SOURCES
Specific provisions for European territorial cooperation goal (Interreg) supported by European Regional Development Fund (ERDF) and external financing instruments 2021–2027, European Parliament, Legislative Observatory (OEIL).
ENDNOTES


3 Another major novelty proposed for the post-2020 period is the chance for all cohesion policy programmes to promote cooperation activities. This would allow a region to use parts of its own allocation to fund projects anywhere in Europe jointly with other regions. Such cooperation is additional to the cooperation under ETC/Interreg.

4 With 'component 2A' referring to transnational cooperation only and 'component 2B' to maritime cooperation only.

5 The financial envelopes mentioned in this paragraph refer to allocations under priorities other than for technical assistance (article 15 of the proposed regulation on ETC).

6 Instrument for Pre-Accession Assistance; Neighbourhood, Development and International Cooperation Instrument; Council Decision on the association of overseas countries and territories establishing the funding in form of a programme. The legislative proposals concerning those instruments can be found here.

7 For information on this topic, see the Interact’s note on Small projects in Interreg, February 2018.

8 Indicators can be found in Annex I to the Proposal for a regulation on the ERDF and on the Cohesion Fund.

9 This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

10 Many supporters of the Cohesion Alliance had presented their views on the future of cohesion policy ahead of the publication of the Commission’s package (see the section Reports and position papers of the Alliance’s webpage).

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