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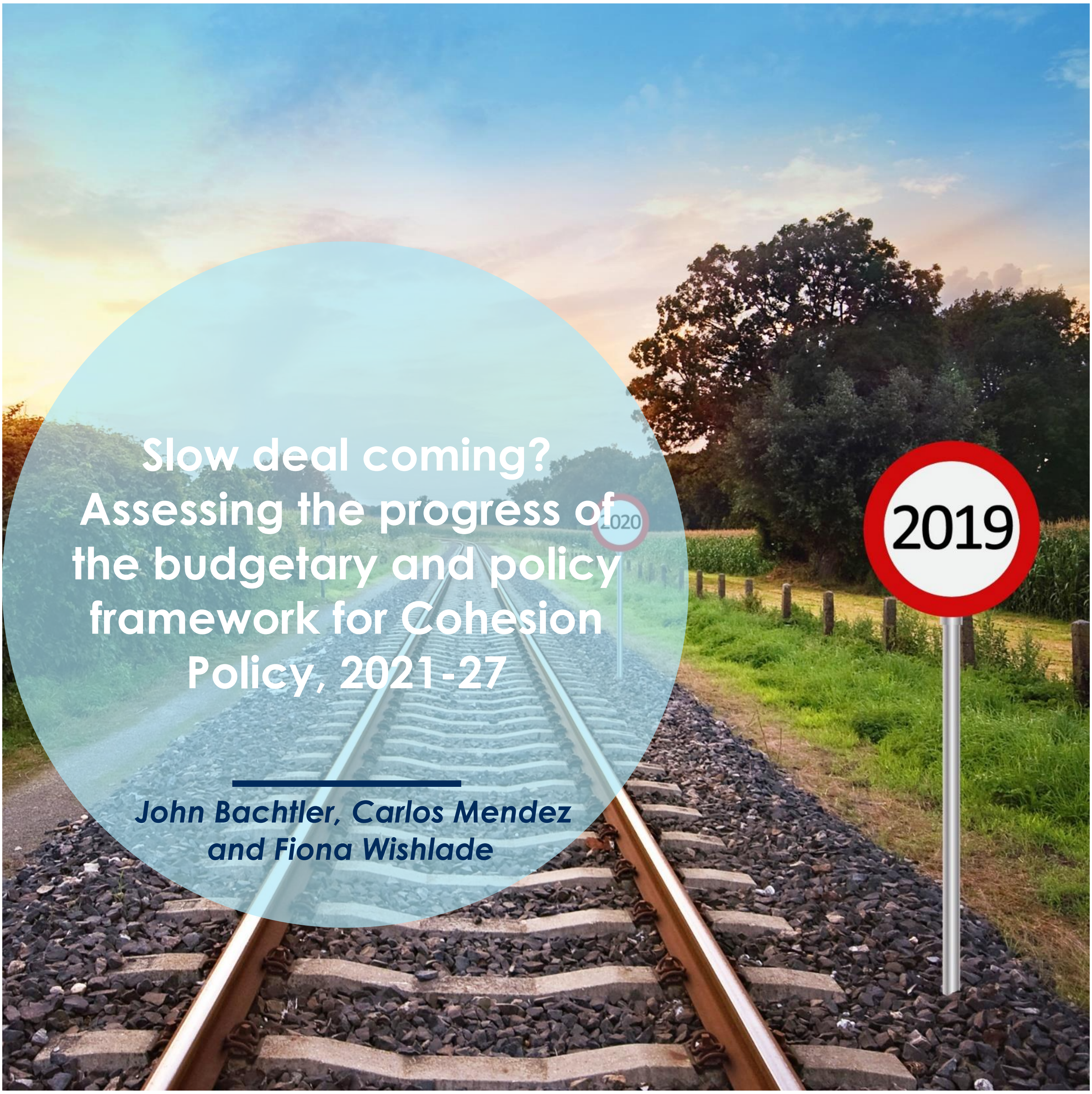

Slow deal coming? Assessing the progress of the budgetary and policy framework for Cohesion Policy, 2021-27

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EXECUTIVE SUMMARY

As the negotiations on the future of the EU budget and the reform of Cohesion Policy enter the final phase, there is progress on the structure of the MFF, and the shape and content of the sectoral legislative package, but the amount and distribution of resources are still open. Complicating factors are uncertainty over the budgetary implications of Brexit and the policy agenda of the new Commission. The ambition of finalising MFF negotiations by end 2019 has been superseded by deadlines under the Croatian or even German Presidencies.

Many of the regulatory blocks for ESIF in 2021-27 have been agreed by the Council. Finanical issues that remain open will only be resolved during the final political negotiations, notably the level and distribution of funding, macro-economic conditionalities, n+2 and co-financing rates. The proposed conditionality relating to the rule of law is particularly contentious.

Trilogues with the European Parliament have been undertakenfor those blocks with Council mandates. There are important interinstituional differences on key issues – notably the size of the MFF but also *inter alia* co-financing rates, pre-financing, inter-fund transfers and Interreg funding.

With the delay in finalising the MFF, the outcomes for post-2020 Cohesion Policy expenditure (published by the Commission in 2018) would be affected by updated data for key indicators. This could have a significant effect on national allocations, with gains or losses for individual Member States.

While the EU negotiations continue, programming preparations for 2021-27 have been gathering momentum at national and regional level with different speeds and levels of political and public engagement and debate. European Commission guidance on future Cohesion Policy investment priorities and factors for effective delivery were published in early 2019 as part of the the European Semester country reports.

In this context, it is interesting that the Just Transition Mechanism explicity recognises the 'significant challenge to some territories' involving economic restructuring, new business models and new skills requirements which have to be addressed in a way that 'leaves no one behind'. This is clearly welcome but it begs the question of why the EU has not given the same prominence to the other 'transitions' affecting EU regions with similarly profound economic and social consequences. In

both designing and negotiating the MFF, the EU has arguably missed a huge opportunity to put the goal of cohesion centre stage, respond to poltiical alienation, and demonstrate that a central purpose of the Union, its institutions and policies is to address both territorial and social inequality, and that citizens *wherever they live* will not be left behind.

1 INTRODUCTION

As the negotiations on the future of the EU budget and the reform of Cohesion Policy enter their final stages, considerable progress has been made in agreeing the shape and content of the sectoral legislative package but the amount and distribution of resources are still to be finalised. The original ambition of the European Council to achieve agreement on the Multiannual Financal Framework (MFF) by the end of 2019 was not realised. The question now is whether agreement can be reached under the Croatian Presidency, possibly at the European Council in February 2020 or whether the EU achieves the dubious record for late agreement in Autumn 2020 under the German Presidency. Consequently, it does not appear that the new legislation for Cohesion Policy will be in place earlier than for the 2014-20 period.

A further factor is the agenda of the new Commission. The new Commission President, Ursula van der Leyen, has presented proposals with new spending commitments that will either need to be accommodated within existing budgets or require additional spending. The 'six headline ambitions'[1] include a Sustainable Europe Investment Plan (as part of the European Green Deal) which includes a new Just Transition Mechanism comprising a Just Transition Fund, a dedicated scheme under InvestEU, and EIB lending. Commitments include achieving climate neutrality (no net emissions of greenhouse gases) by 2050, and mainstreaming sustainability in all EU policies.

Away from the budget issues, many of the regulatory blocks for European Structural and Investment Funds in 2021-27 have been agreed by the Council, although progress with the interinstitutional negotiations with the European Parliament (EP) has been slower and more detailed than anticipated. Nevertheless, Council agreement on mandates for Blocks 1-7 and horizontal enabling conditions of the Common Provisions Regulation (excluding only MFF issues) has provided some guidance on the regulatory framework likely to emerge. In February 2019, the Commission also published country reports, containing investment guidance on the priority areas for Cohesion Policy funding for 2021-27 (Annex D) which were discussed with each Member State. At national and sub-national levels, preparations of the 20121-27 programmes are underway, providing some initial insights into the direction of travel for the new programme period.

This paper provides a review and assessment of the budgetary and regulatory proposals for Cohesion Policy.[2] It focuses principally on developments during 2019 and is based on desk research covering policy and media sources, and fieldwork discussions on Member State positions and reactions to the MFF as a whole and specifically on Cohesion Pollicy. The paper is the latest in a series of EoRPA annual reports[3] on the design and implementation of Cohesion Policy dating back over two decades.

The paper begins by summarising the progress in the debate on the MFF through successive Presidencies over the 2018-19 period. It then revisits the question of how Cohesion Policy

funding may be distributed across Member States, based on the latest data, which imply differences from the allocation figures published by the Commission in 2018. The paper then turns to the progamming preparations for 2021-27, reviewing the progress being made across Member States, the investment guidance issued by the European Commission, and the reaction from Member States. The final section draws together conclusions.

2 THE BUDGETARY AND REGULATORY NEGOTIATIONS

The MFF negotiations were formally launched with the publication of the European Commission's proposal for the 2021-2027 Multiannual Financial Framework on 2 May 2018, followed by the sectoral proposals covering 37 EU funding programmes. The Commission's proposals provide for a budget of €1,135 billion in commitments (2018 prices) for 2021-27, equivalent to 1.11 percent of EU27 GNI. They were presented by the Commission as being both ambitious for the EU but also pragmatic given the straitened budget circumstances associated with Brexit. The budget was said to be future-oriented in reflecting the pressures of rapid developments in innovation, the economy, the environment and geopolitics, while retaining a strong commitment to solidarity.[4]

The Commission proposals involve a significant shift away from Cohesion Policy and market-related expenditure and direct payments towards other areas of spend, notably the single market innovation and digital heading. As part of the restructuring of headings in the budget, a new 'Cohesion and Values' heading includes Erasmus+ and the new EMU reform support tool, as well as a number of smaller items from Security and Citizenship. Hence, the Commission's proposed Cohesion Policy budget – for ERDF, the Cohesion Fund and the ESF+ - is c. €331 billion for 2021-27 compared with €374 billion for 2014-20.

2.1 Bulgarian Presidency, January-June 2018

In advance of the proposals the Bulgarian Presidency had already established an ad hoc working party on the MFF (AHWP MFF) tasked with examining the Commission proposals. In line with past practice, the first phase of the negotiations was one of 'clarification'.

While there was a broad welcome for the focus on EU priorities, and rationalisation of programmes, the exploratory phase revealed significant divergence among Member States and many questions. The size of the MFF, the proposed new system of own resources, the allocation of proposed spending to different headings, and the implications for individual Member States were clearly the major issues. There were also differences on the composition of the headings – for example shifting Cohesion Policy instruments into different clusters, and the scope to shift resources from shared management to direct/indirect management. Other concerns relating to Cohesion Policy were the proposals for higher national co-financing rates, thematic concentration and the return to n+2.[5]

2.2 Austrian Presidency, July-December 2018

The examination of the MFF package continued into the Austrian Presidency. Agreement was reached on the duration of the MFF where the seven-year time horizon was considered to provide "the right balance between flexibility and stability, while ensuring financial predictability".[6] There was also significant support for the structure of seven headings.

However, the Presidency's progress report in October 2018 set out several key topics where further discussion was required:[7]

- Horizontal issues: the 'right balance' of spending across headings, and the question of how much flexibility whould be incorporated within the budget (where there was little consensus on how flexibility should be implemented);

- Heading 1: the definition of excellence criteria in Horizon Europe, complementarity between programmes and tranfers from the Cohesion Fund to the Connecting Europea Facility (CEF);

- Heading 2: limits on direct payments, co-financing of rural development, and the agricultural reserve;

- Heading 3: EU support for nuclear decommissioning;

- Heading 4: more transparency and efficiency in administrative costs;

- Own resources: the impact of the Commission proposals on national contributions.

Subsequently, at the end of November 2018, the Austrian Presidency was able to present a draft Negotiating Box (NB1) setting out an agreed structure for the MFF and initial text under each heading but no expenditure figures for any item.[8] Alternative options were set out for several issues: whether there should be a mid-term review of the MFF; the future of the European Globalisation Adjustment Fund, and the EU Solidarity Fund; a dedicated Convergence Facility; the external convergence of direct payments under the CAP and the existence of an agricultural reserve; decommitment rules; the future of Own Resources; and some detailed elements of the Cohesion Policy allocation method and co-financing rates.

The Austrian Presidency progress report and draft Negotiating Box were discussed at the European Council. The European Council President, Donald Tusk, stated that work on the 2021-27 MFF proposal had "progressed speedily" during the preceding months[9], attributed by the Presidency to having the MFF on the agenda at every GAC meeting.[10] However, the Council meeting demonstrated that Member States were still far apart on key budgetary decisions.

2.3 Romanian Presidency, January – June 2019

Under the Romanian Presidency, discussions focused on 'streamlining' elements requiring guidance from the European Council, and developing compromise proposals on issues such as the structure of the budget and the priority given to different policy areas.[11] With respect to Cohesion Policy, nine partial mandates were agreed for the ERDF and Cohesion Fund, ESF+, INTERREG, the Neighbourhood, Development & International Cooperation Instruments.

Substantive progress was also made on other sectoral proposals:

- common understandings between the Council and European Parliamemnt on ten sectoral proposals – Digital Europe Programme, European Defence Fund, Space

Programme, Rights & Values Proghramme, Justice Programme, Connecting Europe Facility, LIFE, Horizon Europe (Framework), InvestEU and Fiscalis;

- initiation of negotiations with the EP on a further 13 MFF-related sectoral files; and
- partial general approaches on several external policy instruments.

