BRIEFING

EU Legislation in Progress
2021-2027 MFF

European Parliament

Common Provisions Regulation
New rules for cohesion policy for 2021-2027

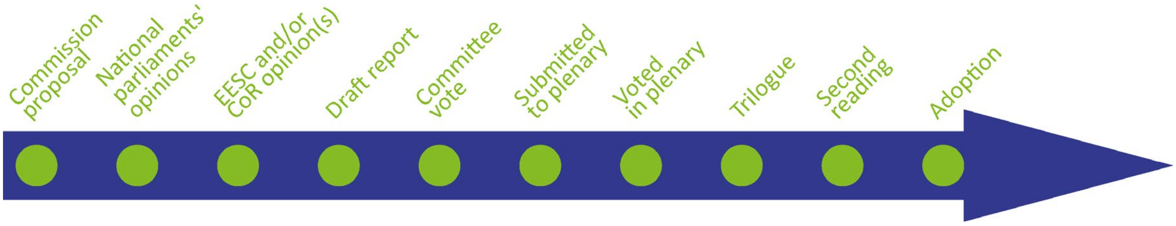
OVERVIEW

For the EU budget covering the 2021-2027 period, the European Commission proposed to update EU cohesion policy with a new set of rules. The proposal for a Common Provisions Regulation (CPR) set out common provisions for eight shared management funds: the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus, the Just Transition Fund, 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 new CPR is of the utmost importance as it sets the main rules that govern the above-mentioned funds for the 2021-2027 period. While it 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. On 23 June 2021, the Parliament voted to adopt the text of the regulation agreed with the Council. The final act was published in the Official Journal on 30 June 2021.

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, the Just Transition 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:	Ondřej Knotek (Renew, Czechia) Niklas Nienass (Greens/EFA, Germany) Francesca Donato (ID, Italy) Izabela Helena Kloc (ECR, Poland) Younous Omarjee (The Left, France)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Procedure completed.	Regulation (EU) 2021/1060 OJ L 231, 30.6.2021, pp. 159–706.	



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Introduction

The 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 proposed a new CPR, which sets out common provisions for eight funds. This single rulebook covers the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund+ (ESF+), the Just Transition Fund (JTF), 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. The Commission twice amended its 2018 proposal on the 2021-2027 CPR regulation: in January 2020 to embed the newly proposed Just Transition Fund, and in May 2020 in response to the Covid-19 pandemic.

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 (in 2018 prices). 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	330 235
European Regional Development Fund (ERDF)	200 360
Cohesion Fund (CF)	42 556
- of which contribution to CEF Transport	10 000
European Social Fund+ (excluding the employment and social innovation component)	87 319

Source: European Commission, The EU's 2021-2027 long-term budget & Next Generation EU, 2021 and compromise agreement between EP and Council.

As far as regional and cohesion policy is concerned, the discussion amongst policy-makers and stakeholders on the future policy priorities of the EU was intense, and the funding allocations per Member State were quite prominent in this debate. Central topics in the discussions on the future of cohesion policy included 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 related to the way the European Union addresses new or growing challenges such as migration, environment and technological innovation.

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.

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 relate directly to the proposed CPR, it represents a Parliament 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 Parliament resolution stress the need for early preparation and a clear legislative framework so that EU funded programmes are not delayed in the 2021-2027 period. The Parliament resolution emphasises the need for better communication, which is also mentioned in the proposed CPR. Both the resolution and the proposal emphasise the importance of innovative low-carbon local development and a strong urban dimension in EU policies. The integration of migrants is an additional priority underlined in both of them.

In 2018, the European Parliament adopted a resolution (2017/2279) on the Commission's seventh 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 cover all European regions adequately. It supports a strong thematic concentration on a limited number of priorities. It considers that the ESI funds should be used effectively to help the EU meet its commitments under the Paris Agreement on climate change. It considers that cohesion policy can help to meet new challenges, such as security or the integration of refugees under international protection. The resolution makes further suggestions for a simplified cohesion policy. It underlines the importance of community-led local development.

Council starting position

In its conclusions of November 2017, the Council of the European Union called for synergies between the 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 substantial simplification of these rules. In its conclusions of March 2018, the Council considers that challenges remain and calls on the Commission to consider the introduction of a simpler delivery system.

