Regional Development and Cohesion Policy beyond 2020: Questions and Answers

See IP/18/3885

1. **A modernised Cohesion Policy, for all regions**

The Commission is proposing to modernise Cohesion Policy. The goal is to drive up economic and social convergence while helping regions harness fully globalisation and equipping them with the right tools for robust and lasting growth. All regions remain eligible for Cohesion Policy funding in Europe, still on the basis of three categories: less-developed, transition and more-developed regions.

What are the new investment priorities of Cohesion Policy?

From 11 'thematic objectives' in the 2014-2020 period, the new Cohesion Policy will now focus its resources on 5 policy objectives, where the EU is best placed to deliver:

1) a **Smarter Europe**, through innovation, digitisation, economic transformation and support to small and medium-sized businesses;

2) a **Greener, carbon free Europe**, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change;

3) a more **Connected Europe**, with strategic transport and digital networks;

4) a more **Social Europe**, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare;

5) a **Europe closer to citizens**, by supporting locally-led development strategies and sustainable urban development across the EU.

The majority of European Regional Development Fund and Cohesion Fund investments will be geared towards the first two objectives: **a Smarter Europe and a Greener Europe**. Member States will invest 65% to 85% of their allocations under the two funds to these priorities, depending on their relative wealth.

The 'thematic concentration', i.e. the repartition of resources by policy objectives, will no longer take place at regional level, but at national level. This will allow for **more flexibility** in the design of individual EU funds programmes, in order to better tailor them to specific regional needs.

In the line with the Commission's commitment presented in its proposal for the next long-term EU budget, 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. Cohesion Policy programmes' performance towards this goal will be tracked.

How will the funds be allocated?

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 (less developed, transition and more developed regions).

This methodology 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 method has already been modified in the successive programming periods to mirror the evolution of social and economic cohesion in Europe.

Today the Commission proposes a modification of the method, to **reflect how disparities have evolved** over the past years, **keep targeting resources to regions that need to catch up** with the rest of the EU the most and ensure a **fair treatment for all**.

The Cohesion Policy allocation system is therefore slightly modified to focus further resources in less developed Member States and give more financial support to regions facing industrial transition. It is still **predominantly based on GDP per capita** but also includes **new criteria** for all categories of regions – youth unemployment, low education level, climate change and the reception and integration of migrants – in order to better reflect the socio-economic situation on the ground. Finally, the Commission proposes a 'safety net' to avoid tooabrupt changes in Member States' allocations.

As regards the Cohesion Fund, the method is unchanged: Member States whose GNI per capita is below 90% of EU average will benefit from the Cohesion Fund.

2. **A simpler and more flexible framework for Cohesion Policy**

Simplification has been the Commission's guiding principle in the preparation of the new Cohesion Policy rules for 2021-2027. Already early in its mandate, in 2015, the Juncker Commission tasked a High Level Group of independent experts 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 and confirmed by EU citizens in a public consultation carried out in January 2018 – 80% of respondents asking for less complex rules and less red tape for the beneficiaries of EU funds.

As for flexibility, the migration and refugee crisis in 2015, but also increasingly frequent natural disasters, made it obvious that Cohesion Policy rules should allow quicker and more efficient responses to unforeseen events.

Why a single rulebook for seven different funds?

The fragmentation of the rules governing the different EU funds implemented in partnership with the Member States (‘shared management’) has made the life of the authorities managing programmes complicated and discouraged businesses and entrepreneurs from applying for different sources of EU funding.

The Commission now proposes **one single rulebook for 7 EU funds** implemented in shared management: the European Regional Development Fund, the Cohesion Fund, the European Social Fund+, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.

Specific regulations will add certain provisions necessary to cater for the particularities of individual funds, in order to take into account their different rationale, target groups and implementation methods.

This single rulebook will make life easier for both programme managers and beneficiaries. It will also facilitate **synergies**, for example between the European Regional Development Fund and the European Social Fund+ in the context of integrated city development plans, for the regeneration of deprived urban areas.

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.

In addition, new provisions also allow for simpler synergies with other instruments from the EU budget toolbox, such as the **Common Agricultural Policy**, the innovation programme **Horizon Europe**, the EU instrument for learning mobility **Erasmus+** and **LIFE**, the programme for environmental and climate action.

How will you make the life of small businesses benefitting from EU funds easier?

By making more ‘Simplified Costs Options’ available. It means beneficiaries would no longer have to hand in every single invoice or pay slip but 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. They can also be reimbursed on the basis of results achieved.

How are audit and control procedures simplified?

1) In the beginning of the programming period, there will be no need to repeat the time-consuming designation process of the authorities in charge of implementing Cohesion Policy programmes like in the 2014-2020 period. Member States can roll-over the existing implementation system.

2) 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.