The revised draft Negotiating Box (NB2) produced on 14 June 2019 provided more detail on the specific changes agreed.[12] Heading 2 (Cohesion and Values) would retain a sub-Heading rather than a sub-ceiling for Cohesion Policy, and there would be no technical adjustment – originally proposed by the Commission for 2025 to allow up to €4 bn to be reallocated across Member States. The NB2 also indicated potential agreement (subject to the proviso that 'nothing is agreed until everything is agreed') on:

- the proposed thresholds for Less-Developed Regions (<75 percent of average GDP per head in the EU27), Transition Regions (75-100 percent), and More-Developed Regions (>100 percent);
- inclusion of a budget line for interregional innovation investments within the ERDF, following the agreed shift of component 5;
- rationalising the allocation criteria for European territorial cooperation;
- the possibility of additional allocations for regions severely lagging behing and Member States under severe economic downturn;
- proposing flexibility in the application of thematic concentration by category of region, and the minimum percentages of ERDF resources to 'smart' and 'green' objectives in Transition Regions and Less-Developed Regions;
- removal of the text (p.m.) relating to the Reform Support Programme and European Investment Stabilisation Function;
- setting technical assistance as 0.35 percent of global resources

More generally, the NB2 confirmed that there would be no mid-term review of the MFF and the entire sections relating to flexibility (margings & programming, thematic instruments, non-thematic instruments, payments) were removed. The NB2 also set out the possibility of the five percent transfer of allocations (from shared management to direct/indirect managed funds) to include transfers between shared management funds.

The European Council in June 2019 took note of the progress made, calling on the Finnish Presidency to pursue work on the MFF and develop the negotiating box. It also adopted a Strategic Agenda intended to guide the work of the EU iInstitutions over the 2019-24 period.[13] The Agenda focuses on four main priorities: protecting citizens and freedoms; developing a strong and vibrant economic base; building a climate-neutral, green, fair and social Europe; and promoting European interests and values on the global stage. Under the economic priority, the Agenda noted that:

we need to renew the basis for long-term sustainable and inclusive growth and strengthen cohesion in the EU. This requires achieving the upward convergence of our economies and addressing the demographic challenges

The Agenda was based on the Sibiu Declaration, agreed by the European Council in May 2019.[14] Notwithstanding the above priority, it is interesting to note that, among the challenges and policy responses, set out in the background papers to the Agenda, there is relatively little mention of inequality and the importance of cohesion, and insofar as it is referenced, social inclusion rather than territorial cohesion is cited.[15]

2.4 Finnish Presidency, July-December 2019

The Finnish Presidency has set itself the aim of finalising the Council negotiations on the next MFF during autumn 2019, seeking "a balanced financial framework that reflects both new priorities and traditional policies that contribute to the common European objectives, and within the jointly agreed ceilings."[16]

Following a questionnaire distributed to Member States over the summer, and bilateral meetings, the Presidency submitted a paper to the General Affairs Council on 11 October 2019 with the assessment that: for the future negotiations, the appropriate overall level range would be 1.03 –1.08 percent (EU27 GNI, incl. EDF), resulting in a € 1,050–1,100 billion range for the overall level, compared to the €1,135 billion proposed by the Commission (total commitments, excluding special instruments).17

For assessing the allocations to individual policy areas, the Presidency proposed maintaining the broad shares – one third each to Cohesion Policy, the CAP and other programmes, 'balancing the volumes of Cohesion and CAP',[18] and allocating more to 'other programmes' than in 2014-20 by less than in the Commission proposals. For Cohesion Policy, this would mean a share in the range 29.6-29.8 percent of a reduced MFF, with the decreases applying primarily to the ERDF and ESF+.

The 'landing zone' set out by the Presidency went in the direction of those Member States – Austria, Germany[19], Denmark, Netherlands and Sweden – which have advocated keeping spending to 1.0 percent of GNI. Indeed, there has been clear concern, particularly in Germany, that even this figure would imply a major increase in national net budget contributions, especially with the proposed abolition of national rebates.[20] The 1.0 percent level is, though, much less than those, such as Greece,[21] Hungary,[22] Poland and Portugal which regard the Commission proposal as too low and, in some cases like the European Parliament, are pushing for a level of commitments up to 1.3 percent of GNI. Others (e.g. Czech Republic, Estonia) appear to be less hostile to the MFF proposals.[23]

The significant differences between the Commission's proposal and European Parliament position are shown in Table 2.1 (excluding commitments outside the MFF) together with

indicative figures for a level of commitments of 1.03 and 1.08 percent, as suggested by the Finnish Presidency. The latter assume standard percentage cuts across all budget headings, though in practice the reductions may be disproportionately at the expense of Rural Development and Cohesion Policy spending.

Table 2.1: Differences in positions on the MFF

	COM proposal	EP position	Indicative MFF of 1.03% and 1.08% GNI	
Commitments	**2021-2027**	**2021-2027**	**1.03%**	**1.08%**
1.Single market, Innovation and digital	166,303	215,072	154,317	209,259
2. Cohesion and Values	391,974	456,077	363,724	443,751
of which: Economic social and territorial cohesion	330,642	377,697	306,812	367,489
3. Natural resources and environment	336,623	407,877	312,362	396,853
4. Migration and border management	30,829	30,985	28,607	30,148
5. Security and defence	24,323	24,639	22,570	23,973
6. Neighbourhood and the world	108,929	113,837	101,078	110,760
7. European Public Administration	75,602	75,602	70,153	73,559
of which: Administrative expenditure of institutions	58,547	58,547	54,327	56,965
TOTAL COMMITMENT APPROPRIATIONS	1,134,583	1,324,089	1,052,811	1,288,303
as a percentage of GNI	1.11%	1.30%	1.03%	1.08%
TOTAL PAYMENT APPROPRIATIONS	1,104,805	1,294,311	995,320	
As a percentage of GNI	1.08%	1.27%		

The Finnish Presidency proposals were discussed in an exchange of views at the European Council on 17-18 October 2019 but highlighted the continuing deep differences among Member States. The European Commission President Jean-Claude Juncker was quoted as saying that EU 27 leaders were "repeating positions already known".[24] Prior to the European Council meeting, the Visegrad countries (Czech Republic, Hungary, Poland, Slovakia) had already stated that the proposals were unacceptable, criticising them in harsh language that also referenced the linkage to the rule of law as being a 'no-go'. [25] The resulting conclusions of the European Council simply called on the Finnish Presidency to submit a negotiation box with MFF figures ahead of the next European Council meeting in December 2019.

In the interim, the Commission sought to take the initiative publicly in the debate about the budget. Following reported claims that Germany's budget contributions would more than double,[26] EU Budget Commissioner Günther Oettinger termed such claims as 'misleading'[27] and subsequently issued a technical briefing on the budget.[28] This restated the shifts in the MFF proposed by the Commission (less for Cohesion Policy and CAP in favour of 'new and reinforced priorities') within an overall budget ceiling that has 'proportionately lower expenditure compared current expenditure in the EU27'. The Director-General of DG Budget argued that "our proposal of 1.11% of GNI is actually not high at all in a historical perspective".[29] The Commission also emphasised the relatively small scale of EU spending compared to national budgets, and that EU spending on Cohesion Policy does not just benefit net recipients but also net payers whose companies undertake contracts for infrastructure etc. Lastly, the Commission presented data for the wider benefits of the single market for each Member State,

noting that these "are orders of magnitude larger than the contributions" that net payers contribute to the EU budget.[30]

The Friends of Cohesion Policy, meeting in Prague, made a plea for Cohesion Policy cuts to be avoided. A joint declaration by 12 Member States[31] says that, in the context of new challenges, it is "vital to safeguard the funding for the Cohesion Policy at the level of 2014-2020 MFF in real terms".[32]

The parameters for agreement on the MFF were becoming clear. As the Finnish Minister for European Affairs, Tytti Tuppurainen, said prior to the October European Council:[33] "These both (1% and 1.11%) seem rather unrealistic in the view of member state positions, so the total budget will fall somewhere in the middle ground."

The public unwillingness to compromise was evident at the European Council in December 2019. In advance of the Council, the Finnish Presidency published a Negotiating Box 'with figures'[34] proposing an overall level of €1,087 billion for the period 2021-2027, representing 1.07% of EU GNI. Under this proposal, the sub-Heading for 'Economic, social and territorial cohesion' would be a maximum of €374,056 million of which €313,000 billion would be for the Investment in growth and jobs goal.

No agreement could be reached at the European Council on 12-13 December 2019, with the new European Council President, Charles Michel, describing the negotiations as "the most difficult one ever in EU history because of the Brexit gap".[35] Subsequently attention has shifted to the proposed European Council in February, prepared with a series of bilateral 'confessionals' undertaken by the European Council President.

2.5 Regulatory negotiations

Turning to the Cohesion Policy regulations, Council negotiations on the package of regulations were launched under the Bulgarian Presidency in June 2018 with a first exchange of views on the Commission's proposals. Subsequently, the Austrian Presidency (July-December 2018) agreed partial general mandates on two major blocks of the CPR that are ciritical for programming in order to allow time for the preparation of PAs and OPs:

- Block 1 – programming and strategic planning;
- Block 5 – management and control.

The Austrian Presidency also made signficant progress on the ERDF regulation including on difficult issues about what can be funded and eligibility. A series of further CPR partial general mandates were agreed under the Romanian Presidency between January and June 2019:

- Block 2 – eligibility conditions and performance framework (and enabling conditions);
- Block 3 – monitoring, evaluation and communication;
- Block 4 – eligibility and financial instruments;

- Block 6 – financial management;
- Block 7 – other provisions (e.g. definitions, delegation of power, implementing provisions);
- Annexes – PA and OP templates, audit trail, payment application, categories of intervention, indicators.

The Finnish Presidency finalised partial general mandates for the CPR, ERDF/CF, ESF+ and INTERREG regulations. There are are a number of finanical issues that remain open and will only be resolved during the final political negotiations on the MFF, notably the level and distribution of funding, macro-economic conditionalities, n+2 and co-financing rates.

Trilogues with the European Parliament on the CPR were launched in February/March 2018 with a discussion on programming (Block 1), although no agreement was reached. Following the election of the EP in May 2019 and its reinstatement in September, thirteen technical meetings and four political Trilogues were held on the key programming Blocks 1, 2 and 5 under the Finnish Presidency. This allowed a provisional common understanding to be reached between the Council and European Parlimanet under the Finnish Presidency by mid-December 2019 covering almost half of the Regulation. The most significant negotiation issues identified by the Finnish Presidency are listed in Table 2.2.

Table 2.2: Key trilogue negotiation issues

Blocks 1, 2, 5	Blocks 3, 4, 6, 7
Partnership principle	Monitoring, evaluation, communication
Allocation for capacity building	Monitoring committee
Horizontal principles	Financial support from the Funds
Partnership Agreement	Re-use of resources
Major projects	Eligibility
Technical Assistance	Eligibility rules for financial instruments
Mid-term review and flexibility	Financial management
Thematic enabling conditions	Interruption of the payment deadline
Selection of operations	Subject matter, definitions and other provisions
Deadline for beneficiary funding	

Inter-institutional negotiations on the ERDF/CF Regulation have been slower and mainly focused on Article 2 (Specific objectives) due to its importance for programming and links with the CPR. For the ESF+ Regulation, a kick off Trilogue took place on 9 December but the first technical meetings were planned under the Croatian Presidency in January 2020, again focusing on the specific objectives article. More substantial progress has been made on the ETC (Interreg) Regulation with a provisional common understanding with the European Parliament achieved on more than two thirds of the Regulation during December 2019. Negotiations on the European Cross-Border Mechanism Regulation are awaiting the outcome of a review by the Council Legal Service.

2.6 Key negotiation issues

2.6.1 Thematic concentration

For 2021-27 the Commission proposed a simplified and broader menu of five policy objectives. The ERDF and CF would contribute to all policy objectives, which are broken down into 21 support sectors. The majority of the ERDF would be concentrated on the innovation (PO1) and low-carbon economy (P2) objectives, with more flexibility for less-developed countries. The mechanism would apply at national level (rather than OP / category of region level, as in 2014-20) with varying flexibility for three country groupings on a sliding scale.

Several Member States have been critical of the thematic concentration proposals, especially the Central and Eastern Member States, and have called for more flexibility. A range of EoRPA partners call for **flexibility** to adjust interventions according to specific contexts through a number of proposals.

- Optional provision to allow **thematic concentration levels at national or regional level** in order to address regional needs while achieving the most appropriate level for the country as a whole (Poland). The European Parliament has made a similar proposal.
- **Combining the quotas for PO1 and PO2.** Supported by Portugal, this proposal implies flexibility between PO1 and PO2 in achieving the threshold. In Germany, there are competing views about this proposal, the main criticism being that it could mean that an OP would not have to allocate any funding to PO2.
- **Including PO5 Sustainable Urban Development and the Cohesion Fund** in the thematic concentration calculations. Poland and Portugal see no justification for excluding CF funding from the thematic concentration thresholds (as is currently possible) and argue that it would free up ERDF resources for other important areas, and contribute to synergies.
- **Flexibility for the ESF+.** Poland views the proposed level of thematic concentration under social inclusion as challenging. The significant reduction in CF and ESF+ leaves a potential funding gap for important priorities, such as social infrastructure, which is exacerbated by the ERDF concentration requirements. Accordingly, Poland has argued for a widening of the eligible measures and costs under the ESF+, e.g. to support social infrastructure alongside training. Finland supports concentration on social inclusion as part of ESF+, but is cautious about the two percent minimum funding to material deprivation.

Most of the net payers are not supportive of increased thematic concentration flexibility, although Finland has called for differentiation for sparsely populated regions which it considers to be a separate issue. The room for manoeuvre within each objective is perceived to be sufficient (Germany) or too flexible (Netherlands). The Netherlands consider that the current

formulation of specific objectives in PO1 leaves room for investments that are not innovative and lack European added value, and would welcome an increase in the proposed percentage to PO1 and PO2. The German experiences in the Eastern Länder are that structurally weak regions also need investment in innovation not just in infrastructure. Ultimately, an agreement on thematic concentration will be reached as part of the MFF negotiations.

