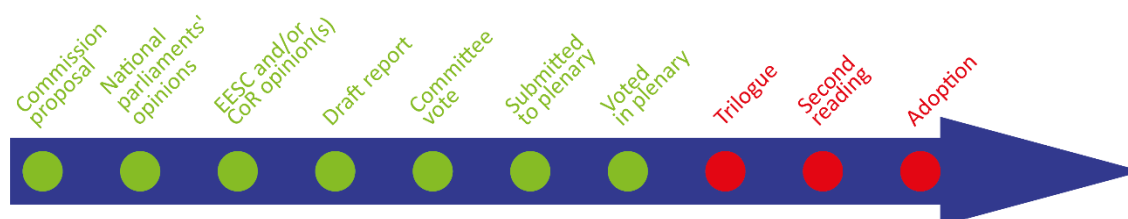


# European territorial cooperation (Interreg) 2021-2027

## 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. cross-border, 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) is responsible for the file. Parliament adopted its legislative resolution on the proposal at first reading on 26 March 2019, enabling trilogue negotiations to get under way with the Council.

<b>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</b>		
<i>Committee responsible:</i>	Regional Development (REGI)	COM(2018) 374 29.5.2018
<i>Rapporteur:</i>	Pascal Arimont (EPP, Belgium)	2018/0199(COD)
<i>Shadow rapporteurs:</i>	Pedro Marques (S&D, Portugal) Stéphane Bijoux (Renew Europe, France) Rosanna Conte (ID, Italy) Bronis Ropė (Greens/EFA, Lithuania) Elżbieta Kruk (ECR, Poland) Niyazi Kizilyürek (GUE/NGL, Cyprus)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Next steps expected:</i>	Continuing trilogue negotiations	



## 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 2014-2020 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.<sup>1</sup> Recent research,<sup>2</sup> 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. EPRS has published 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.<sup>3</sup>

### 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').<sup>4</sup> The interregional cooperation component ('component 4') would be limited to two programmes (there are currently [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 2021-2027 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 2014-2020 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<sup>5</sup> 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)<sup>6</sup> 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.<sup>7</sup> 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,<sup>8</sup> 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, appointing Marie-Antoinette Maupertuis (EA, France) as rapporteur. The CoR adopted its [opinion](#) on 5 December 2018. While welcoming the new regulation on ETC for 2021 to 2027, the Committee regrets the Commission's proposal to reduce ETC's share of the total cohesion budget from 2.75 % to 2.5 % and to cut EU co-financing rates from 85 % to 70 %. In particular, it regrets the severe reduction in the budgets for component 1 on cross-border cooperation as well as component 4 on interregional cooperation, and calls for an increase in the budget of these components to up to 3 % of the cohesion budget. Recognising the high added value of the new initiative on innovative interregional investments and how it differs from traditional ETC, the CoR proposes establishing an additional specific reserve of 0.3 % of the cohesion budget for interregional innovation investments. It also opposes the proposal to transfer maritime cross-border cooperation from component 1 on cross-border cooperation to component 2 on transnational cooperation and proposes to double the percentage reserved for prefinancing in the first year, to help programmes get off the ground.

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.

## Stakeholder views<sup>9</sup>

The [Cohesion alliance](#), an EU-wide coalition<sup>10</sup> 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

The proposal is being examined simultaneously by the Council and the European Parliament. At the Council, the text is being examined by the Working Party on Structural Measures. While the proposal was first discussed at the working party in June 2018 under the Bulgarian Presidency, detailed work on the file began during the Austrian Presidency, with the General Affairs Council on cohesion policy of 30 November 2018 providing guidance on the architecture of the Interreg Regulation. Work continued under the Romanian Presidency, with Coreper agreeing the partial mandate for negotiations with the European Parliament on the Interreg Regulation on 29 May 2019. The text sets out four strands of European territorial cooperation: cross-border cooperation, including land and maritime border regions, trans-national cooperation, interregional cooperation, covering four specific programmes (Interreg Europe, URBACT, INTERACT, ESPON) and, lastly, outermost regions' cooperation. As the Interreg Regulation is a proposal linked to the MFF, all provisions with budgetary implications or of a horizontal nature were excluded from the partial mandate.

