The future of cohesion policy

The process

- Barca report – April 2009
- DG REGIO working groups
- Meetings with stakeholders (simplification, NGOs, socio-economic partners)
- 10 meetings of the High Level Group on the future of Cohesion policy between Oct 2009-May 2011
- November 2010 – publication of the 5th cohesion report
- Public consultation on the Conclusions of the 5th Cohesion Report (Nov 2010-Jan 2011)
- 3 meetings of the Task Force on Conditionality between Feb-April 2011

Principles for the EU budget

The EU Budget Review of 19 October 2010:

- Delivering key EU priorities
- European added value
- Results-driven budget
- Mutual benefits through solidarity

Main drivers of cohesion policy post-2013

The Fifth Cohesion Report of 9 November 2010

- Enhancing the European added value of cohesion policy
- Strengthening governance
- A streamlined and simplified delivery system

Key components of effectiveness in cohesion policy

- Alignment of cohesion policy with Europe 2020
- Reinforced strategic programming
- Thematic concentration
- Conditionality
- Stronger focus on results
- Streamlined delivery system

Reinforced strategic programming I

- **Common Strategic Framework**
  - Sets a comprehensive investment strategy for cohesion policy at EU level
  - Translates the targets and objectives of Europe 2020 into investment priorities for Member States and regions
  - Coverts cohesion, rural development and fisheries policies and coordination with other EU instruments

Reinforced strategic programming II

- **Partnership contract**
  - Results from negotiation between the Commission and Member State on:
    - *Thematic objectives to address the priorities/targets established in Europe 2020*
    - *Specific objectives and corresponding indicators that translate Europe 2020 priorities in a national and/or regional context*
    - *Commitments for fulfilment of conditionalities*
    - *Coordination with other EU funds*
    - *Covers cohesion policy, the rural development policy and the maritime and fisheries policy*
    - **Programmes (either thematic or regional)**
  - Translates agreement on contract into concrete investment priorities accompanied by clear and measurable targets

Thematic concentration

- **Member States and regions will be required to concentrate EU and national resources on a limited number of thematic objectives linked to Europe 2020 strategy**
  - Regulation will establish a menu of thematic objectives directly linked to Europe 2020 strategy
  - Within each thematic objective, there will be a number of investment priorities.
  - Differentiation between more developed and less developed Member States and regions. Less developed Member States and regions may focus on a larger number of thematic objectives and/or investment priorities

Conditionality

Context

- **EU Budget Review**: Need to '*improve the quality of public expenditure*' in times of fiscal constraints

- **Fifth Cohesion Report**: '*Conditionality provisions would help countries and regions to tackle the problems that past experience has shown to be particularly relevant to policy implementation*'.

Rationale

Key to ensure that all conditions for effective investment are in place which requires a combination of:

- Appropriate regulatory framework
- Effective policies with clear policy objectives
- Sufficient administrative/institutional capacity
- Certainty before investment is undertaken

Ex-ante conditionality

- Aim is to ensure preconditions for effective support
- Four types of ex-ante conditionality:
  - Regulatory (water pricing, small business regulation)
  - Strategic (innovation, research, climate change)
  - Project planning capacity (transport, energy interconnectors)
  - Institutional (budget planning, public procurement)

Application of ex-ante conditionality

Regulation: Thematic and horizontal ex-ante conditionality set out in the Regulation

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Preparation of programming documents: Self-assessment by Member States and/or regions whether conditionality has been met. Results included in draft programmes and commitments synthesised in Partnership Contract

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Conditionality fulfilled: Draft programmes describe that no further action needs to taken

Partially fulfilled: Draft programmes lay down commitments for fulfilment

Not fulfilled: Draft programmes lay down commitments for fulfilment

↓

Negotiation and agreement on commitments: The commitments are laid down in the programmes and synthesised in the Partnership Contract

Performance Framework

Performance Incentives

- Performance framework in Partnership Contract
  - Sets out milestones/indicators for performance of programmes
  - Focuses on the achievement of Europe 2020 objectives

Intervention logic

- What is the starting point?
- Why have these objectives been chosen?
- What is the strategy designed to achieve these objectives?
- How will these objectives be measured?
- Performance, monitoring and evaluation

Challenges ahead

We have to create a regulatory framework which will achieve the goals of:

- A policy which visibly and measurably contributes to Europe 2020
- Programming which produces quantifiable results and impact
- Streamlined access to investment funds by beneficiaries

Challenges ahead

What it means for programmes:

- Focus on objectives rather than on expenditure
- What is the starting point? What is the outcome we want to achieve? How do we intend to get there?
  - What is the intervention logic?

How will this be achieved?