2.6.2 Conditionality

i Links with EU economic governance

Closer alignment between EU Cohesion Policy and European economic governance is pursued through macro-economic conditionality and alignment with the Country-specific Recommendations (CSRs) under the European Semester. Closer links with the European Semester involve adjusting the Semester in 2019 and 2024 to provide **CSRs more tailored to Cohesion Policy programming and implementation**, and which will play a part in reprogramming during a new mid-term review of Cohesion Policy programmes in 2025. A key issue for Member States is to ensure an emphasis on investment needs that reflect the national *and* regional levels, taking into consideration cohesion objectives aimed at reducing disparities.[36]

Macro-economic conditionality was institutionalised for all ESI funds in 2014-20, empowering the Commission to propose a suspension of funding for breaches in fiscal deficit rules and to request a reprogramming of funding to support the implementation of macro-economic recommendations. A Council Presidency Report calls for special attention to mitigating the possible negative effects of financial suspensions on Cohesion Policy performance.[37] The EP is opposes macro-economic conditionality and has proposed deleting the relevant article (Art. 15) from the CPR, as it had (unsuccessfully) proposed in the 2013 reform negotiations.[38]

The strengthened link between the European Semester and the programming of EU funds is welcomed by a range of net payer Member States (e.g. Denmark, Finland, Germany, Netherlands, Sweden). The Netherlands has proposed to strengthen links with the Semester even further trough a monitoring system to ensure that Cohesion Policy investments are fully aligned with the defined CSRs and investment priorities. Member States would have to explain how their ESIF programming aligns with the implementation of the CSRs. This would involve establishing a timeline with concrete milestones on which countries have to reflect in future years to increase ownership and alignment.

Sweden agrees with the need to support the CSRs, and considers that a high level of compliance should be rewarded through positive financial incentives. A stronger link between Cohesion Policy and the EU Semester as well as the macro conditionalities is also welcomed in Germany. While supportive of macroeconomic conditionalities and the alignment with the Semester, Finland considers that the main onus on structural reforms should be through domestic funds. The (previous) Government considered *'the proposal for an instrument*

('Cohesion and values') intended to support the reforms as problematic' not least due to the shift of budget and legal responsibilities to the European Commission.[39]

The emphasis on 'positive incentives' is welcomed by Poland and Portugal, but clarification is needed of what this means in practice. Contrary to the discourse surrounding positive incentives during the reform debate, the negative penalties under macro-economic conditionality would be strengthened with the proposal to suspend payments, not just commitments. According to Germany, the possibility of 'positive financial incentives' was first raised in the 2017 German position paper, but the Commission has not taken this idea further and the EU-level debate has moved towards other incentives-related issues: the Reform Delivery Tool under, the Eurozone budget / stabilisation mechanism and the performance reserve, with a general consensus largely lacking.

ii Rule of law

One of the most contentious issues in the MFF is the explicit linkage of using budgetary sanctions to penalise Member States where there are "identified instances of generalised deficiencies" in the rule of law (see Box 1). While both the Bulgarian and Romanian Presidencies rejected the idea of linking EU funding to adherence to the rule of law,[40] the Finnish Presidency has specified one of its priorities "to strengthen common values and the rule of law" encompassing negotiations on making the receipt of EU funds conditional on respect for the rule of law.[41]

As previously noted,[42] Member States are sharply divided on this issue. While some - Germany, Netherlands, Sweden - support the Commission's proposals to link EU funding to compliance with the rule of law, several Central, Eastern and Southern Member States have expressed concerns abour the transparency and objectivity of applying the principle, or are opposed to the proposal outright. This 'values' conditionality is a new category of condition, alongside existing macro-economic, structural, institutional and performance conditionalities. While understandable from the perspective of those Member States concerned about threats to fundamental EU principles, there are clearly risks in undermining the commitment to EU solidarity and cohesion on which Cohesion Policy is founded.[43]

Box 1: Conditionality relating to the rule of law

Protection of the Union's budget in case of generalised deficiencies [as regards the rule of law] in the Member States

23. In order to protect the sound implementation of the EU budget and the financial interests of the Union, a general regime of conditionality will be introduced to tackle identified instances [of generalised deficiencies as regards of the rule of law in Member State authorities] OR [generalised malfunctioning of Member States authorities as regards budget-related aspects].

24. Conditionality under the regime will be genuine; thus an aim will be to tackle instances of [deficiencies] OR [malfunctioning] which affect or risk affecting the sound implementation of the EU

budget or the financial interests of the Union in a sufficiently direct way. The instances of deficiencies will be identified [with clear and sufficiently precise criteria].

25. In the case of such deficiencies, the Commission will propose appropriate and proportionate measures that will have to be approved by the Council by [reversed] qualified majority.

26. This regime will be separate and autonomous from other procedures provided for in the Treaties

Source: CEU (2018b) op. cit.
Note: Compared to the November 2018 version of the Negotiating Box, the June 2019 version Box inserts the word "sufficiently" into paragraph 24 i.e. to protect the "financial interests of the Union in a sufficiently direct way."

2.6.3 Coordination of Cohesion Policy Funds

Coordination was a key principle of the landmark reform of the Structural Funds in 1988, at the time to support the coherence and synergies across the ERDF, ESF and EAGGF: Guidance Section. This principle continued to guide the approach to Cohesion Policy in subsequent reforms, but the Commission's proposals for 2021-27 are perceived by some Member States and the European Parliament to threaten the coherence of the Funds through the separation of the rural development fund (EAFRD) from ESIF and the growing national focus of ESF+.

The relationship between the ERDF and ESF and the territorial dimension is a matter of concern and significant uncertainty for Portugal. This relates to the non-applicability of ESF under territorial strategies in PO5 and uncertainty over whether the ESF can contribute to an ITI via the funding and eligibility of PO4. The view in Portugal is that PO5 could be an instrument of simplification, accountability and improvement of conditions for implementing territorial approaches as it is easier, in principle, to concentrate all support under one Priority Axis. However, it has significant constraints, including with regards to ESF+ (along with the thematic concentration requirements), as a genuinely integrated territorial approach cannot be pursued without integrating social issues (e.g. social inclusion, school leaving, etc.).

It has also been highlighted by Portugal that it will be necessary to understand how, in operational terms, the link between DG REGIO and DG EMPL priorities can be ensured with regards to the issue of training and skills associated with smart specialisation strategies. In this regard, some operational boundaries will need to be established with differentiated solutions across Member States.

While some countries recognise the need for more links and coordination across the ERDF and ESF+, others do not foresee a major change in the future relationship (e.g. Netherlands).

There are also tensions arising from the allocation of funding between the ESF and ERDF. For Germany, the Commission proposal would mean a reduction in the ESF's percentage of total EU funding – which is unlikely to be acceptable domestically. A particular difficulty in the German federal context is that there are levels of frictions: the division of funding between ESF and ERDF within each Land (and also at the level of the aggregate of all Land OPs); and the

division of ESF funding between the federal and Länder levels. Poland is also concerned about a significant reduction in ESF funding, and has called for greater scope to use ESF for large-scale investments in social infrastructure, e.g. hospitals and schools.

Turning to **the relationship between the ESIF and EAFRD**, a key issue in the reform debate concerns the proposed separation of the European Agricultural Fund for Rural Development from the ESIF Common Provisions Regulation. Some Member States and the EP have argued that this will undermine the pursuit of an integrated approach to development in rural areas, as Partnership Agreements would no longer cover EAFRD programmes (although the ERDF, ESF, Cohesion Fund and EMFF would remain covered). CLLD would continue in those cases using multiple Funds or individual Funds (excluding EAFRD), while mono-fund EAFRD programmes would be relabelled LEADER as in the past.

The European Parliament has called for the reintegration of the EAFRD into the CPR "to avoid strategic gaps and coordination issues for local investments".[44] While some Member States are supportive, others are less concerned particularly as the CAP regulations cross-reference the key provisions from the CPR. Moreover, some EoRPA partners are of the opinion that the proposed arrangements will not lead to a change in the relationship between ERDF and ESF+ with the EAFRD (Netherlands) and that strong interactions will remain in practice (Germany).

However, since the CAP will be implemented through separate strategic plans integrating 1st and 2nd pillars, Portugal considers that there will be a need to establish complementarity rules (e.g. related to the LEADER approach) on what is funded under ERDF and what is under EAFRD (similarly to what existed under the NSRF in 2007-13), potentially implying less integration. Coordination challenges also relate to the nature of the EAFRD which is primarily an agricultural Fund despite being labelled a 'rural development' fund. The main aim is the diversification of agriculture and it does not pursue policies of truly integrated rural development, including the wider provision of public services and qualifications for the population residing in rural areas, while rural development in its integrated strand is supported by the ERDF and ESF (including through the ITIs and CLLDs). The current legislation is seen as having made some coordination easier (e.g. under Leader, or a clearer definition of scope boundaries), albeit without a radical coordination improvement.

2.6.4 Budget flexibility

i Mid-term review of programmes (5+2)

The Commission proposed to introduce a **mid-term revew of programmes after year 5** (the so-called 5+2 review) to provide flexibility to adjust programmes at the end of the period**.** Allocations for the first five years would be programmed, while the budget for the remaining two years – 2026 and 2027 – would be allocated following a review in 2024 to take account of the challenges identified in relevant CSRs, socio-economic changes and performance.

The proposal is viewed positively by several EoRPA partners (e.g. Denmark, Finland, Netherlands). The perceived benefits are that it allows for more flexibility to respond to changing situations, particularly by incorporating new CSRs mid-way through the implemementaiton cycle (Netherlands), and helping to ensure effetive use of the funds (Denmark).

Other countries have been more critical of the '5+2' model arguing that the financial perspective should last seven years (Poland, Portugal), not least given the significant amount of time it takes to prepare programmes. The proposal is seen as undermining the long-term planning approach of Cohesion Policy. Further, the final two year period is seen as being too short for a programme (Germany). There are also reservations about the the process and additional workload that the proposal may entail (Sweden).

Responding to these concerns, the Council has proposed a **7-year programming model with a "flexibility amount"** of 50 percent of EU allocation for 2026 and 2027. It is considered that a 7 year period with a check after five years, when a limited amount of funding could be approved and released (i.e. limiting the mid-term review to 50 percent of the 2026 and 2027 allocations) is balanced, acceptable (Poland, Portugal) and satisfactory (Germany). At the same time, it is emphasised that the reprogramming and re-allocation between programmes should be done entirely by the Member States, based on their assessment, rather than being the exclusive responsibility of the Commissioin (Portugal).

ii Transfer of Cohesion funding to other EU instruments

Budgetary flexibility is also being pursued through Commission proposals to allow voluntary transfers of Cohesion funding to other EU policies. This possibility is viewed by some as offering **good opportunities to increase coordination between different Funds** and targeted / tailor-made approaches, as long as the regulations maintain a clear focus and the pre-conditions are clearly defined (Netherlands).

At the same time, there are **various reservations about the political implications, approach and rationale for such transfers.** First, there is a risk of political pressure to shift funds out of Cohesion Policy programmes e.g. if an MA is not seen to be spending rapidly enough. The budegtary flexibility is also a 'one direction' proposal from Cohesion Policy to other EU instruments and not vice-versa. Some partners consider that the rationale for reinforcing centrally-managed policies is questionable, as there is no evidence that centralised policies are better managed than shared management funds. It is stressed that while the possibility of transfers increases (or could increase) flexibility, it should not compromise the level-playing field between Cohesion Policy and other policies (Portugal). The perception of Cohesion Policy being a more complicated policy compared to centrally managed polices is partly justifiable, due to the difference of rules governing their implementation, making Cohesion Policy less attractive compared to other funding sources. From this perspective, more attention should

be placed on pursuing policy complementarities and synergies across different policies rather than financial transfers.

In response to these concerns, the European Parliament has called for the voluntary transfer provisions to be entirely removed from the CPR. The Council has retained the provisions while limiting the possibility of transfers to the initial programming stage and at the mid-term review, and differentiating the maximum level of transfers: five percent from shared management to direct or indirect management; and an additional 5-10 percent within shared management (including between ERDF and ESF+). The Connecting Europe Factility transfer is supported by the Council as long Member State budget envelopes are safeguarded up to a certain date in line with previous practice.

2.6.5 Territorial cooperation

A more ambitious European Territorial Cooperation for 2021-27 was proposed by the Commission, albeit with a lower budget. The most important changes were the emphasis on enhancing cross-border strategic planning and institutional cooperation, including through new legal instruments; and the addition of co-operation outside the EU with a specific strand for outermost regions and incorporating the current IPA/ENI funding to support enlargement and cooperation with neighbourhood countries. Maritime CBC programmes would be subsumed into transnational programmes.

Negotiations in the Council have mainly focused on restoring Maritime cooperation under the cross-border component, and moving the Interregional Innovative Investment tool to the ERDF, potentially under shared management instead of the Commission proposal for direct/indirect management. The continuation of URBACT and Interreg Europe is also proposed.

With regard to **funding**, there are calls for further clarification on the impact of the Commission's proposals on the participation of regions in the implementation of Interreg programmes and on the allocation of funding under Interreg (Finland). For instance, while the Commission's proposals envisage a reduction in ETC funding, it remains unclear whether there will be a shift of funding if the innovation instrument is shifted from ETC to the ERDF (Germany).

Turning to **thematic focus**, while there is some support for the concentration of Interreg funding on fewer themes (e.g. Finland), the Council lowered the thematic concentration requirements on Interreg specific objectives and made them optional. There is also criticism about the 'softening' of ETC interventions. For instance, Poland notes that the likely reduction in infrastructure support and the focus on 'softer' measures will reduces the visibility of the impact of ETC activities 'on the ground' and could raise beneficiary demand challenges.

The role of **cross-border cooperation** has been highlighted in various contexts. In Portugal, border cooperation with Spain is rising up the agenda and is particularly important in the context of dynamising and revitalising the depopulated border regions. For the Netherlands, cross-border cooperation is seen to be very well in line with the objectives of Cohesion Policy

– reducing disparities between regions and better connecting regions, and the demand for cooperation directly across border is highest. Sweden considers that the border problems in the Nordic context cannot be entirely solved though Interreg as they are linked to issues such as taxation systems that are unrelated to regional policy. The excessive focus of the discussions on border issues is seen as leaving limited focus on how to develop appropriate policy responses.