At the European Parliament, the Committee on Regional Development (REGI) is responsible for the file. During the previous parliamentary term, the Committee on Foreign Affairs (AFET) and the Committee on Development (DEVE) were associated under Rule 54 of the Rules of Procedure. Fabio Massimo Castaldo (EFDD, Italy) was nominated rapporteur for the former, and Eleni Theocarous (ECR, Cyprus), for the latter.

The REGI committee appointed Pascal Arimont (EPP, Belgium) as rapporteur on 20 June 2018. The [draft report](#) was published on 26 July 2018 and [discussed](#) at the REGI committee meeting of 3 September 2018. Points addressed included the cut in the ETC budget and the co-financing rate; the move of maritime cooperation from component 1; the security dimension added to Interreg; and the new component 5 on Interregional Innovation Investments, the latter being the subject of much debate. Four parliamentary committees (AFET, DEVE, CONT and CULT) provided opinions on the proposal.

The vote in committee took place on 3 December 2018, with the plenary vote on the amendments to the proposal held on 16 January 2019. The matter was referred back for interinstitutional

negotiations to the committee responsible, however, in advance of the European elections, the Parliament subsequently finalised its position at first reading during its plenary session on 26 March 2019, providing the basis for future negotiations with the Council.

Parliament's amendments to the regulation suggest a series of changes to the new ETC architecture and resource distribution outlined by the Commission. It proposes the re-integration of cooperation on maritime borders into the cross-border cooperation component, with support under the Interreg objective to be provided for four strands of cooperation – cross-border cooperation, transnational cooperation, cooperation involving outermost regions, and interregional cooperation – thereby removing the fifth cooperation strand on interregional innovation investments. In particular, Parliament calls for an increase in the 2021-2027 ETC budget to €11.16 billion (in 2018 prices), which would be equal to 3 % of the overall envelope available for economic, social and territorial cohesion under the ERDF, ESF+ and Cohesion Fund, and modifies the proposed distribution of support between the various cooperation strands. Under Parliament's proposal, the bulk of the ETC budget (67.16 %) is to be allocated to cross-border cooperation, with 17.68 % to be earmarked for transnational cooperation, 3.2 % for outermost regions' cooperation and 3.27 % for interregional cooperation. The remaining 8.69 % of resources will be allocated to the new initiative on interregional innovation investments, which would be based on smart specialisation and support thematic smart specialisation platforms in areas such as energy, industrial modernisation and the circular economy to scale up innovation, with programmes under the initiative covering all of the EU.

Other changes to the Commission's proposal include a higher level of ERDF cofinancing for Interreg programmes (80%, instead of the 70 % rate suggested by the Commission); a higher level of prefinancing at the start of the funding period as well as more flexibility in terms of thematic concentration. Specifically, this involves easing the allocation requirements relating to the two Interreg-specific objectives; under Parliament's amendments, up to 15 % of ERDF allocations to Interreg programmes will be allocated to the objective on Better Interreg governance while up to 10 % may be allocated to the 'safer and more secure Europe' objective. Parliament also introduces more flexibility for programmes supporting a macro-regional strategy or a sea-basin strategy, with the EP proposing that at least 80 % of ERDF allocations should contribute to achieving strategy objectives. Parliament also proposes that ETC programmes be considered as not involving State aid, calling for funding provided to support European territorial cooperation projects to be block exempted. It also modifies the rules on small-project funds, increasing the total contribution that may be made under the ERDF or external financing instruments to small project funds under an Interreg programme to a maximum of 20 % of the total allocation of the programme, and widening the definition of small project fund beneficiaries to include entities with or without legal personality as well as natural persons responsible for initiating or implementing operations.

In the new parliamentary term, the REGI committee confirmed Pascal Arimont (EPP, France) as rapporteur on 3 September 2019. The committee voted to open interinstitutional negotiations based on the first-reading position on 2 October 2019.

