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The cohesion policy post-2020: issues and perspectives in the context of the negotiations over the multi-annual financial framework

Abstract: Whilst the debate over the multi-annual financial framework has been initiated it is normal to wonder about the issues and perspectives for the cohesion policy post 2020 for the territories of Europe, in the light of the proposals published by the European Commission on 29th and 30th May last.

Major changes are on the horizon, but we cannot be sure that a conclusion will be reached before the European elections in May 2019, especially since French President, Emmanuel Macron and German Chancellor, Angela Merkel have already threatened to reduce the overall package and “punish” the States which are flouting the respect the rule of law. This was publicly confirmed by the French Minister for Foreign and European Affairs, Jean-Yves Le Drian, on 30th August in Paris as he spoke at the conference of ambassadors stating that “France is not prepared to pay” for those who do not respect “the fundamental principles of the European Union”, notably targeting Hungary and Poland.

THE NEXT MULTI-ANNUAL FINANCIAL FRAMEWORK: BETWEEN POLITICAL STAKES AND BUDGETARY ISSUES

On 2nd May the European Commission published a [communication](#) entitled “*A modern budget for a Union that protects, empower and defends.*” It is the act which officially launched negotiations over the EU’s multi-annual budget for the period 2021-2027.

The communication formalises the proposals that were expected and over which debated started in 2016.

The document puts forward a radically revised budget which is “*focused on the Union’s political priorities [...], and is “simpler, more flexible and more targeted. A budget guided by the principles of prosperity, sustainability, solidarity and security.”* A budget based on the idea of the “European added value” of each euro spent: the Union will intervene in sectors for which the pooling of resources contributes to achieving

results that action by one State alone would not permit.

The financial package put forward by the Commission totals around 1.135 billion euro in commitment appropriations and around 1.105 billion € in payment appropriations, both at constant prices^[1].

The structure of the new sections illustrate the push on the part of the European executive to move away from a “business as usual” approach and to remodel the budget lines in depth after a thorough assessment of spending and of having listened to the Member States and those involved.

The impact of some of the new priorities is obvious: a significant increase is planned for the provisions made to programmes effective in areas such as research, innovation and digital, youth, climate, the environment, security and defence, migration management, borders and external action.

1. pp. 33-34 and in annex.

As far as revenues are concerned the Commission is following the proposals made by the [high-level group](#) regarding [own resources](#), chaired by former Commissioner Mario Monti. This group plans for an overall reform of financing sources of the European budget and the progressive elimination of all rebates.

The European executive would like to reach agreement over the 2021-2027 period before the elections on 23rd-26th May 2019. But it is clear that this negotiation will be long and complicated for several reasons.

Firstly, because simultaneously we are witnessing debate over the future of Europe post-2025, which will define the main guidelines for the Union and will influence quite significantly all budgetary choices.

Secondly this is because the European institutions and the Member States face a number of constraints. On the one hand, there will be a major reduction in revenues due to the UK's departure[2] and the need to identify additional resources to finance the new priorities in terms of European action[3]; on the other the will to reform the own resources system and the request made to Member States to increase their contribution to the Union's budget.

Judging from the first responses, criticism is palpable, but it has to be admitted that the Commission worked without any convergent instructions on the part of the Member States, in addition to the fact that a major share of them do not support a multi-annual financial framework over 1% of the GNI[4].

DEBATE OVER THE COHESION POLICY POST-2020

The political and budgetary questions are the prior, vital condition to understand the discussions now ongoing regarding the cohesion policy. This represents around one third of the

Union's present budget and it is normal for it to be under pressure given the development and reform of the latter.

It is true that with each budgetary negotiation the cohesion policy comes under challenge. Its supporters and critics fight it out. However, this time round the stakes are higher.

At the start of the informal discussions in 2016 some were tempted to give up completely on this instrument, as mentioned for example in the 4th scenario of the White Paper on the future of Europe.

The prospect of the total disappearance of the cohesion policy has led, , to the feeling amongst its defenders that fast and if possible coordinated action has to be taken.

Between 2016 and 2018, several documents and reports were published on the initiative of the Member States, the European and national institutions, regions and even groups of interest.