There are diverging views regarding **macro-regional strategies**. Stronger support to macro-regional strategies is welcomed by some Member States, but the Commission's proposal to earmark 70 percent of the funds for the macro-regional strategies is seen as limiting the scope for responding to pragmatic development needs from a regional perspective (Finland). By contrast, some countries do not participate in macro-regional strategies or see subsntatial added value and therefore oppose efforts to increase the weight of the strategies.

There are calls for improving **synergies of ETC with ERDF and other instruments** (Germany, Netherlands). For instnace, providing more scope for ETC to fund the preparation phase for H2020 proposals e.g. bringing together researchers from a range of regions, who then work together to prepare an H2020 proposal (Germany). Pursuit of greater synergies based on a more coordinated thematic approach is also advocated. For the Netherlands, the added value of Interreg lies particularly in the development of networks of innovative clusters over land and sea (e.g. the two-seas strategy), which can reduce the barrier effect of borders and tackle cross-border problems (e.g. climate change). It is argued that for Component 5 (under the 2021-27 proposals), cooperation could be more thematic (Europe-wide) and less distance-oriented, thus increasing reach / innovation potential. The Vanguard initiative is viewed as a successful pilot of this thematic cooperation approach, with significant potential benefits for some Dutch high-tech clusters.

2.7 The new Commission and its Political Guidelines

For the first time in two decades, the MFF proposals put forward by the Commission are still in negotiation during the period of European Parliament elections and the formation of a new Commission. Rather than 'inheriting' an agreed budget, allocated to specified policy headings, the President-elect of the European Commission, Ursula van der Leyen, has set out Political Guidelines that have implications for the MFF.[45]

In principle, the objectives set out in the Political Guidelines - a European Green Deal, an economy that works for people, a Europe fit for the digital age, protecting our European way of life, a stronger Europe in the world, and anew push for European democracy – are in line with the previous Commission and Council strategic objectives that underpin the MFF However, they do contain potentially substantial spending commitments (notably in the Green Deal and also on YEI, Erasmus+, and the European Defence Fund) as well as new strategies or initiatives (e.g. for biodiversity, SMEs, unemployment reinsurance, gender equality), accelerated implementation of existing strategies (such as the proportion of spending on

climate action or frontier security) and other legislative measures (such as the right of initiative for the European Parliament).

The mission letter from the President-elect to the Commissioner-designate for Cohesion and Reforms provided more detail on expectations relevant to Cohesion Policy. First, each Commissioner is expected to ensure delivery of the UN Sustainable Development Goals (SDGs) within their policy area. While the Commission has committed to joining up the SDGs to the EU policy framework, and sustainable development has been integrated in the proposed investment priorities (at EU level and in the CSRs and Annex D for individual Member States), it is unclear whether a more specific strategic framework for Cohesion Policy is to be introduced.

Second, the Commissioner-designate has been given a dual mandate for both Cohesion Policy and Structural Reforms, and institutional responsibility for both DG Regio and the Structural Reform Support Service. This has the potential to ensure more effective coherence between the implementation of both policy spending and structural reforms, but there are still many unanswered questions about how potential conflicts and trade-offs will be managed.

Third, the President-elect makes a renewed commitment to a Budgetary Instrument for Convergence and Competitiveness for the euro area. This could be a powerful complement to current Cohesion Policy instruments to promote cohesion, but it could also challenge the profile and resources allocated to ESIF and be a source of governance conflicts.[46]

Lastly, the most eye-catching proposal is for the design of a new Just Transition Fund (JTF) to be developed closely with the portfolios for energy, environment, employment and budget. It has the objective of supporting regions undergoing industrial, coal and energy transitions. Previous European Parliament proposals have foreseen some €4.8 billion being allocated to such a fund, although the resourcing of the JTF is still being worked up. First details were published by the Commission in January 2020 as part of the Sustainable Europe Investment Plan[47] together with a proposal for the JTF.[48] The JTF, to be implemented through shared management, was projected at having an oveall financing capacity of more than €30 billion and potentially up to €50 billion. The new Fund was presented as one 'pillar' of a Just Transition Mechanism, the others being a dedicated scheme under InvestEU, and a public loan facility with the EIB Group to mobilise additional investments to the regions concerned.

3 COHESION POLICY IN 2021-27: ELIGIBILITY AND ALLOCATIONS REVISITED

A central issue for Member States in the MFF negotiations is of course their net balances, in which the allocation of Cohesion Policy funding is fundamentally important – and invariably plays the part of an 'adjustment variable' right up to the end of the negotiations.

The Commission proposals for post-2020 Cohesion Policy expenditure, published in May 2018, were unusual insofar as they provided the outcomes of the allocation methodology, as well as outlining the methodology itself, as in the past. These proposals indicated the use of GDP and GNI data for 2014-16 to establish eligibility as Less Developed Regions (LDRs), Transition Regions (TRs) and More Developed Regions (MDRs) and for the Cohesion Fund. Since then, these and other key indicators have been updated. This section explores the 2018 proposals for Cohesion policy eligibility and allocations in the light of this new data.

3.1 Allocating the Cohesion Policy budget: key assumptions

Calculating budget allocations under EU Cohesion Policy is a non-trivial task. Each of the eligibility strands – Less Developed Regions (LDR), Transition Regions (TR), More Developed Regions (MDR), Cohesion Fund, Outermost Regions (OMR) and the northern, very sparsely populated areas and European Territorial Cooperation - has its own allocation methodology. Some methodologies are based on top-down shares of a *notional* budget, while others depend on EU averages.

Among the new elements of the Commission methodology for 2021-27 are specific allocations related to climate change targets and levels of non-EU migration. There are significant unknowns about how these have been calculated although, according to the Commission, they account for just three percent of the allocation method.[49]

The allocation methods for each policy strand are complemented by various **'floors and ceilings'.** Among other things, these aim:

- to **cap transfers** as a proportion GDP;
- to **limit increases in Cohesion policy allocations** between funding periods - to 108 percent in general, and 100 percent for countries with GNI(PPS) per head exceeding 120 percent of the EU average;
- to **prevent excessively sharp reductions** in allocations, limiting cuts to 76 percent of previous allocations;
- to provide **transitional funds** to soften cuts for regions losing LDR status; and

- to ensure that the **Cohesion Fund does not account for more than one-third** of Cohesion policy allocations for countries that qualify for it.

The calculations in this section are based on Commission proposals for the new funding period.[50] However, they **differ from the Commission proposals** in a number of ways, largely relating to the availability of new data since the Commission published its proposals. In particular:

- use of 2015-2017 regional GDP data (the Commission's proposals specify 2014-16 data);
- use of the NUTS 2016 regional classification, rather than NUTS 2013 (for which the latest GDP data is not published);
- use of 2015-2017 GNI data (the Commission's proposals specify 2014-16 data, but this more recent data has been used in line with the regional GDP dataset); and
- use of summer 2019 national GDP and GDP growth forecasts[51] coupled with the 2021-2027 growth rate used by the Commission.[52]

The **overarching methodology is applied as faithfully as possible**. This includes thresholds such as those applicable to national prosperity coefficients and capping – the calculations presented in this chapter use the *same* thresholds as those proposed by the Commission, but 'bands' to which countries belong may differ due to changes in the data.

Importantly, there are **considerable uncertainties surrounding elements of the methodology**: the precise method is not always known; the datasets used are not always specified (or publicly available); and there are ambiguities or challenges of interpretation to be addressed in trying to replicate the methodology.[53] For this reason, the outcomes set out in this chapter should be treated with caution.

3.2 Spatial coverage

The starting point for Cohesion policy allocations lies in **eligibility**. The approach to spatial coverage for 2021-27 in the Commission proposals is broadly the same as in 2014-20; the principal difference is that the scope of Transition Regions (TRs) is widened to those with GDP per head in the range 75-100 percent of the EU average, rather than 75-90 percent as in 2014-20.

The Commission's 2018 proposals were based on regional GDP data for 2014-16 using NUTS 2013 (Map 3.1Map 3.2). Direct comparisons between this and the past, and with new data are complicated: the 2014-20 assisted areas (see Map 3.2) uses NUTS 2010 and the outcome using 2015-17 regional GDP data (see Map 3.3) uses NUTS 2016.

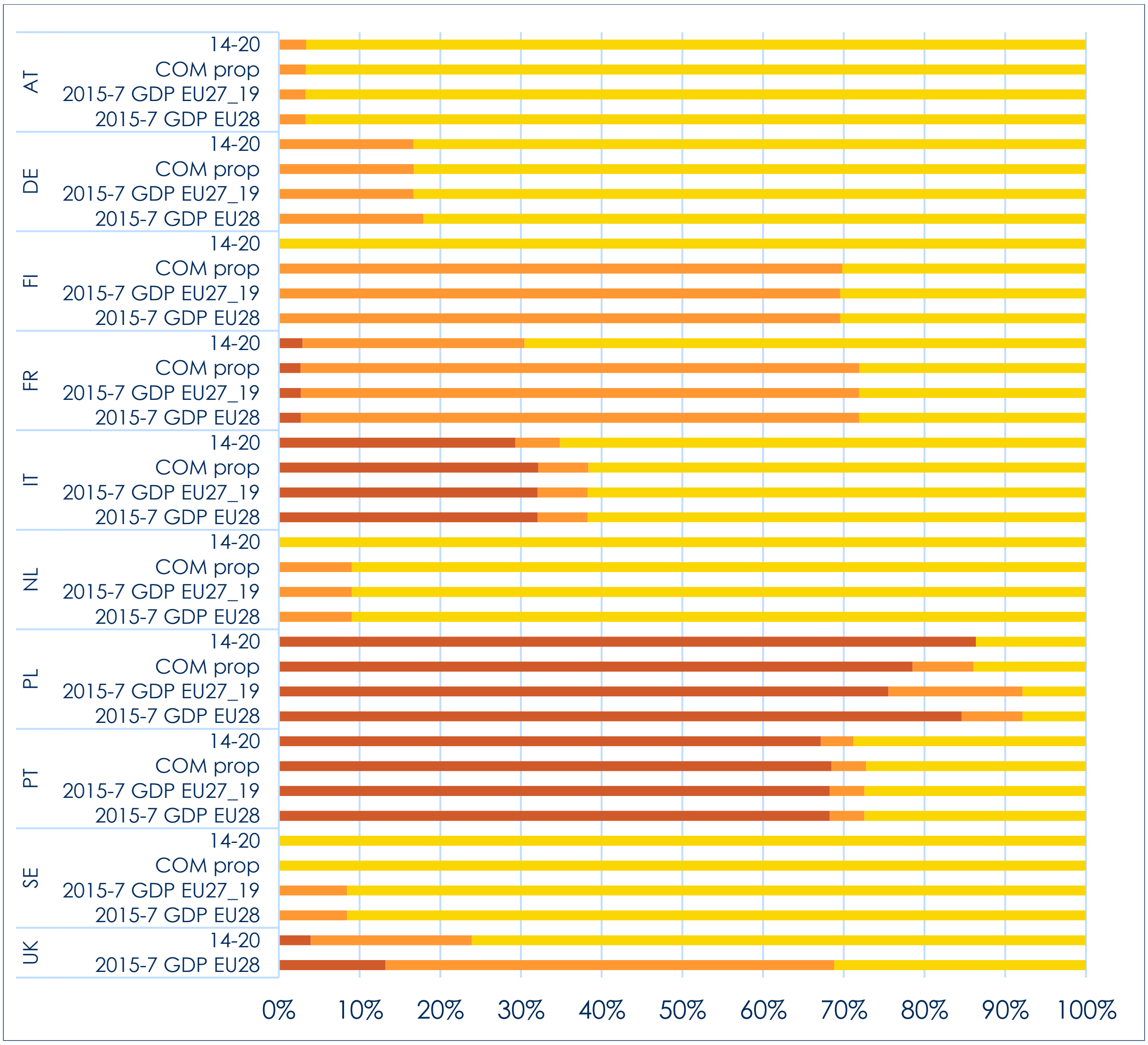
Table 3.1: Cohesion policy status 2014-20 and alternative scenarios (% of population)

	MFF	LDR	TR	MDR
EU28 2014-20	2014-20	25.4	13.5	61.0
EU27_19 (COM proposals)	2021-27	27.6	25.3	47.1
EU27_19 (2015-17 GDP data)	2021-27	28.1	25.2	46.7
EU28 (2015-17 GDP data)	2021-27	26.9	29.0	44.1

Source: Own calculations from Eurostat data.

The differences between the current position and future scenarios are shown in Table 3.1. This shows that using updated data would result in an increase in coverage in 2021-27 from 27.6 to 28.1 percent of the EU27_19 population, partly owing to the redrawing of NUTS boundaries along with update data. Table 3.1 also suggests that even without Brexit, LDR population would rise as a proportion of the total population. At national levels, these shifts play out in different ways (Figure 3.1.

Figure 3.1: Spatial coverage under alternative scenarios (EoRPA countries)



Source: EPRC calculations from EUROSTAT data.

The key points to note in the EoRPA partner countries are as follows.

- In **Poland,** under the Commission proposals, Dolnoslaskie would lose LDR status and become a Transition region; however, on the basis of 2015-17 data, Wielkopolskie would also become a TR, but the redrawn Mazowieckie region under NUTS 2016 would result in all except the new capital region (Warszawski stoleczny) retaining LDR status.

- There would be modest increases in LDR coverage in **Italy** and **Portugal** as Sardegna and Madeira, respectively, would qualify (under both the Commission proposals and the latest data); in Italy, Transition Region coverage would also increase to include Umbria, Abruzzo and Marche, the latter owing to the new threshold.

- Transition coverage in **Germany** is largely unchanged (Trier is additional under the Commission proposals and the latest data), but this is essentially due to the change in threshold, without which Transition coverage would have been extremely limited

- The **Netherlands**, **Finland** and **Sweden** had no Transition Regions in 2014-20. Based on the Commission proposals and the latest data, Friesland, Drenthe and Flevoland (NL) and all of Finland except Helsinki-Uusimaa and Aland would have TR status. In Sweden, Norra Mellansverige would have TR status under the most recent data (but not the Commission proposals).