- Through the CSF, Partnership Contract and the OPs
- Through negotiation of thematic objectives, investment priorities and indicators
- Through conditionalities and performance framework

Timeline

- *Early autumn: Legislative proposals*
- *End of 2011: Communication from the Commission – Common Strategic Framework*
- *2012: Proposal by the Commission – Common Strategic Framework*
- *End 2012: Adoption of new legislative package and expected agreement on new budget post 2013*

- 2013: Negotiation of new programming documents
- 2014: Entry into force and adoption of programmes

The impact of the Multiannual Financial Framework (MFF) 2014-2020 on EU Cohesion Policy

MFF: More Europe for the same money

- MFF fully geared to support the objectives of the Europe 2020 strategy

- Modernised budget (result oriented, conditionality, innovative financial instruments, simplification, new own resources)

- Budget limited in size (i.e. commitment level of 2013 x 7 years = € 1025 Billion in 2011 prices = 1.05 % of EU GNI)

A significant share for Cohesion Policy (1/3 of total budget)

COMPARISON MFF 2007-13/2014-20	Billion € in 2011 prices		Difference (in %)
	2007-2013	2014-2020	
1. Smart and Inclusive Growth	445.5	490.9	10.2%
Of which Cohesion Policy	*354.8*	*336.0*	*-5.3%*
Of which infrastructure (Connecting Europe Facility)	*12.9*	*40.0*	*209.7%*
Of which Competitiveness (CSF research & innovation; Education; Galileo etc)	*77.8*	*114.9*	*47.7%*
2. Sustainable Growth: natural resources	421.1	382.9	-9.1%
Of which Market related expenditure and direct payments	322.0	281.8	-12.5%
3. Security and Citizenship	12.4	18.5	49.9%
of which Freedom, Security and Justice	7.6	11.6	*53.0%*
of Citizenship	*4.8*	6.9	*44.9%*
4. Global Europe	56.8	70.0	23.2%
5. Administration (including pensions and European schools)	56.9	62.6	10.1%
Of which administrative expenditure of EU institutions	*48.4*	*50.5*	*4.2%*
6. Compensations	*0.9*		
Total commitment appropriations	993.6	1 025.0	3.2%
In % of EU-27 GNI	1.12%	1.05%	

New architecture of Cohesion Policy

- **Three categories of regions**
  - Less developed regions (GDP per capita < 75% of EU average)
  - Transition regions (GDP per capita between 75% and 90%)
  - More developed regions (GDP per capita > 90%)
- **Cohesion Fund for Member States with GNI per capita <90%**
- **Territorial cooperation**
  (3 strands: cross-border, transnational, interregional cooperation)

A new system of transition

- New category of transition regions replaces the current statistical phasing-out and phasing-in regions

- It comprises regions which move out of the Convergence objective as well as other regions with similar levels of GDP between 75% and 90% of EU average

- Aid intensity related to the level of economic development. Former Convergence regions will retain 2/3 of their previous financial allocation.

Success of Cohesion Policy:

36 million inhabitants in 20 regions move out of the Convergence objective

Difference in population covered between 2007-13 and 2014-20

million inhabitants and (in parenthesis) number of regions

2007-2013		2014-2020	
Convergence	154.8	119.2	Less developed
	(84)	(64)	
Phasing-in and -out	36.7	72.4	Transition
	(28)	(51)	
Competitiveness	307.3	307.1	More developed
	(159)	(156)	
Total	498.7		**Total**
	(271)		

* based on latest available GDP/head figures (2006-2007-2008)

Budget for Cohesion Policy post 2013

	billion EUR (2011 prices)
Cohesion Fund*	**68.7**
Less developed regions	**162.6**
Transition regions	**39.0**
More developed regions	**53.1**
Cooperation	**11.7**
Extra allocation for outermost and northern regions	**0.9**
TOTAL	**336.0**
Connecting Europe facility for transport, energy and ICT	*40.0*
TOTAL	**376.0**

* Cohesion Fund will ringfence 10 billion EUR for the new Connecting Europe Facility

Resources for European territorial cooperation

- *73,24% a total of EUR 8 569 000 003 for cross-border cooperation*

- *20.78% a total of EUR 2 431 000 001 for transnational cooperation*

- *5.98% a total of EUR 700 000 000 for interregional cooperation*

The total amount for territorial cooperation is EUR 11 700 000 004.