3) The **single audit principle** is extended. It means that beneficiaries of the funds like small businesses and entrepreneurs should only be subject to a single checkrather than multiple, potentially not fully coordinated, audits.

With fewer checks, how will you ensure the regularity of spending?

The Commission’s proposal for the future Cohesion Policy rules aims to strike the right balance between accountability, simplification and performance. Even with lighter procedures, the Commission will continue to have very strict rules for the sound management of EU funds.

National authorities will need to establish their own audit strategies. In addition, there will still be a minimum audit arrangement between the Commission and Member States for assurance purposes.

How is the new framework more flexible?

1) **Via a mid-term review**

When the programmes for the 2021-2027 programming period are adopted, only the allocations corresponding to the years 2021-2024 will be assigned to priorities. The allocations for the remaining two years – 2026 and 2027 – will be allocated following an in-depth mid-term review in 2024, leading to corresponding reprogramming in 2025. Member States will review the programmes taking into account four elements:

- 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;
- 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.

2) With the possibility of **transferring money from one priority to the other** within an EU funds programme, without the need for formal Commission approval. The threshold for such transfer is set at 5% of a priority’s budget.

3) A specific provision in case of a natural disaster, whereby it will be possible to mobilise funding as of day one of the event.

3. **A deepened territorial dimension to better address specific regional needs**

How will Cohesion Policy better support specific regional needs?

Many of the big challenges of the decade to come – fighting exclusion, climate change or integrating migrants – will have to be tackled in Europe's cities and metropolitan areas. This is why the Commission proposes to further strengthen the urban dimension of Cohesion Policy.

6% of the European Regional Development Fund envelope is earmarked for investments in **sustainable urban development** at national level. The 2021-2027 framework also creates the **European Urban Initiative**, a new instrument for city-to-city cooperation, innovation and capacity-building across all the thematic priorities of the Urban Agenda for the EU (integrating migrants, housing, air quality, urban poverty or energy transition, among others).

Furthermore, in line with Cohesion Policy's 5th objective, 'A Europe closer to citizens', the Commission will further support **locally-led development strategies** developed at the level closest to the citizens.

These local strategies, in the form of the existing 'Integrated Territorial Investments' and 'Community-Led Local Development' tools, should be developed and endorsed by the responsible local or territorial authorities, which should be more involved in or put in charge of selecting EU-funded projects. 'Community-Led Local Development' should support structural change and enhanced local innovation capacity.

How will Cohesion Policy support further cross-border cooperation?

In the 2021-2027 period, interregional and cross-border cooperation will first and foremost be facilitated by the new possibility, under all 5 policy objectives, for **a region to use parts of its own allocation to fund projects anywhere in Europe jointly with other regions.** This is, in a way, the introduction of the added value of 'Interreg' programmes into all Cohesion Policy programmes.

Meanwhile, the European Regional Development Fund will continue to finance specific 'Interreg' programmes. The main novelties for the 2021-2027 period are:

1) **A stronger focus on institutional cooperation and joint public services**

€9.5 billion from the European Regional Development Fund will be allocated to Interreg programmes in the 2021-2027 period. Resources will be more focused on land borders between Member States where there is much cross-border interaction. Interreg investments will support more institutional cooperation and help develop joint services of public interest.

To improve the quality of life of the 150 million citizens living in border regions, the Commission proposes to help Member States overcome remaining cross-border obstacles by making it possible, on a voluntary basis and agreed by the competent authorities in charge, for **the rules of one Member State to apply in a neighbouring Member State** for a specific project or action limited in time. This could help more cross-border transport infrastructure or healthcare facilities see the light of day, for example.

2) **Creating new pan-European clusters of innovation**

In addition to the new possibility for regions to develop joint projects together under their own programmes, the 2021-2027 Cohesion Policy rules create the **'Interregional Innovation Investments',** a tool inspired by the success of the Vanguard initiative and the 2014-2020 pilot action on Interregional innovation partnerships.

Regions with matching 'smart specialisation' assets will be given more financial support to work together and involve further policy-makers, researchers, businesses and other innovation actors. **The aim is to scale up 'bankable' interregional projects** that can create European value chains in priority sectors such as big data, bioeconomy, resource efficiency, connected mobility or advanced manufacturing.

Will the Commission continue the PEACE programme?

For over 20 years, the European Regional Development Fund has also provided specific funding for cross-border programmes supporting peace and reconciliation in Northern Ireland and the Border Region of Ireland. **The Commission intends to propose the continuation of these programmes,** based on their existing management structures. A new PEACE+ programme, integrating the Interreg programme covering Northern Ireland and the border regions of Ireland, will contribute to social and economic stability in these regions.

Will the Outermost regions still get special support?

The EU will continue to provide special support to its nine Outermost regions (the Azores, the Canary Islands, Guadeloupe, French Guiana, Madeira, Martinique, Mayotte, La Réunion and Saint Martin), in order to help them address their specific territorial, economic and social challenges.