- In **France** TR coverage would extend to the entire mainland except Île-de-France and Rhône-Alpes, a significant increase in current coverage.

- There would be no change in **Austria.**

- For obvious reasons, the **United Kingdom** falls outside this analysis, but Map 3.4 illustrates an EU28 scenario, which shows that LDR and TR would be significantly more extensive if the UK were eligible for Cohesion policy post-2020, and five further regions would have LDR status. Note more generally that the use of EU27_19 or EU28 averages results in a small change in EU average GDP(PPS) per head for 2015-17, and so affects the status of five regions in other countries. Specifically, Leipzig (DE), Aragón (ES) and Zahodna Slovenija (SI) would be Transition Regions in a EU28 scenario, rather than MDRs; similarly, Notio Aigaio (GR) and Wielkopolskie (PL) would be LDRs in EU28, rather than TRs in EU27_19.

Changes in spatial coverage are, if anything, more significant outside the EoRPA partners (see Figure 3.2). Here the key points to note are that:

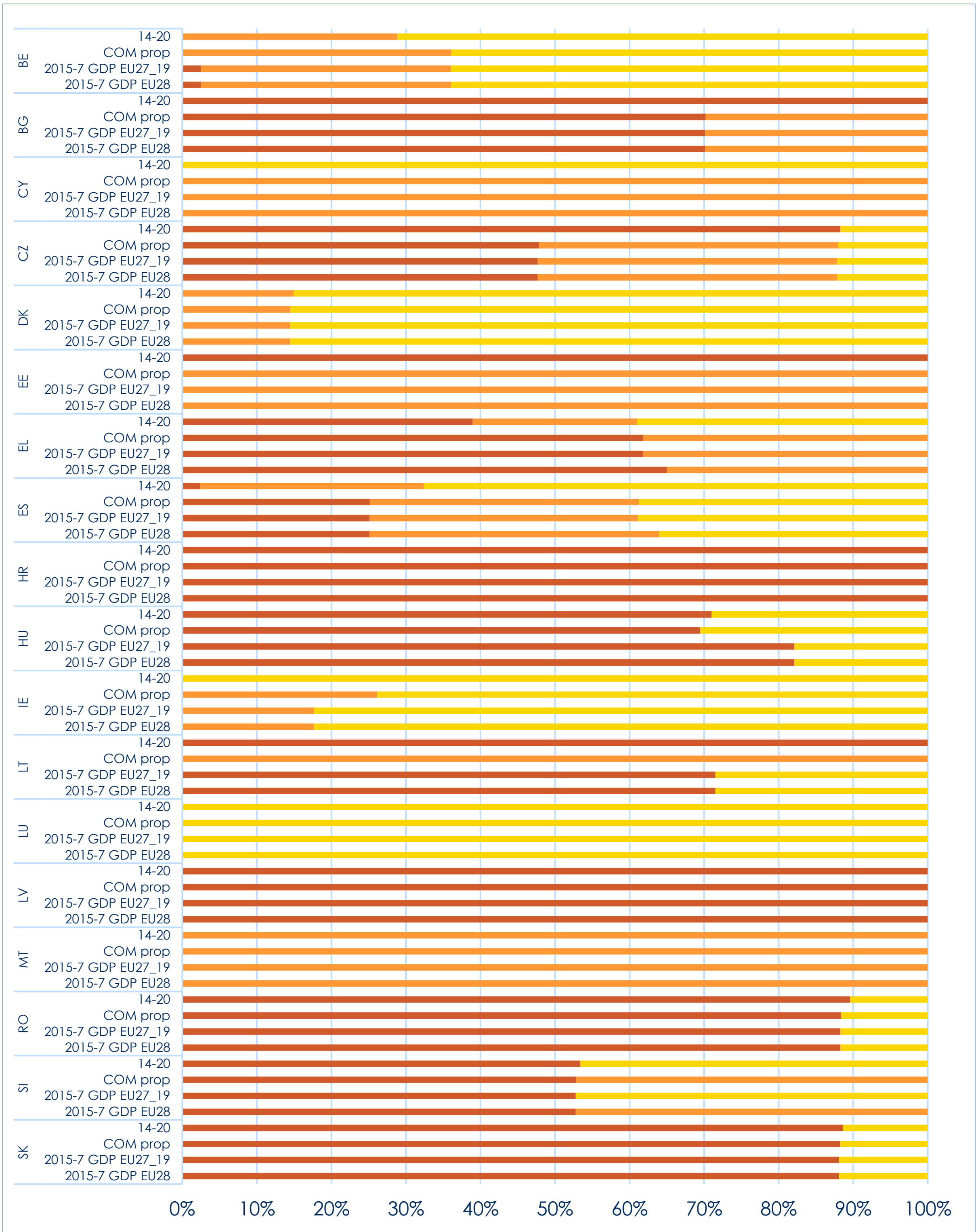
- only **Latvia** and **Croatia** would be covered by LDR status in their entirety;

- using the latest data, **Belgium** would gain in TR coverage (Limburg) and Luxembourg (BE) would become a LDR;

- **Estonia** would no longer have LDR status and but **Lithuania**, which would have lost it, would retain it for most of the territory following the split into two NUTS 2 regions under NUTS 2016;
- in **Ireland,** which previously had no TRs, the NUTS 2016 Northern and Western region would qualify;
- **Cyprus,** which is an MDR in 2014-20 would be an TR post 2020;
- LDR coverage also falls in **Czech Republic** and **Bulgaria**;
- all of **Greece** except Athens and the Northern Aegean would 'gain' LDR status and none of Greece would have MDR status;
- in **Spain**, LDR coverage would increase and include Andalucía and Castilla-La-Mancha, as well as Estremadura; and
- in **Hungary**, a redrawing of NUTS boundaries means that, based on the latest data, all regions apart from Budapest would be LDRs.

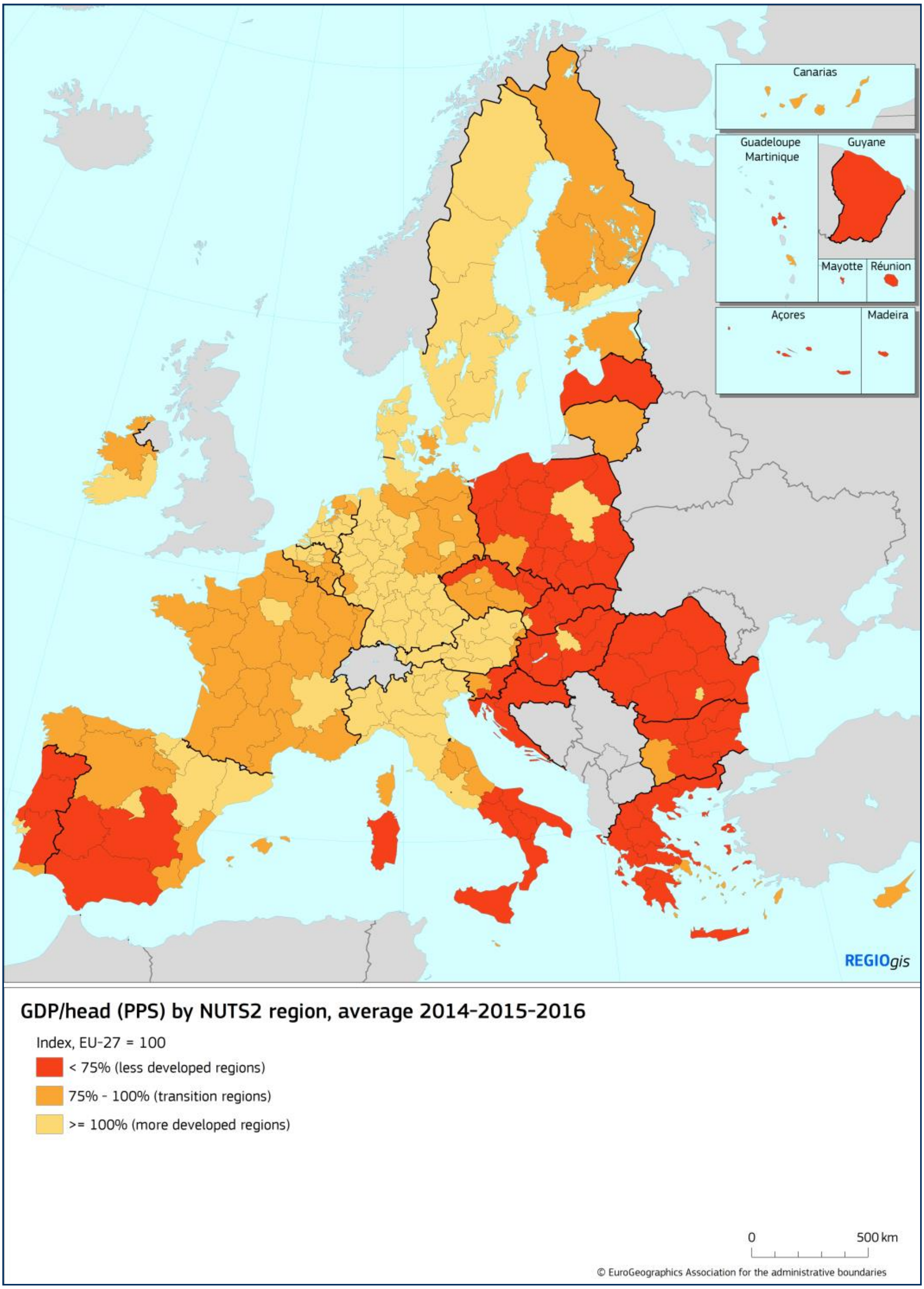
The situation of **Slovenia** is perhaps most striking of all, in terms of comparing scenarios. At present Slovenia is split between LDR and MDR status; under the Commission proposals, it would be split between MDR and TR status, but if this data were updated, it would revert to an LDR/MDR split; on the other hand, if EU28 data were used, it would, as under the Commission proposals, be splits MDR/TR.

Figure 3.2: Spatial coverage under alternative scenarios (non-EoRPA countries)



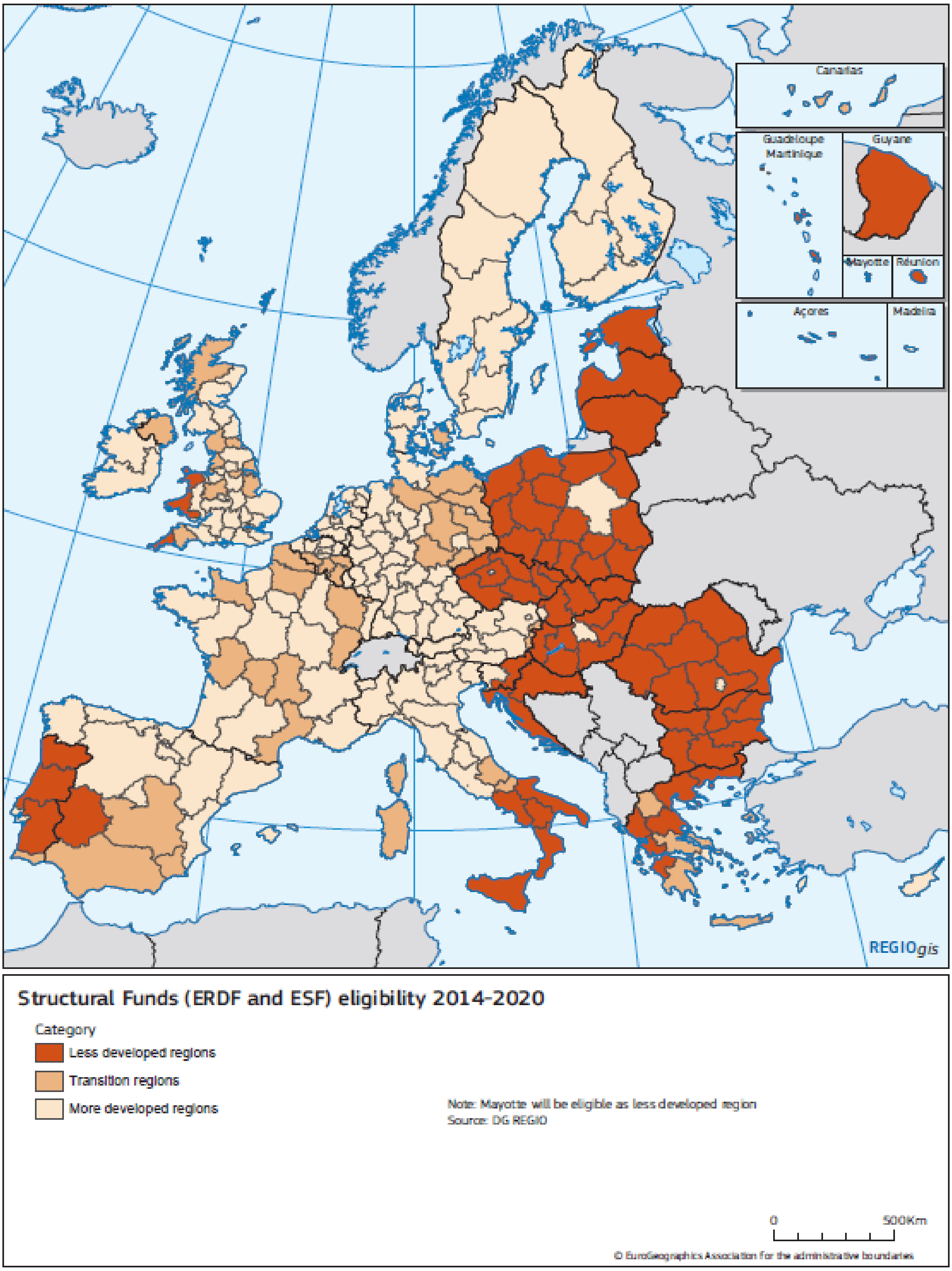
Source: EPRC calculations from EUROSTAT data.