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. It acknowledges the slow start to programmes in the 2014-2020 period and takes note of the different reasons for delays. It considers that a number of challenges persist and that 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 beyond 2020 should encourage Member States and regions to deploy these instruments when and where their use is deemed appropriate.

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.

The changes the proposal would bring

Thematic objectives and major policy priorities

Although the new CPR is based on the framework of the previous 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 (wording in line with the compromise agreement):

1. a more competitive and smarter Europe, by promoting innovative and smart economic transformation and regional ICT connectivity;
2. a greener, low-carbon transition towards a net zero carbon economy and resilient Europe, by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility;
3. a more connected Europe, by enhancing mobility;
4. a more social and inclusive Europe, implementing the European Pillar of Social Rights;
5. a Europe closer to citizens, by fostering the sustainable and integrated development of all types of territories and local initiatives.

According to the European Commission proposal on the European Regional Development Fund and Cohesion Fund, the majority of investments under these two funds 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. It is important to note that the compromise agreement between the Parliament and the Council makes some changes to these provisions, for instance the ERDF and CF allocations to smarter and greener Europe are set at 55 % to 85 %, and the EU-wide climate target is increased to 30 % of budgetary expenditure.

Moreover, the CPR aims to support **locally-led development strategies** developed at the level closest to the citizens. It emphasises the need for 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 (raised to 8 % in the compromise agreement). The 2021-2027 framework also creates the European urban initiative, a new instrument for urban areas, 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 under the proposal. 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 ex-ante conditionalities introduced for the 2014-2020 funding period. In addition to thematic enabling conditions, there are 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. Thus, the Member States will have to ensure that an appropriate strategic framework corresponding to these conditions is in place.

Allocation of funding

The Commission proposal set out the same categories of regions used in the 2014-2020 period to receive funding (less developed, transition, and more developed regions). 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 per capita GDP between 75 and 100 % of EU average GDP (the limit for this category stood at 90 % of EU average GDP in the 2014-2020 period). 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.

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' had lost ground during the previous years, making it necessary to find a solution to maintain funding support.

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

Under the proposal, 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. 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).

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's 2018 proposal suggests that they should be fixed as follows: 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.

It is important to note that the compromise agreement introduced a number of key changes to the co-financing rates. The ceiling for less developed regions has been raised to 85 %, and for transition regions to 70 %, while it stayed the same for more developed regions, i.e. 40 %. Moreover, two additional categories have been added: transition regions that were classified as less developed regions in the 2014-2020 programming period (for which a co-financing rate of 70 % will apply) and more developed regions that were transition regions or had a GDP per capita below 100 % for the 2014-2020 period (which will be eligible for a co-financing rate of 50 %). For more detailed information on co-financing, see amendments to Article 106 of the CPR proposal in the compromise agreement (Article 112 in the adopted regulation).

Simplification

The 2018 CPR proposal included 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 exchange 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 computerised implementation system, unless a new technology is necessary. 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

In line with the proposal, 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. The compromise agreement introduces the possibility to retain 50 % of the resources available under the Investment and Growth goal in the final two years, to be paid out following the mid-term review.

As set out under the proposal, 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 compromise agreement adds progress in implementing the national energy and climate plan, and the principles of the European Pillar of Social Rights.

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. The amended CPR proposal of May 2020 also introduces temporary measures for the use of funds in case of exceptional and unusual circumstances. EU Member States can also redirect part 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

Under the proposal, 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 the 2021-2027 period; subsequently, the most recent country-specific recommendations will also guide a mid-term review of the programmes, 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 proposal includes a return to the n+2 (years) rule, as opposed to the n+3 rule applicable in the 2014-2020 period. This particular measure was presented as a way to help 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. It is important to note that the compromise agreement maintains the de-commitment rule at n+3 for 2021-2026, which means that funds must be spent by the end of the third calendar year after their commitment to the programme.