Focus on the less developed regions and Member States will increase

Share of budget	2007-2013	2014-2020
- EU15	49%	43%
- EU12	51%	57%

Aid intensity (EUR/cap/year)	2007-2013	2014-2020
- EU15	65	52
- EU12	249	264

Reinforcing the role of the European Social Fund (ESF)

Minimum ESF shares established for each category of regions:

- *25% less developed regions*
- *40% transition regions*
- *52% more developed regions*

Resulting share of ESF in cohesion budget: 25% as compared to 22% in 2007-2013

Thematic concentration of resources

Transition and more developed regions will have to focus their allocation primarily on

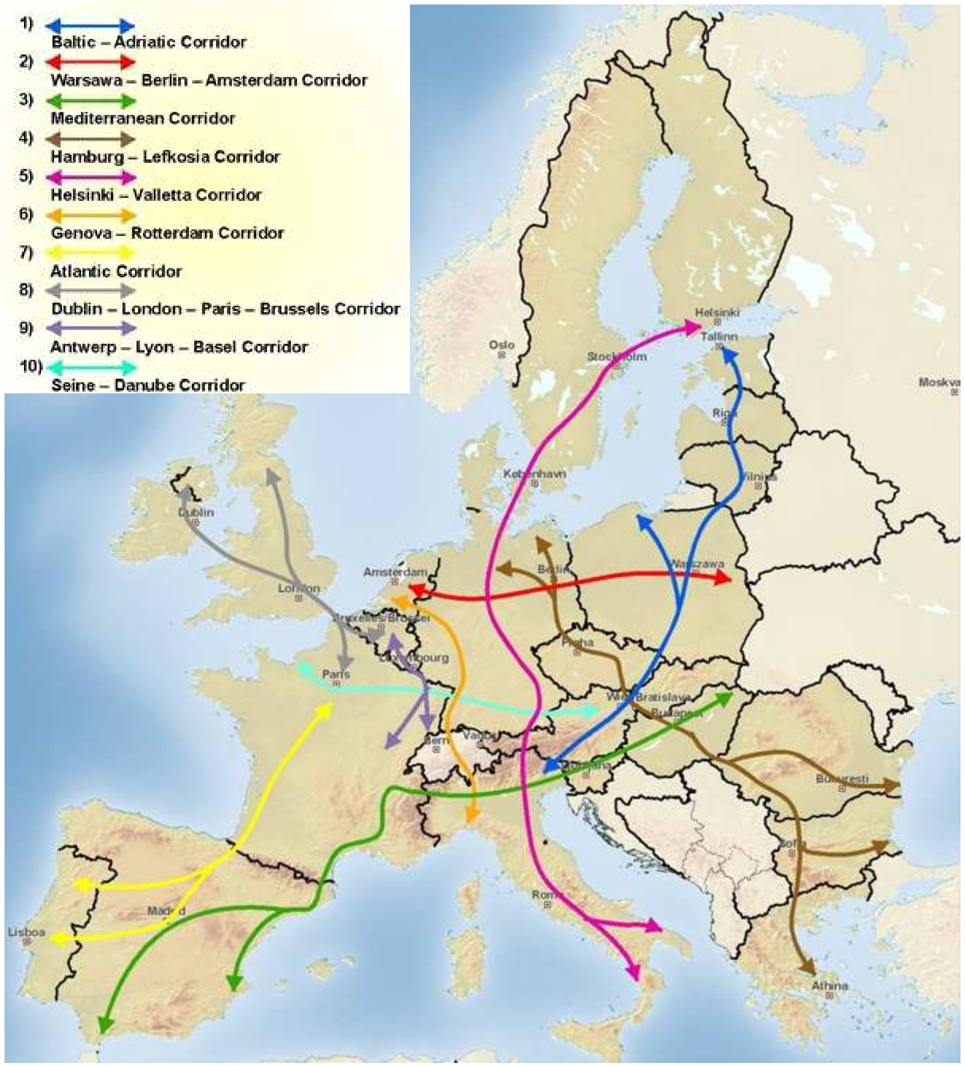
- Energy efficiency
- Renewable energy

20 % of total

- SME competitiveness and innovation

Less developed regions will be able to devote their allocation to a wider range of objectives reflecting their broader development needs

Connecting Europe Facility



- EUR 40 billion will be allocated to the Connecting Europe Facility
- In addition, EUR 10 billion of Cohesion Fund will be ring-fenced for investments into the core transport corridors under Facility
- Facility will be centrally managed by executive agency

Conditionality

Two types of conditionality are envisaged:

- Ex-ante conditionality (aim is to ensure the necessary preconditions for effective support, i.e. regulatory, strategic, institutional etc.)

- Conditionality linked to the new economic governance (aim is to ensure that the effectiveness of cohesion expenditure is not undermined by unsound macro-fiscal policies)

Performance reserve

Strengthening the focus on results

5% of the cohesion budget set aside and allocated during a mid-term review to the Member States and regions whose programmes have met their milestones related to the achievement of Europe 2020 objectives

Failure to achieve progress may lead to suspension or cancellation of funding