Map 3.1: GDP(PPS) per head 2014-16 average – EU27=100



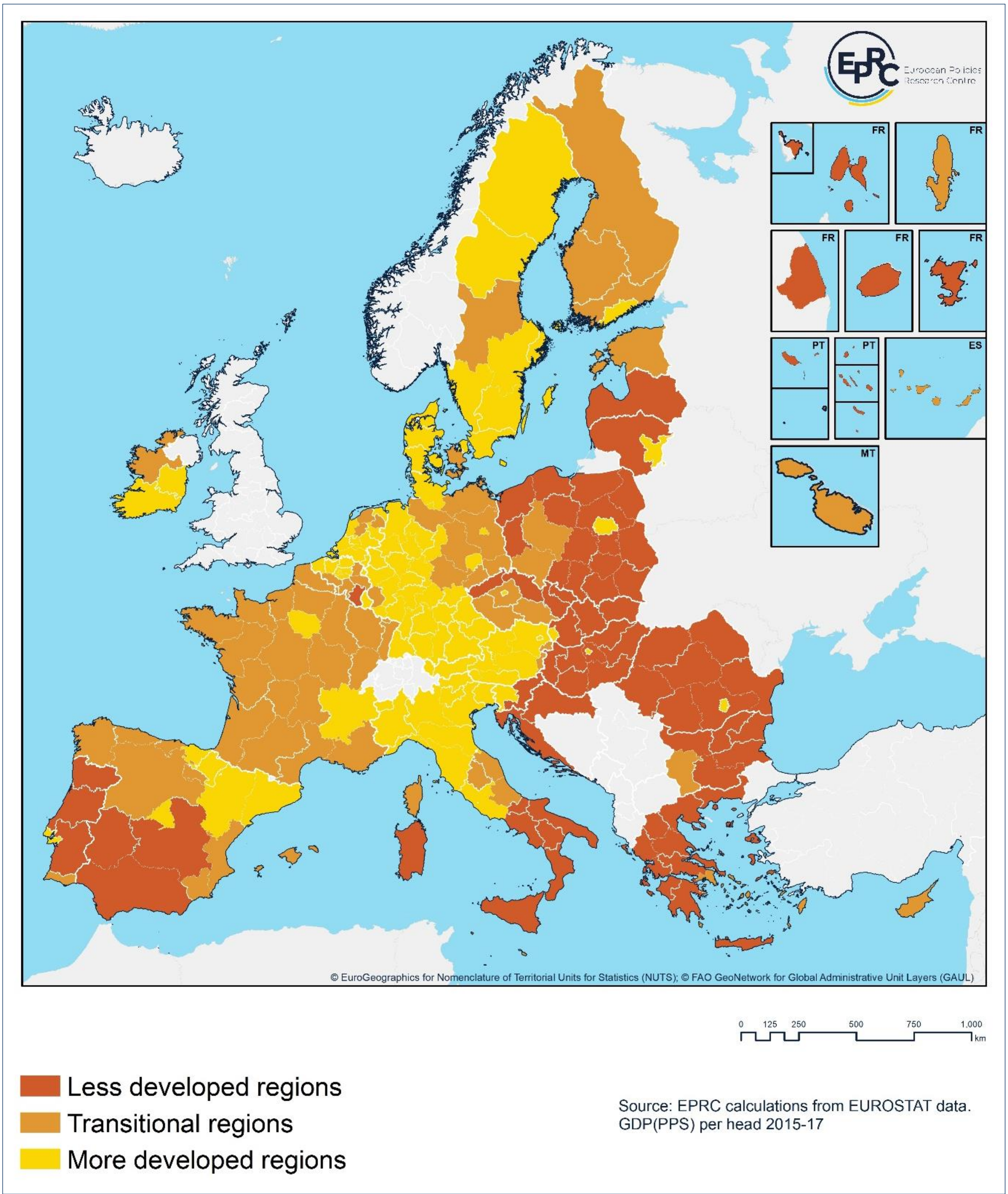
Source: *DG Regio*

Map 3.2: Cohesion Policy assisted areas 2014-20



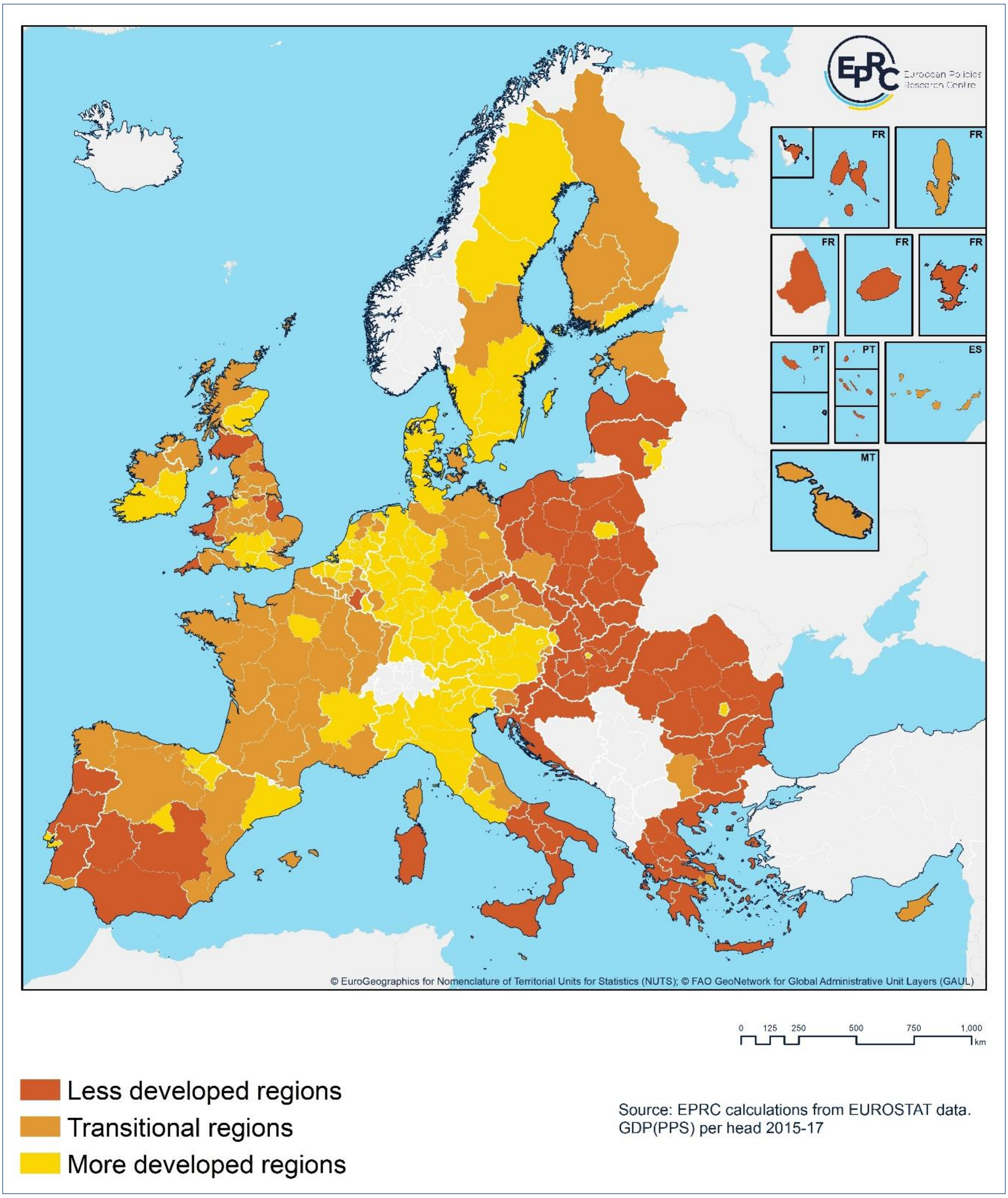
Source: *DG Regio.*

Map 3.3: Cohesion Policy status 2021-27 (EU27)?



Source: *EPRC*

Map 3.4: Cohesion Policy status 2021-27 (EU28)?

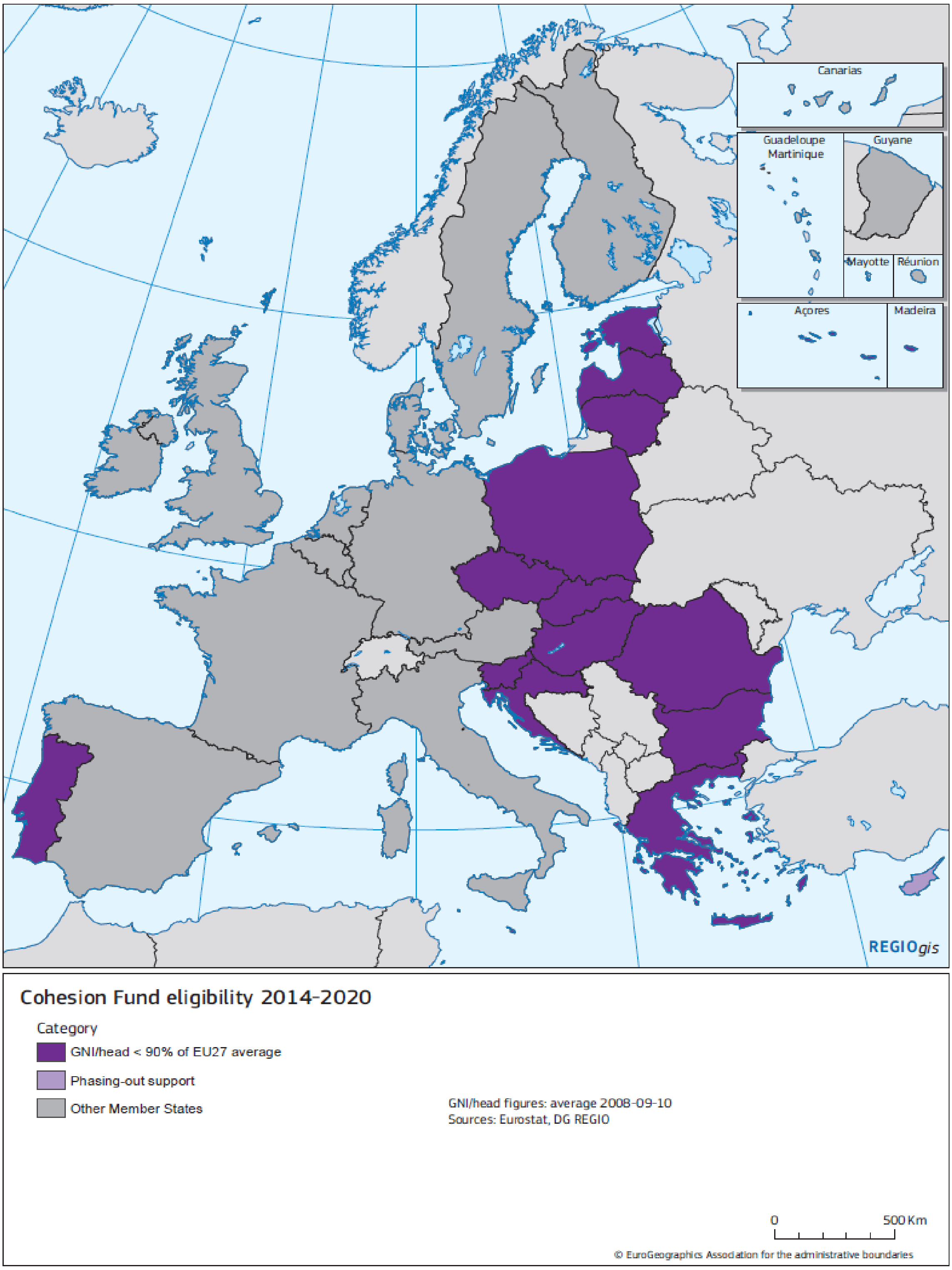


Source: *EPRC*

A final point to note concerning coverage is eligibility for the **Cohesion Fund**. Current coverage is shown in Map 3.5. The only change is that Cyprus would qualify in full for the Cohesion Fund post-2020, whereas in 2014-20 it has Phasing-out status. It is interesting to note that Commission proposals for the Cohesion Fund are based on 2014-26 GNI(PPS) per head data. In the past,

the data used have been for a year later (i.e. in this case 2015-17) reflecting the earlier availability of national statistics. The use of more recent data (2018 is available), would not affect eligibility in this instance.

Map 3.5: Cohesion Fund Eligibility 2014-20



Source: DG Regio.

3.3 Financial allocation mechanisms

The financial allocation mechanisms are described in Annex XXII to the 2018 Commission proposals. As mentioned, these mechanisms differ between policy strands and are treated separately in the discussion below.

3.3.1 Less Developed Regions

For the LDRs, the allocation formula comprises the following elements:

a) A ***regional allocation*** based on the 'gap' between GDP(PPS) *per capita* in the eligible regions and the EU average (see Table 3.2). The allocation (in euros) is calculated as percentage of this gap. The percentage applicable varies according to national prosperity.