Interinstitutional negotiations are currently under way, having begun under the Finnish Presidency, with six technical meetings taking place in 2019 along with two trilogues (on 20 November and 10 December). As outlined in a December 2019 [progress report](#) from the Council, topics discussed during these meetings include general provisions on subject matter and scope, Interreg components and geographical coverage (Articles 1-8), cross-fund provisions, Interreg programme resources and discontinuation (Articles 10-12), Interreg-specific objectives and thematic concentration (Articles 14-15) as well as programming (Articles 16-26), eligibility (Articles 36-43) and Interreg programme authorities, management, control and audit (Articles 44-48). According to this report, provisional common understandings have been reached between the European Parliament and the Council on most of the above provisions.



Negotiations continued under the Croatian Presidency, involving three technical meetings from January to March 2020 followed by a number of informal meetings thereafter. On 19 June 2020, Council published a presidency [report](#) on the state of play of negotiations on the 2021-2027 cohesion policy package. It notes that work on the Interreg regulation under the Croatian Presidency concentrated on provisions relating to direct and indirect management, eligibility and monitoring, and evaluation and communication as well as a number of technical provisions such as those requiring alignment with the relevant CPR provisions. On the same date, it also published a [report](#) on the Interreg regulation, detailing progress thus far in the interinstitutional negotiations. While provisional common understandings have been reached on most provisions, areas that have yet to be agreed include the status of interregional innovation investments, the amount of ERDF resources for the ETC goal, co-financing rates, thematic concentration, payments and pre-financing as well as certain provisions on Interreg specific objectives, staff costs and small project funds.

As the Interreg regulation is related to the Multiannual Financial Framework, in view of the prolonged negotiations on the MFF, all provisions with budgetary implications or of a horizontal nature have been excluded from these negotiations. In this context, Parliament adopted a [resolution](#) in May 2020 calling for the setting-up of an MFF contingency plan to provide a safety net to protect EU programme beneficiaries in the event that the MFF is not agreed in time to enter into force on 1 January 2020. This plan aims to ensure predictability and continuity in terms of budget implementation and to respond to the immediate impact of the Coronavirus crisis.

In light of the urgent need to tackle the social and economic consequences of the coronavirus crisis, on 28 May 2020 the European Commission launched a revised set of proposals for the EU's long-term budget beyond 2021, including a recovery plan to kick-start the EU economy. As part of this package, the Commission also adopted an amended [proposal](#) for a Council regulation on the Multiannual Financial Framework. As set out in the [annex](#) to this document, the total amount of resources to be allocated to economic, social and territorial cohesion amounts to €323 181 million. Although there is no detailed breakdown of the budget for European territorial cooperation, this amount represents a decrease on the €330 624 million provided for in the May 2018 proposal.

At its special meeting of 17-21 July 2020, the European Council [agreed](#) that the resources for economic, social and territorial cohesion should amount to a total of €330 235 million, with the European territorial cooperation goal amounting to €7.95 billion, which represents a decrease of 5.69 % on the ETC budget set out in the Commission's May 2018 proposal. These resources will be distributed as follows: €5.713 billion for maritime and land cross-border cooperation, €1.466 billion for transnational cooperation, €500 million for interregional cooperation and €271 million for outermost regions cooperation, with this division representing a move away from the five components outlined in the Commission's original proposal, reflecting the four cooperation strands called for by Parliament. When it comes to interregional innovation investments, the amount of €970 million allocated by the Commission in its May 2018 proposal will be split into two parts: €500 million, which will be dedicated to interregional innovation investments under direct or indirect management of the ERDF under the Investments for jobs and growth goal; and the remaining €470 million included under the above resources for European territorial cooperation, taking into account the updated architecture of the ETC programmes. Aside from the increase in the amount of resources for cross-border cooperation due to the reintegration of maritime cooperation into the cross-border component, and the corresponding decrease in the amount allocated to transnational cooperation, the main change concerns the amount of resources allocated to the interregional cooperation component, which the European Council has set at €500 million, an increase of €400 million on the amount proposed in the Commission's original 2018 ETC proposal.

