Briefing
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EU Cohesion Policy 2014-20

The EU's Cohesion Policy provides the framework for a wide range of programmes aimed at increasing economic growth and social cohesion and reducing disparities among the Member States (MS) and their 270 regions. Perceived weaknesses of the current arrangements include complexity, inadequate integration with other policies, and low absorption rates in many MS.

Background

The legislative package includes a new single overarching regulation setting out common rules for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund. In addition, the package has specific regulations for the ERDF, the ESF, the Cohesion Fund, the European Territorial Cooperation Goal, the European Grouping of Territorial Cooperation, the Globalisation Adjustment Fund and the EU Programme for Social Change and Innovation.

Main features of the initial proposal

Regions will fall into three categories: **less-developed regions** (with gross domestic product (GDP) below 75% of the EU average), **more-developed regions** (GDP above 90%), and a new category of **transition regions** (GDP of 75% to 90%) for regions which have become more competitive but still need targeted support.

MS will be able to combine ERDF, ESF and Cohesion Fund allocations in **multi-fund programmes** to allow the greatest impact on the ground and ease coordination with other EU policies. MS will be expected to implement programmes within **11 thematic areas** – all stemming from the Europe 2020 strategy – among which: research, information and communication technology, sustainable use of resources, sustainable transport, and promotion of employment and education.

The maximum **co-financing rates** will be: 75-85% in less developed and outermost regions, 60% in transition regions, and 50% in more developed regions. MS will be required to fulfil a range of specific conditions. On the one hand, **ex-ante conditions** – in particular linked to management, control and administrative capacity – will be set before the funds are disbursed. On the other, **ex-post conditions** – relating to the attainment of Europe 2020 objectives and measured through performance indicators – will make the release of additional funds subject to performance. Additionally, to ensure that funds are spent in a sound budgetary context, **macro-economic conditions** will be set out, in line with the revised Stability and Growth Pact.

The release of 5% of funds, placed in a **performance reserve,** will be subject to meeting the targets set as part of the ex-ante conditionality. To address the issue of absorption (spending) of funds over a limited period of time, the Commission proposes to **cap the rate of allocations at 2.5% of GDP** (as opposed to 3.8% in the current period).

Financial resources for **territorial cooperation** will be increased by 30%. For the first time, part of the Cohesion Fund (€10 billion) will contribute to the Connecting Europe Facility – to improve European transport networks.

Cohesion Policy will be further **simplified**. This includes *inter alia* harmonising the different funds' eligibility rules, management and control systems, introducing simplified reimbursement rules, and wider use of 'simplified costs'.

Final agreement

On 7 November, the Regional Development Committee endorsed the agreement reached with Council. On **macroeconomic conditionality**, the EP gained a right of scrutiny, in structured dialogue with the Commission, over decision-making procedures affecting suspension of funds. Suspensions will be adjusted in line with social and economic circumstances in the MS concerned. MEPs also succeeded in raising **pre-financing rates** (i.e. allowing support to beneficiaries immediately from programme adoption from 2.5% in 2014-16 to 3% in 2020-23) and **co-financing rates** (from 50% to 85% for the outermost regions and Cyprus), and limiting the **performance reserve** (to 6% instead of 7%).

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