Table 3.2: National prosperity coefficients 2014-20 and 2021-20 (MS with LDRs)

2014-20			2021-27		
GNI EU27=100	*Member State*	*Coeff (%)*	*GNI EU27_19=100*	*Member State*	*Coeff (%)*
<82	BG CZ EE LV LT HU PL PT RO SK HR	3.15	<82	BG EE LV LT HU PL PT RO SK HR EL	2.8
<99	EL SI	2.7	<99	CZ, ES, IT, SI	1.3
>99	ES FR IT UK	1.65	>99	FR	0.9

Note: *The thresholds for 2021-27 are calculated from GNI data for 2015-2017.*
Source: *Own calculations from Ameco online and Council Regulation (EC) No 1303/2013 'Common provisions regulation', OJ L347/320; Commission proposals for a new common provision Regulation, COM(2018)375.*

It is worth noting here that these thresholds are not only sensitive to changes in the data (they do not fall at 'natural breaks'), but also to changes over time. The most striking example is Slovenia where the coefficient would be 2.8 percent if either EU28 data or EU27_19 data for 2014-16 were used. The impact is all the more acute as Zahodna Slovenija would be a Transition region in a EU28 scenario, rather than an MDR.

b) An ***unemployment premium*** (€500 per head per annum) is added for each unemployed person in excess of the LDR average rate.

c) A ***youth unemployment premium*** (€500 per head per annum) is added for each unemployment person aged 15-24 in excess of the LDR average rate.

d) An ***educational attainment premium*** (€250 per head per annum) for each person needed to bring the region up to LDR average low education levels.

e) A ***climate change allocation*** of €1 per annum per tonne of CO_2 equivalent of the regional share[54] of the amount by which the Member State exceeds its 2030 GHG emission targets outside the emissions trading scheme.

f) A ***migration allocation*** €400 per year per annum applied to the regional population share of net migration from outside the EU to the Member State since January 2013.[55]

These allocations are complex to calculate, and the methodologies for climate change and migration are particularly uncertain. The Commission has estimated that overall the climate and migration criteria would account for one and three percent of the allocations respectively.[56] However, the methodology as set out in the proposal appears to result in much more significant sums.

3.3.2 Transition Regions

For the Transition Regions, the methodology is based on that for the LDRs, except that the ***regional allocation*** is calculated using a theoretical maximum and minimum amount per head per annum: [57]

- The *maximum* intensity assumes a region with GDP of 75 percent of the EU average and applies the LDR method outlined above, including the national prosperity coefficient (see Table 3.3); the maximum is 60 percent of this amount.

Table 3.3: National prosperity coefficients 2014-20 and 2021-20 (MS with TRs)

2014-20			2021-27		
GNI EU27=100	***Member State***	***Coeff (%)***	***GNI EU27_19=100***	***Member State***	***Coeff (%)***
<82	BG CZ EE MT PL PT	3.15	<82	BG EE PL PT GR	2.8
<99	GR CY	2.7	<99	CZ ES IT CY MT	1.3
>99	AT BE DK DE ES FI FR IE IT NL SE UK	1.65	>99	AT BE DK DE FI FR IE NL SE	0.9

Note: *The thresholds for 2021-27 are calculated from GNI data for 2015-2017.*
Source: *Own calculations from Ameco online and Council Regulation (EC) No 1303/2013 'Common provisions regulation', OJ L347/320; Commission proposals for a new common provision Regulation, COM(2018)375.*

- The *minimum* intensity is the 'initial average per capita aid intensity for all MDR regions', this being €18 per person per annum.

The *actual* aid intensity for each TR is calculated through a 'linear interpolation' of regional GDP per head from minimum to maximum. Thus the closer a region's per capita GDP is to the EU average, the closer the aid intensity of the TR will be to the MDR intensity. The ***premia and allocations*** mentioned in b) to f) in section 3.3.1 above also apply to TRs.

3.3.3 More Developed Regions

The methodology for the MDRs is based on an initial financial envelope set on a *per capita* basis - €18 per head of eligible population *per annum*. This yields an initial theoretical amount of €26.262 billion. This sum is distributed using the key in Table 3.4 below.

Table 3.4: Criteria and weightings for allocation of MDR funds

Criterion (share of each eligible region in each criterion)	Weight (%)
Total MDR population	**20.0**
Number of unemployed people in NUTS 2 regions with an unemployment rate above the average of all MDRs	**15.0**
Employment to be added to reach the average employment rate (age 20-64) of all MDRs	**20.0**
Number of people aged 30 to 34 with tertiary educational attainment to be added to reach average of all MDRs	**20.0**
Number of early leavers from education and training (aged 18 to 24) to be subtracted to reach the average of all MDRs	**15.0**
Difference between the GDP(PPS) of the region and the theoretical regional GDP if the region had the same GDP per head as the most prosperous NUTS 2 region	**7.5**
Population of NUTS 3 regions with a population density of below 12.5 inhabitants per km^2	**2.5**

Source: *Commission CPR proposal Annex XXII, para 4.*

The **climate change and migration allocations** are applied *after* the basic MDR amount is calculated.

3.3.4 Cohesion Fund

As for the 2014-20 MFF, for 2021-27 the Commission proposes an initial distribution of Cohesion Fund (CF) monies on the basis of a 'theoretical envelope'. This is calculated on the basis of €62.9 per annum per head of eligible population,[58] which in principle yields €55,287 million over 2021-27 (prior to capping and other adjustments).

The criteria for the distribution of the theoretical envelope across Member States are unchanged since 2007-13. This takes the form of an allocation key based on national shares of population and surface area, adjusted for prosperity.

While in in both 2007-13 and 2014-20, the Cohesion Fund was to account for a minimum of one-third of total Structural and Investment Fund allocations in EU12 countries, this is no longer a requirement for 2021-2027; conversely, for 2021-27, the Commission proposals cap the share of the Cohesion Fund at one-third of the total allocation at national level. The Commission argues that this is justified because many major infrastructure gaps have been addressed in previous periods, and the intention is to focus more on competitiveness-oriented spending under the ERDF/ESF.

3.3.5 *Outermost regions and northern sparsely-populated regions*

As in 2014-20, proposed 2012-27 allocations to the Outermost regions and the northern sparsely-populated regions are based on a per capita amount and are in addition to any allocation under the relevant designated area strand (i.e. LDR, TR, MDR). In 2014-20, this amounted to about €35 per head per annum (at 2018 prices). The Commission has proposed an allocation of €30 per head per annum for 2021-27; this is obviously below the intensity in 2014-20 (and substantially below that for 2007-13). This allocation applies to France, Portugal and Spain for the OMRs and regions in northern Sweden and Finland.

3.3.6 *European Territorial Cooperation*

Like the allocations to the More Developed Regions, allocation for European Territorial Development (ETC) is based on a weighted distribution key (see Table 3.5). This determines the allocation to cross-border, transnational and outermost region cooperation.

Table 3.5: Criteria and weightings for allocation of ETC funds

Criterion	Description	Weighting (%)
a)	Total population of all NUTS 3 land border regions and of other NUTS 3 regions of which at least half of the regional population lives within 25 km of the land border	36
b)	Population living within 25 km of the land borders	24
c)	Total population of the Member States	20
d)	Total population of all NUTS 3 regions along border coastlines and of other NUTS 3 regions of which at least half of the regional population lives within 25 km of the border coastlines	9.8
e)	Population living in the maritime border areas within 25 km of the border coastlines	6.5
f)	Total population of the Outermost Regions	3.7

Source: *Commission CPR proposal Annex XXII, para 8.*

The share of the **cross-border** component corresponds to the sum of the weights of criteria a) and b). The share of the **transnational** component corresponds to the sum of the weights of c), d) and e). The share of the **outermost regions'** cooperation corresponds to criterion f). The overall amount allocated to ETC is modest and runs to a total €8,430 million (2018 prices) for the 2021-27 period. However, these criteria are complex to calculate and the data to do so are not readily accessible.[59]

3.4 Capping, floors and ceilings

The allocations resulting from the above methodologies are subject to a series of adjustments. **The role of these adjustments is crucial.** For example, in 2014-20, Cohesion Policy allocations to eight central and eastern European countries was determined by GDP-related capping, rather than the allocation methodologies outlined above.

3.4.1 Capping

As in 2007-13 and 2014-21, the Commission proposes that 2021-27 Cohesion policy allocations will be subject to capping, expressed as a proportion of GDP. Capping was a major area of contention in 2014-20 – the Commission had proposed a general cap of 2.5 percent of GDP, but as this had the effect of enabling higher allocations to countries where there was higher growth, (arguably a perverse effect), a 'low growth' gap of 2.59 percent was introduced to compensate for this. For 2021-27, the Commission proposes a **return to country-specific capping** i.e. determined by GNI(PPS) per head. Where capping applies, it **reduces all transfers, except those to ETC and MDRs** – in other words, the allocations to LDRs, TRs and the Cohesion Fund are reduced proportionately to respect the cap.

Levels of capping proposed vary by GNI(PPS) per head as set out below (Table 3.6). Importantly, the published Commission methodology does not specify which year(s) should be used to determine the level of capping. In the calculations for this paper, the average of the period 2015-17 has been used, this being the same data as used to determine the national prosperity coefficient for the LDR and TR allocations and eligibility for the Cohesion Fund.

Table 3.6: Capping based on 2015-17 GNI(PPS) per head

Threshold	Member States	Cap
GNI(PPS) per head < 60% EU27	BG RO	2.3% of GDP
GNI(PPS) per head >60%, <65% EU27	HR	1.85% of GDP
GNI(PPS) per head >65% EU27	All others	1.55% of GDP

Source: *Commission CPR proposal Annex XXII, para 10; EPRC calculations from data in AMECO online.*

This is potentially an important issue since different years produce different outcomes, and directly affect maximum levels of allocations in the countries concerned. Table 3.7 shows clearly that, apart from Bulgaria, which is well below the 60 percent GNI(PPS) threshold across the period, allocations to the least prosperous countries are directly affected by quite arbitrary data choices in the period for which there is data.

Table 3.7: Fluctuations in GNI(PPS) per head

	2014	2015	2016	2017	2018
EU27_19	100.0	100.0	100.0	100.0	100.0
BG	46.9	46.8	48.9	50.3	50.6
HR	58.5	60.4	59.8	61.1	61.8
LV	63.9	64.6	64.9	66.8	69.0
RO	55.0	55.6	58.6	61.8	63.1

Source: *Commission CPR proposal Annex XXII, para 10; EPRC calculations from data in AMECO online.*

Based on 2015-17 GNI(PPS), all but three countries would be subject to the same cap - although most countries escape the cap altogether as the allocations that arise from the methodology do not reach such levels as a share of GDP.

Capping is calculated on an annual basis for the MFF. This means that the level of annual Cohesion Policy allocations **is directly affected by short and long-term growth forecasts**

produced by DG ECFIN. The latter are not published, as such, but made available to the *ad hoc* working party on the MFF. However, there is little information on how the calculations are done, potentially leading to discrepancies between the outcome produced for this paper and those of the Commission.

Capping was a major area of contention in 2014-20 – the Commission had proposed a general cap of 2.5 percent of GDP, but as this had the effect of enabling higher allocations to countries where there was higher growth, (arguably a perverse effect), a 'low growth' gap of 2.59 percent was introduced to compensate for this. As in the past, capping seems likely to be a controversial aspect of the negotiations, not least since it is this rather than actual allocation formula that can determine a Member State's Cohesion Policy receipts.

3.4.2 Ceilings ('reverse' safety net)

As in 2014-20, the Commission proposes that **national allocations are limited as a percentage of the previous period**. In 2014-20, this was set at 110 percent of previous allocations; for 2021-27, the Commission proposes to *reduce* this to 108 percent.

3.4.3 Prosperous country cap

A new proposal is that, for Member States with GNI exceeding 120 percent of the EU average, allocations should be capped at 2014-20 levels. However, the same issues arise as with capping; no year(s) are specified. On the basis of 2015-17 GNI data, this would apply to:

- Luxembourg
- Ireland
- Denmark
- Netherlands
- Austria
- Germany
- Sweden

3.4.4 National 'safety net'

Conversely, and again as in the past, the Commission proposes a **minimum national allocation compared to the previous period**. This is proposed as 76 percent of the 2014-20 allocation, *considerably higher than the 55 percent* applicable in 2014-20.

3.4.5 Regional 'safety net'

Similar to previous periods, the Commission proposes **special arrangements for regions losing LDR status**. As in 2014-20, this is set at 60 percent of their indicative annual allocation. However, an important issue is that *indicative allocations at regional level are never published by the*

Commission. Much of the uncertainty involved in replicating Commission calculations arises from the absence of information on allocations in the previous period, sometimes compounded by NUTS boundary changes. In the upcoming period, and based on the calculations for this paper, several countries / regions are affected (Table 3.8).

Table 3.8: Regions losing LDR status post 2020

MS	Region	New status (based on 2015-17 GDP(PPS) per head
BG	Yugozapaden	TRANS
CZ	Strední Cechy	TRANS
CZ	Jihozápad	TRANS
CZ	Jihovýchod	TRANS
EE	Eesti	TRANS
FR	Martinique	TRANS
LT	Sostines regionas	MDR
PL	Wielkopolskie	TRANS
PL	Dolnoslaskie	TRANS

Note: *Sostines regionas (LT) is a new NUTS 2 following the split of Lithuania into two NUTS 2 regions*
Source: *EPRC calculations based on Eurostat GDP(PPS) data for 2015-17.*

3.5 Outcomes

As already mentioned, the calculations based on recent data should be treated with considerable caution owing to uncertainties in the interpretation of the methodology. Nevertheless, it is interesting to observe some differences between the outcomes based on new data and the Commission proposals. These figures are replicated here for comparison with 2014-20 allocations and calculations based on updated data (Table 3.9 and Figure 3.3).

Outcomes that suggest an **increase** in funding among more prosperous Member States should be treated with especial caution. These seem most likely to arise from uncertainties in methodology for the migration and GHG criteria (notably France and Germany).