Amendments to the CPR proposal in 2020

The 2018 CPR proposal was amended twice in 2020. The first amended proposal came in January 2020 to account for the establishment of a new Just Transition Fund, which was added as the eighth fund covered by the CPR. The changes included adjustments to partnership agreements and programmes receiving support from the Just Transition Fund (obligation to submit territorial just transition plans) and detailed rules regarding the proposed transfers from ERDF and ESF+ to JTF. The second amendment of the proposed CPR regulation was published in May 2020 in light of the Covid-19 pandemic. The changes provided for increased flexibility in transferring resources between funds, enabling the Commission to adopt implementing acts allowing for temporary measures for the use of funds in response to exceptional and unusual circumstances (e.g. increasing interim payments by 10 percentage points, retroactive eligibility of operations, extending deadlines for document and data submission) and lowering the threshold for operations that can be phased over two programming periods.

Advisory committees

The European Committee of the Regions (CoR) adopted its opinion at its December 2018 plenary session. It endorses the key objectives that the Commission is pursuing with the proposed new CPR, in particular that of modernising cohesion policy by making it simpler, more flexible and more effective, and that of reducing unnecessary administrative burdens for beneficiaries and managing authorities. It underlines the importance of the principles of partnership and multi-level governance. It calls for full implementation of the code of conduct to ensure that the involvement of local and regional authorities amounts to full partnership. It calls for the code to be reintroduced into the CPR. It also calls for the 'n+3' rule to be maintained. 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 transition regions, and at 50 % for 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 and therefore suggests a similar safety net at regional level. It 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. 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 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.

Stakeholder 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 was examined simultaneously by the Council and the European Parliament. Within the Council, the proposal was studied by the Working Party on Structural Measures.

In its October 2018 opinion on the CPR proposal, the European Court of Auditors (ECA) 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 differing 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 2014-2020 period. In addition, 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 REGI co-rapporteurs on the file for the European Parliament were 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 Parliament committees gave opinions on the file. The report was adopted in the REGI committee meeting of 22 January 2019 by 25 votes in favour, 1 against and 9 abstentions. The European Parliament adopted amendments to the proposal on 13 February 2019 (partial vote at 1st reading) by 460 votes to 170, with 47 abstentions. The matter was referred back to the committee responsible for interinstitutional negotiations.

The main amendments adopted in plenary concern the following issues:

Reintegration of the EARDF. Parliament Members sought to reintegrate the EARDF into the Common Provisions Regulation in order to prevent strategic gaps and coordination issues for local investment.

Common rules alignment with the overall objectives of EU policy. The common rules should be more closely related to the five overall objectives of EU policy, such as: a more competitive and smarter Europe; a greener, low-carbon economy; a more connected Europe to be achieved by enhancing mobility, including smart/sustainable mobility and regional ICT connectivity; a more social and inclusive Europe implementing the European Pillar of Social Rights, and a Europe closer to citizens to be achieved by fostering the sustainable and integrated development of all regions, areas and local initiatives.

New horizontal principles. Parliament proposed new horizontal principles to uphold fundamental rights, gender equality, accessibility for people with disabilities, rational use of resources, environmental protection and the fight against climate change. These principles should focus on avoiding investments related to the production, processing, distribution, storage or combustion of fossil fuels.

Partnerships. Regarding the partnership agreement, Parliament proposed that each Member State should organise a fully fledged, effective partnership. The Member State should involve the partners in the preparation of partnership agreements and throughout the preparation, implementation and evaluation of programmes including through participation in monitoring committees. Member States should allocate an appropriate percentage of resources from the funds to administrative capacity building for social partners and civil society organisations. Member States should submit their partnership agreements to the Commission before or at the same time as the first programme, but no later than 30 April 2021.

Measures related to good economic governance. Parliament rejected measures linking EU regional funding to macroeconomic conditionalities, as proposed by the Commission, in order not to penalise regional authorities for decisions taken by national governments.

Major projects. Since major projects (for which the total eligible cost exceeds €100 million) absorb a considerable part of the Union's expenditure, Members proposed that operations exceeding certain thresholds should continue to be subject to specific approval procedures under the regulation. This threshold should be established in relation to the total eligible cost after taking into account the expected net revenues. To ensure clarity, it is appropriate to define the content of a major project application for such a purpose. The application should contain the necessary information to provide assurance that the financial contribution from the funds does not result in a substantial loss of jobs in existing locations within the Union. The Member State should submit all necessary information and the Commission should appraise the major project to determine whether the requested financial contribution is justified.