Amongst the diverse positions expressed, many underscored the importance of the cohesion policy in their exchanges with European decision makers "[...] stating that it *supported the competitiveness of the regional economies, [...] reduced development disparity between regions and within the regions themselves and hence it enabled [...] the sustainable development of the territories of Europe*"[5]. The regional policy has a real, tangible effect on citizens' quality of life and represents a *"vital pillar in the European integration process."*

This immense expression of opinion shows the interest that exists in defending a regional policy, which is not just limited to the net beneficiary countries, but extends well beyond them and has become an integral part all of the regions of Europe, because our continent, *"[...] is far from having achieved its goal of economic, social and territorial cohesion."*[6]

2. The UK is the fourth net contributor to the EU with an average annual contribution of between 12 and 14 billion €: hence a shortfall of between 70 to 85 billion € has to be provided for.

3. An annual requirement in new financial resources of around 10 billion € has to be provided for to finance the new priorities.

4. The proposal calls on the Member States to increase their contribution of 1% of the GNI to 1.114%.

5. Initiative by French regions and the German Länder, March 2018.

6. Initiative coordinated by the region of Lower Austria: Political declaration "a strong renewed cohesion policy for all regions", 2016.

The continuation of the cohesion policy over the period 2021-2027 is therefore good news for those who turned out in support of its upkeep and at the same time it is a first major success.

THE PRIMORDIAL ROLE OF THE COHESION POLICY FOR THE REGIONS AND TOWNS OF EUROPE

It is the Union's main investment policy and the expression of European solidarity in virtue of the increased support guaranteed to the underdeveloped regions (art. 174 TFEU). It has become a vital source of financing in several areas, such as the environment, the climate, transport, competitiveness, innovation, research, digital, the education of human capital, the conservation and valorisation of cultural goods, the integration of migrants, and the construction of European identity[7]. It has also shown that it can be a major tool in the stabilisation of public investments in times of crisis.

At the same time, it remains vital more than ever before for the years to come, for three reasons at least. It is a vital tool in terms of reducing national, regional and sub-regional disparities; it is vital in rebalancing economic, social and territorial inequalities which persist in Europe[8]; finally, it can help European territories overcome the negative effects of globalisation.

To achieve these goals the intervention of the European regional policy is [strategic](#) given the weakness of public investment spending or which "favours growth" in several Member States and because of the major role played by subnational authorities in the financing of public spending[9].

WHICH COHESION POLICY AFTER 2020? THE FIRST INFORMATION IS NOW AVAILABLE

The European Commission's proposals put forward a [cohesion policy](#), which, as of 2021, will have to adapt to a reduced budgetary envelope and at the same time provide for new priorities,

such as the [integration of migrants](#) and increased support to [structural reform](#).

If the upkeep of this policy is already a first success, it is difficult however to conceal the concern that these new texts cause since they put forward many innovations that might gradually lead the cohesion policy away from its territorial, integrated approach,[10] challenge the definition of development priorities and weaken concrete results in the field.

The first criticism is directed at the reduction in the budgetary envelope.[11]. The [European Parliament](#) is particularly against any drastic cut that will negatively affect the nature and goals of this policy, such as the reductions put forward for the Cohesion Fund (45%) and the European Agricultural Fund for Rural Development (over 25%). In this context, it questions the justification of the proposal that aims to reduce the European Social Fund by 6% despite its broader scope of implementation and the integration of the initiative for youth employment.

These cuts will not be uniformly implemented and amongst the factors that will affect the present balance we can point to the introduction of a delta of 75%-100% regarding the eligibility of the European regions in transition[12], the weight of indicators in addition to the GDP[13] and the increase in the level of national co-financing.

A second cause for concern is that "[...] the cohesion policy is increasingly being called upon to support the economic reform process ongoing in the Member States." Indeed, the Commission is planning many novelties in this area.

Firstly, alongside the annual per country recommendations, a new tool, the "specific per investment guidelines", is being added, which will be implemented early on and mid-term in the programming process, "[...] the aim being to provide a clear roadmap for investments in vital reforms for a prosperous future".

7. The figures provided in 2017 by the DG Regio in the 7th Report on Economic, Social and Territorial Cohesion clearly indicate the magnitude of the cohesion policy.

8. The 7th report provides an overview of an unequal Europe and of a unequal development model amongst the continent's regions. It is a situation which requires target, long term intervention on the part of the public authorities.

9. Subnational authorities finance one third of all public spending.

10. An approach would be necessary however to be able to take on board the territorial particularities that only a locally designed programme might guarantee.

11. The Commission is proposing a budget of 273 billion € for the 2021-2027 for the FEDER and the Cohesion Fund and 100 billion for the ESF+.