In line with the new Strategy for the Outermost regions presented in October 2017, these regions will be given the means to develop their assets, such as blue growth, space sciences and renewables, and to reap the benefits of globalisation.

1) They will keep on receiving an additional EU funds allocation, worth over **€1.6 billion** from the European Regional Development Fund.

2) They will be given more flexibility in the repartition of resources by policy objectives ('thematic concentration').

3) Outermost regions will get new, special support under the 2021-2027 Interreg programmes to **deepen their integration into their regional spaces** and intensify cooperation among themselves or with neighbour third and partner countries.

4. **A strengthened link with the European Semester and the Union's economic governance**

For EU investments to be performant and for each euro spent on the ground to deliver results, **a sound macroeconomic framework is needed**, as well as a

business-friendly environment. In the 2014-2020 budgetary period, Cohesion Policy already supports structural reforms and sound economic policies. First via ‘ex-ante conditionalities’, which are preconditions Member States had to fulfil in order to receive funding, and second via macroeconomic conditionality, linking the policy to key EU economic governance mechanisms.

In the Commission’s proposal for the future Cohesion Policy, **this link is strengthened further**. This will contribute to a growth-friendly environment in Europe, so EU as well as national, regional and local investments can deliver their full potential. It will also ensure full complementarity and coordination with the new, enhanced **Reform Support Programme**.

What are the new enabling conditions?

The ‘enabling conditions’ continue the approach of the ex-ante conditionalities introduced for the 2014-2020 funding period. There are some 20 conditions proposed, which correspond to roughly half of the number of conditionalities in the previous period. They cover similar thematic areas as in 2014-2020, like energy efficiency, and still include **smart specialisation strategies** to guide investments in research and innovation.

There are also four horizontal enabling conditions in the area of public procurement, state aid and in relation to the application of the European Charter of Fundamental Rights and the United Nations Convention on Persons with Disabilities.

The procedures linked to the enabling conditions are similar but **made simpler**; for example there is no obligatory action plan to be submitted in case of non-fulfilment. However, Member States won’t be able to send payment claims to the Commission for EU-funded projects related to unfulfilled preconditions. Their fulfilment needs to be respected throughout the period.

How is the link with the European Semester and the Union’s economic governance strengthened?

The European Semester’s Country-Specific Recommendations will be taken into account twice throughout the 2021-2027 period: first as a roadmap for the programming of the funds and the design of Cohesion Policy programmes, at the beginning of 2021-2027.

Then, the most recent Country-Specific Recommendations will also guide a mid-term review of the programmes in 2024, to adjust to new or persistent challenges. Over the course of the period, Member States should regularly present to the Commission their progress in implementing the programmes in support of the Country-Specific Recommendations.

Macroeconomic conditionality is kept to ensure EU investments operate in a sound fiscal environment. 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 or following a reasoned request by the Member State concerned, recommend that the Council cancels the suspension.

5. **Efficient financial management and reinforced rules for better performing EU investments**

Experience from the past has shown the importance of kick-starting investments on the ground on time, and of keeping a swift implementation pace. This is so EU-funded projects can deliver results for citizens as soon as possible.

In addition, in the 2014-2020 period the launch of the Cohesion Open Data Platform has brought a new level of transparency and accountability in the management of EU funds. Citizens have been able to follow the evolution of project selection and payment rates, as well as the progress of EU investments against pre-established targets. In 2021-2027, **new reporting requirements for Member States will allow citizens to follow the progress almost in real time.**

How will the Commission monitor the performance and progress of investments?

The mid-term review detailed above will take into account the progress in achieving the objectives set for each programmes at the beginning of the period, and can lead to some reprogramming if needed.

In addition, annual implementation reports are replaced by an annual review, in the form of a policy dialogue between the programme authorities and the Commission on key issues of implementation and performance. Member States will send implementation data to the Commission every two months, which will be uploaded to the **Cohesion Open Data Platform** and thus made available to citizens.

What are the new rules in terms of decommitments?

A decommitment means that if a sum committed to a programme has not been claimed by a Member State after a certain period of time – i.e. no invoices reached the Commission to cover that sum – this money ceases to be available to the programme and returns to the EU budget. This mechanism is designed to ensure an efficient and swift implementation of the programmes.

The new framework includes a return to the n+2 (years) rule as opposed to the n+3 rule applicable in 2014-2020. This will happen gradually to ensure adequate room for adjustment while leading to tighter financial management.

The roll-over arrangement and continuity, with the possibility of phasing 2014-2020 projects into the new period, will allow for a quick start the programming period, making it easier to manage programmes successfully against the decommitment rule.

For the same purpose, the amounts of pre-financing have also been reduced and will now constitute 0.5% of the programme resources to be paid each year except for 2027, the final year of the new funding period.

For more information:

Legal texts and factsheets