Funding. According to the EP, cohesion policy should keep its funding in the 2021-2027 period at at least the level of the 2014-2020 programming period. The resources for economic, social and territorial cohesion available for budgetary commitment for the 2021-2027 period should be €378.1 billion in 2018 prices (14 % more than the Commission's proposal of €330.6 billion).

The minimum overall allocation from the funds at national level should be equal to 76 % of the budget allocated to each Member State or region over the 2014-2020 period. Resources for the Investment for jobs and growth goal should amount to 97 % of global resources, i.e., a total of €367 billion (in 2018 prices). Of this amount, €5.9 billion should be allocated to the Child Guarantee from the resources under the ESF+. Less developed regions should keep benefiting from substantial EU support, with co-financing rates of up to 85 % (as opposed to the 70 % threshold proposed by the Commission) and an overall envelope of 61.6 % of the Regional Development, Social and Cohesion Funds. Parliament emphasised that the co-financing rates for transition and more developed regions should also be increased, to 65 % and 50 % respectively. €1.6 billion (0.4 %) should be set aside as additional funding for the outermost regions.

In line with Parliament’s amendments, resources for cross-border projects under Interreg, the European Regional Development Fund, should amount to €11.3 billion in 2018 prices, 3 % of the global cohesion resources (instead of the 2.5 % proposed by the Commission). Some €560 million at 2018 prices from the resources dedicated to the Investment for Jobs and Growth objective should be allocated to the European Urban Initiative. The Social Fund should, in duly justified cases, be able to provide for co-financing rates of up to 90 %, for priorities supporting innovative actions.

Transfers from cohesion policy to InvestEU and the Connecting European Facility. As of 1 January 2023, Member States, with the agreement of the managing authorities concerned, should be able to earmark up to 2 % of ERDF, ESF+, Cohesion Fund and EMFF allocations for InvestEU, to be delivered through budgetary guarantees. Up to 3% of the total allocation of each fund should potentially be further allocated to InvestEU under the mid-term review. While the Commission's proposal also provides for €10 billion to be made available from the Cohesion Fund for the European Interconnection Facility (EIM), Parliament proposed to limit the transfer to €4 billion.

Three trilogue meetings took place in spring 2019 prior to the European elections. Discussions focused on 'block 1', as defined by the Council, covering in particular the partnership principle and partnership agreements, technical assistance and horizontal principles. While a certain amount of progress was made, it was not possible to conclude negotiations on all complex issues. During the March II 2019 plenary session, Parliament therefore voted to conclude its first reading.

Following the May 2019 EP elections, on 3 September 2019 the new REGI committee confirmed the co-rapporteurs would continue on the file. The REGI vote on entering interinstitutional negotiations under Rule 72 took place on 2 October 2019, and trilogue negotiations culminated in the compromise agreement with the Council reached on 1 December 2020. Further technical and political work on the recitals and parts of the annexes was finalised during January and February 2021, with the final political trilogue meeting taking place on 11 February 2021. The REGI committee endorsed the outcome of the interinstitutional negotiations at its meeting on 16 March 2021.

The compromise agreement enables higher flexibility for transfer between cohesion policy funds and categories of regions, and adopts numerous simplification measures. It sets EU co-financing rates at 85 % for less developed and outermost regions,70 % for transition regions that were classified as less developed in the 2014-2020 period, 60 % for transition regions, 50 % for more developed regions previously classified as transition regions, and 40 % for more developed regions. It also changes the wording of some policy objectives (e.g. adding a reference to competitiveness, net zero carbon economy and resilience). It also introduces new enabling conditions, maintains the decommitment rule at n+3 for 2021 to 2026 and raises the resources earmarked for sustainable urban development to 8 %. It is important to note that the names of two funds under the CPR have been changed in line with relevant comprise agreements and subsequently adopted regulations (European Maritime and Fisheries Fund has become European Maritime, Fisheries and Aquaculture Fund, while the Asylum and Migration Fund has become Asylum, Migration and Integration Fund).

The Council adopted its first-reading position on 27 May 2021, following the compromise agreement reached in trilogue. The REGI committee voted its recommendation on 15 June 2021, while the Parliament adopted the CPR regulation based on the text of the agreement during its June II plenary session. The act was then signed on 24 June and published in the Official Journal on 30 June 2021.

EP SUPPORTING ANALYSIS

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

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