The European Council also agreed on a maximum co-financing rate of 80 % for Interreg programmes, reflecting Parliament's position, going significantly beyond the Commission's original proposal of 70 %, and modified the amount of pre-financing to be paid for Interreg programmes. While the Commission's original proposal provided for pre-financing of 1 % each year for the whole

programming period, the European Council agreed to set pre-financing at a rate of 1 % for the years 2021 and 2022 only, raising this amount to 3 % each year from 2023 onwards.

The position adopted by the European Council in its conclusions will feed in to the discussions on the individual MFF programmes in the coming months, negotiations that will also involve the European Parliament. In its [resolution](#) of 23 July 2020 on the conclusions of the extraordinary European Council meeting of 17-21 July 2020, Parliament warns, however, that the cuts to the MFF go against the EU's objectives and that a 2021-2027 MFF below the Commission proposal is neither viable nor acceptable, reaffirming its strong position on defending adequate funding for the next MFF and its long-term investments and policies. Tellingly, it notes that it is prepared to withhold its consent for the overall MFF until a satisfactory agreement is reached in the upcoming negotiations between Parliament and the Council.

It is perhaps worth reiterating in this context that while Parliament called for an increase in the ETC budget to €11.16 billion, the amount set out in the European Council conclusions represents a further decrease on the figure of €8.43 billion provided for in the Commission's May 2018 proposal. Notwithstanding the significance of the agreement reached by the European Council on the MFF as a whole, the continued distance separating Parliament when it comes to issues such as the budget available for European territorial cooperation demonstrates that there is still some way to go to reconcile the EU's co-legislators.

## EP SUPPORTING ANALYSIS

Kramer E., [European Regional Development Fund and Cohesion Fund, a cross-border mechanism and Interreg](#), Initial Appraisal of the European Commission Impact Assessment, September 2018.

Margaras V., [Common Provisions Regulation. New rules for cohesion policy for 2021-2027](#), EPRS, European Parliament, August 2018.

Van Lierop C., [European territorial cooperation](#), EPRS, European Parliament, March 2018.

Van Lierop C., [Mechanism to resolve legal and administrative obstacles in a cross-border context](#), EPRS, European Parliament, July 2018.

Widuto A., [European Regional Development Fund and Cohesion Fund 2021-2027](#), EPRS, European Parliament, July 2018.

## 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

- <sup>1</sup> See for instance B. Reitel, B. Wassenberg and J. Peyrony, '[The INTERREG Experience in Bridging European Territories. A 30-Year Summary](#)', in E. Medeiros (ed) *European Territorial Cooperation*, The Urban Book Series, Springer, Cham, 2018; Luxembourgish Presidency of the Council, '[Looking back on 25 years of Interreg and preparing the future of territorial cooperation](#)', October 2015; Association of European Border Regions, *Added value of cross-border cooperation*, 2015.
- <sup>2</sup> M. Guillermo-Ramirez, '[The Added Value of European Territorial Cooperation. Drawing from Case Studies](#)', in E. Medeiros (ed) *European Territorial Cooperation*, The Urban Book Series, Springer, Cham, 2018.
- <sup>3</sup> 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.
- <sup>4</sup> With 'component 2A' referring to transnational cooperation only and 'component 2B' to maritime cooperation only.
- <sup>5</sup> 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).
- <sup>6</sup> 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](#).
- <sup>7</sup> For information on this topic, see the Interact's note on [Small projects in Interreg](#), February 2018.
- <sup>8</sup> Indicators can be found in Annex I to the [Proposal for a regulation on the ERDF and on the Cohesion Fund](#).
- <sup>9</sup> 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'.
- <sup>10</sup> 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).

## DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2020.

[eprs@ep.europa.eu](mailto:eprs@ep.europa.eu) (contact)

[www.eprs.ep.parl.union.eu](http://www.eprs.ep.parl.union.eu) (intranet)

[www.europarl.europa.eu/thinktank](http://www.europarl.europa.eu/thinktank) (internet)

<http://epthinktank.eu> (blog)



Third edition of a briefing originally drafted by Vivienne Halleux. The 'EU Legislation in Progress' briefings are updated at key stages throughout the legislative procedure.