12. This is not a small change because this innovation will lead to several changes in the classification of the European regions in comparison with the period 2014-2020. Conference of the peripheral maritime regions CPMR forecast of post-2020 Cohesion policy eligibility.

13. Youth unemployment, low level of education, climate change, the reception and integration of migrants.

Secondly, there is the clarification that “*the detailed analysis of the challenges to which the Member States have to rise made during the European Semester will serve as a programming base for the structural funds at the beginning and midway through the next period.*”[14] And the role given to the National Reform Programme, responsible for ensuring “[...] *the coordination and complementarity of financing emanating from the funds for the cohesion and the new Support Programme to Structural Reforms*” [15].

The maintenance of macroeconomic conditionality[16] simply accentuates this trend and confirms that full attention was not paid to the call made by the various parties involved in support of its elimination.

There is a danger of having structural funds that are fully integrated into the tools used to enhance the Economic and Monetary Union. Because it is an area of State competence that significantly reduces the regions’ room to manoeuvre. This situation might steer the cohesion policy increasingly towards a *top down* approach, with priorities granted to Brussels and mainly introduced at national level in the wake of a development that has been increasing over the last few years. In this context the Member States might point to the need of having more in the way of structural funds so that they can follow-up on the specific per country recommendations.

In order to counterbalance this trend, it is vital to introduce checks and balances to make the new mechanism fairer. In particular, a balanced link between the cohesion policy and the Union’s economic governance should be established and the “[territorial and social aspect](#)” of the European Semester should be strengthened “[via greater commitment on the part of the local and regional authorities](#)” in all of its phases.

It is also worth noting that the proposal made by the European Regional Development Fund (FEDER) was published on 29th May that of

the [ESF+](#) the following day. The introduction of a new section to the MFF, devoted to the ESF+, named “investing in human capital, social cohesion and values,” is a choice that highlights the desire for autonomy on the part of the latter.

A *de facto* separation of these two tools, if it is confirmed, might endanger any steps taken for years to come in terms of integrating action financed by these two funds.

Aware of this risk the Regions Committee has asked for the ESF to remain an integral part of the structural fund and the European Parliament has stressed the “vital cohesive aspect” of the ESF.

Another cause for concern comes from the transfer of 11 billion € from the Cohesion Fund towards the European Interconnection Mechanism, for the financing of projects in the trans-European transport networks “[...] *as part of shared management, as well as the method of direct implementation*[...]”.

Likewise, the effective implementation of the possibility given to the Member States to ask for the transfer of a maximum total of 5% of the financial provisions from the programmes whose management is shared towards another shared management fund[17] or towards another direct or indirect management tool will have to be monitored closely.

The range of the reform is extremely vast and there are other factors that will probably influence this policy’s new look: the reform of ex ante conditionalities, the steps made towards simplification, the new auditing rules, the individuation of the right balance between subsidies and financial instruments. Another major issue is the reduction of the budget allocated to [European Territorial Cooperation](#) (ETC) with the maritime cross-border component which could be drastically reduced.

14. As an example the provisions made to the structural funds for 2026 and 2027 will be affected to the priorities only after the revision planned in 2024. The latter will trigger a re-programming process in 2025 which will have to take on board the specific per country recommendations adopted in 2024.

15. Annex, pp. 35-37.

16. Common rules to the shared management funds (article 15).

17. Rules common to the 7 shared management funds (article 21).

The negotiations that started during the summer resumed again in September, but the timing remains uncertain, due to the difficult balance to be made regarding the multi-annual financial framework[18] but also the situation in some countries which are challenging the EU's "fundamental principles". Moreover, an agreement before the European elections in May 2019 remains extremely hypothetical.

As far as the cohesion policy is concerned several points of discussion are still open, some of which are highly critical. These are the details to which particular attention will have to be paid during the negotiations and which we have to try and modify, as far as possible, in order to balance a trend that is a threat to the territories of Europe.

It is primordial then, as it was in 2016 and 2017 to achieve greater commitment on the part of all of those who believe in this policy. The work undertaken by the various institutions, territorial authorities and regional networks will be decisive to improve the present proposal and to provide the necessary modifications to the parts of its structure that are causing problems.

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18. At the Council the path towards vital unanimity to finalise the MFF agreement is a narrow one due to the differences in position of each Member State according to their national interests and due to the tensions with the countries in the East of Europe regarding the new conditionality linked to the respect of the rule of law. The European Parliament and the Committee of Regions have been working for several months. Parliament's rapporteurs were appointed in July and the competent committees have been tasked with the analysis of the various texts between September and November.

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