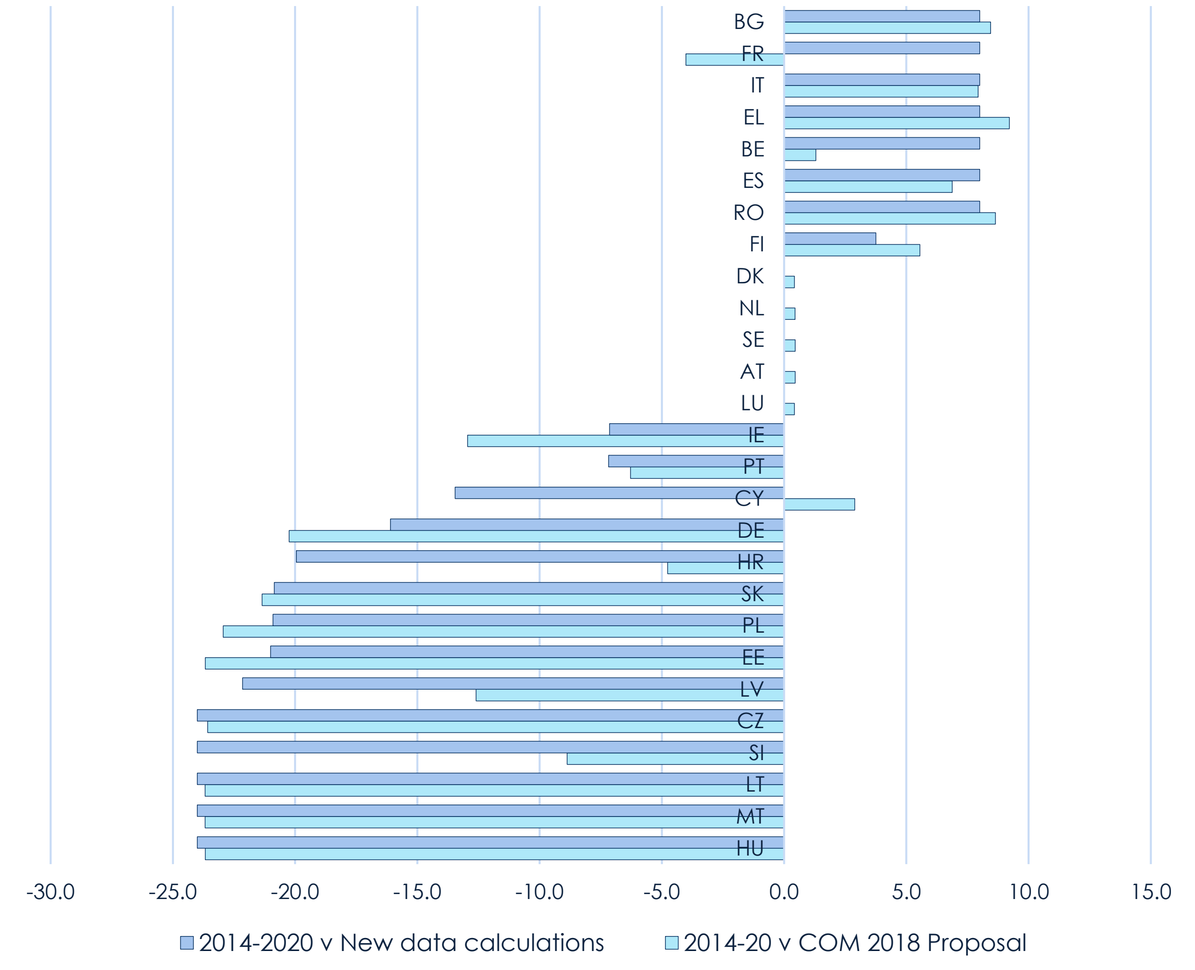
Table 3.9: Comparing past allocations and proposals (€m, 2018 prices)

	a) 2014-20 allocations	b) COM 2018 proposals 2021-27	c) 2021-27 based on 2015-17 data	a) 2014-20 v b) Com props	a) 2014-20 v c) 2021-27 based on 2015-17 data	b) Com props v c) 2021-27 based on 2015-17 data
	€m 2018 prices	€m 2018 prices	€m 2018 prices	% of 2014-20	% of 2014-20	% of Com props
BE	2412	2444	2605	1.3	8.0	6.6
BG	8234	8930	8893	8.4	8.0	-0.4
CZ	23354	17848	17749	-23.6	-24.0	-0.6
DK	571	574	571	0.4	0.0	-0.4
DE	19670	15688	16503	-20.2	-16.1	5.2
EE	3819	2915	3017	-23.7	-21.0	3.5
IE	1250	1088	1161	-12.9	-7.1	6.7
EL	17616	19239	19025	9.2	8.0	-1.1
ES	31818	34005	34363	6.9	8.0	1.1
FR	16693	16022	18029	-4.0	8.0	12.5
HR	9206	8768	7369	-4.8	-20.0	-15.9
IT	35727	38564	38586	7.9	8.0	0.1
CY	853	877	738	2.9	-13.5	-15.9
LV	4877	4262	3797	-12.6	-22.1	-10.9
LT	7394	5642	5619	-23.7	-24.0	-0.4
LU	65	65	65	0.4	0.0	-0.4
HU	23497	17934	17858	-23.7	-24.0	-0.4
MT	782	597	594	-23.7	-24.0	-0.4
NL	1435	1442	1435	0.4	0.0	-0.4
AT	1274	1280	1274	0.5	0.0	-0.5
PL	83571	64397	66098	-22.9	-20.9	2.6
PT	22590	21172	20969	-6.3	-7.2	-1.0
RO	25040	27204	27043	8.6	8.0	-0.6
SI	3372	3073	2563	-8.9	-24.0	-16.6
SK	14978	11780	11854	-21.4	-20.9	0.6
FI	1520	1605	1577	5.6	3.8	-1.7
SE	2131	2141	2131	0.5	0.0	-0.5

Source: *a) EPRC calculations from Commission Implementing Decision 2016/1941 using standard Cohesion policy deflator; b) Commission proposals for a CPR COM(2018) 375 final; c) EPRC calculations based on COM(2018) 375 final, ECA op cit for ETC and Eurostat and AMECO online data.*

Most striking are the reductions in **allocations for less prosperous countries, or those of middling prosperity.** These largely arise from two factors: first, the reduction in the national prosperity coefficient associated with different 'bands' of GNI(PPS) per head (see Table 3.2), resulting in lower allocations under LDR and TR, *even if levels of regional prosperity are substantially unchanged*; second, lower levels of capping as a proportion of GDP – this was previously 2.5 percent in general (2.59 percent for slower growing economies), but under the new proposals is 2.3 percent (for Bulgaria and Romania), 1.85 percent for Croatia and 1.55 percent elsewhere (see Table 3.6). Both of these factors appear to affect allocations to Croatia, Latvia and Slovenia, with the latter also affected by 'upgrading' of Zahodna Slovenija from TR to MDR status on the basis of new data.

Figure 3.3: 2014-20 allocations v Commission Proposals and new data outcomes (% change)



Source: *Table 3.9*

This in turn points to a wider issue about **the role of GNI(PPS) per head in the methodology**. This is used for several different purposes in the methodology, with different thresholds applicable for each, effectively resulting in seven different bands. Of key importance, however, is the volatility of those bands and the sensitivity of the calculations to small shifts over time. As noted earlier, some of these thresholds no longer correspond to natural breaks in the data (as they did at the origin of the Berlin formula).

Figure 3.4 illustrates the impact of choosing different time periods on different aspects of the methodology. Commission proposals are based on 2014-16, which, compared to 2015-17 and 2016-18, benefits Croatia, Latvia and Slovenia, but disadvantages Belgium.

Figure 3.4: Role of and shifts in GNI(PPS) thresholds in the Berlin methodology

	2014-16	2015-17	2016-18
BG	47.5	48.7	50.0
RO	56.4	58.7	61.2
HR	59.6	60.4	60.9
LV	64.5	65.4	66.9
HU	66.0	65.9	66.3
PL	66.4	66.9	67.6
EL	70.7	69.1	67.9
LT	73.6	74.0	75.4
EE	75.6	76.3	77.6
PT	76.1	75.9	75.7
SK	76.4	75.8	76.1
SI	81.4	82.0	84.0
CY	82.1	83.5	83.5
CZ	82.2	83.4	84.5
MT	88.2	89.2	89.7
ES	91.7	92.3	92.6
IT	97.3	97.4	97.7
FR	109.4	108.3	107.3
FI	112.1	111.2	110.5
BE	120.0	119.2	118.6
SE	127.0	125.5	123.6
DE	128.8	128.0	127.2
AT	130.5	129.0	128.2
NL	130.6	129.7	129.1
DK	132.5	131.8	131.0
IE	134.3	143.5	146.9
LU	180.7	180.7	178.6

KEY:

GNI <60% allocations capped at 2.3% of GDP
GNI <65% allocations capped at 1.85% of GDP
GNI <82% national prosperity coefficient 2.8%
GNI <90% eligible for Cohesion Fund
GNI<99% national prosperity coefficient 1.3 percent
GNI>120% allocations capped at 2014-20 levels

Source: EPRC calculations from AMECO online data, based on indications in Commission proposals for a CPR COM(2018) 375 final.

A final point to recall in this section is that the Commission had never before published the outcome of applying the methodology alongside its proposals. This may yet prove to be a source of regret now that the original ambitious timetable has elapsed and pressures for a reappraisal of regional disparities and their implications for financial allocations are growing. Inevitably, such recalculations produce both winners and losers, but also expose some of the sensitivities of the methodology to relatively small changes in the data, and to the impact of choices of threshold that may have been set to produce particular outcomes, but which, with updated data may produce perverse results.

4 COHESION POLICY REFORM AND PROGRAMMING

4.1 Member State reform positions and programming preparations

Over the 2018-29 period, Member States have been engaged in intensive negotiations at EU level on the 2021-27 Regulations for Cohesion Policy, as well as preparing the ground for the programming of the funds and future strategies.

In some cases, domestic consensus was already established in 2017 and 2018, limiting the need for major debates over the past year. For instance, the German authorities achieved a domestic consensus on all key negotiating issues in 2017 and early 2018, as embodied in the 2017 position paper and in the March 2018 federal government coalition agreement. The *2017 position paper*[60] marked an achievement of an early agreement with all federal ministries and Laender, allowing all authorities to work on the basis of a solid consensus. Moreover, this paper is seen by the BMWi as having set the agenda at EU level on a wide range of themes (including net payers, conditionalities, European semester, simplification), the European Commission having adopted a lot of its points in the draft regulations.

Further references regarding the future of Cohesion Policy were included in the legally and politically binding coalition agreement of the federal government[61] of 12 March 2018. While new position papers were produced over the past year, they do not represent the position of the German authorities or of the federal level (representing the position of the Bundesländer only). The German federal model facilitates efficient interaction between the national and subnational levels, which is beneficial for responding rapidly to the ongoing and often highly technical negotiations at EU level (Box 2).

In a similar vein, the position in Poland and, to an extent the Netherlands, have evolved in respose to ongoing negotiations at EU level, but the position papers from 2018 remain the key reference points. In the Netherlands, the 2018 positions is fixed and considered to remain valid with no substantial developments witnessed over the past year beyond the coordination of positions with other Member States on specific issues such as macro-economic conditionality with some some net payers.

Regional positions papers have been emerging on the reform and future priorities**.** In Italy, a position paper by the Italian Regions, through the 'Conferenza delle Regioni' in July 2019,[62] has been the main development in relation to the debate of post-2020 Cohesion Policy. A number of Spanish regions put forward an institutional position paper on both the reform of the trerritorial financing model and Cohesion Policy in Setpember 2018, while a joint position between all regions supported by the national ERDF MA had already been issued in Feburary

Box 2: Federal Coordination in Germany on Cohesion Policy reform 2021+

For Germany, the Federal Foreign Office (*Auswärtiges Amt*, AA) is formally leading on the MFF negotiations, but in general, they take a moderating role between different national interests, rather than taking a strong view themselves (except on issues such as the need for a 'modern budget'). The other key domestic players in the MFF negotiations are the Federal Finance Ministry (*Bundesministerium für Finanzen*, BMF), the Federal Chancellery (*Bundeskanzleramt*), and the Federal Ministry for Economic Affairs & Energy (*Bundesministerium für Wirtschaft und Energie*, BMWi) – each of which may different views on specific issues.

There is an **informal working group** in DE which is supporting/advising the BMWi team which is leading on the negotiations on the CP regulations post-2020. The group is made up of individuals from federal and Land ministries with particular expertise and interests, and aims to provide rapid feedback on a continuous basis. This informal working group is embedded in the wider coordination frameworks in Germany. BMWi's primary role in relation to Cohesion Policy involves **coordination with other federal ministries and Länder** (as e.g. it does not allocate or manage funding). Relations between BMWi and the Länder are good – and so the Länder are content for the BMWi to draw on the informal working group on a day-to-day basis.

This **coordinated approach** is seen to bring both disadvantages and benefits. One ***disadvantage*** is that, because the BMWi has to coordinate its position with other federal and Land authorities, they at times have less of a free hand in the EU-level negotiations than do lead-ministries from some other Member States. Another disadvantage is that it is not always easy to coordinate the heterogeneous interests of the different federal ministries and Laender. However, the ***benefit*** is that they seem to pick up on potential problems more quickly than do the lead negotiators of other Member States because they are continually consulting the federal sectoral ministries and the Laender (with most MA based in the Länder, apart from the MA of the federal ESF OP).

2018. In France, the 'Regions de France' group published a position paper on the Commission's investment guidance (Annex D). Hoewever, the group criticsed the lack of communication and involvement of French regions in the negotiations, led by the French government including CGET, and have mobilised other channels to influence the negotiations, including links to French MEPs and the Committee of the Regions. Policy positions from the Finnish regions were also tabled in early 2019.[63] As noted, the German Bundesrat - the second federal house of parliament, made up of representatives of the Bundeslaender - has issued various papers on the budget and draft fund regulations.[64]

The programming of the future 2021-27 strategies has gathered momentum at national and regional level with different speeds and levels of political and public engagement and debate.

- **Denmark.** The main focus of policy debate has been on the business promotion system concerning the changed management and implementation of the funds, but this has not involving discussion of how the funds should be used nationally or at EU-level.
- **Finland.** The Ministry of Economic Affairs and Employment (MA for ERDF and ESF) is leading the preparations for the next period in cooperation with the regional councils, centres for economic development, transport and the environment (ELY-centres) and other ministries and organisations (see Table 4.1). Programme drafting takes place both at the ministries and in the regions. The ELSA (south and west) and IP (east and north) regions have been working on separate but coordinated joint-proposals on the

key challenges, aims and possible measures for the future period, the first proposals having been submitted in April 2019. The OP preparations are coordinated by the Cohesion 2021+ working group, meeting monthly, which includes representatives from the regions, ministries and other organisations, and the Committee for Regional Renewal at the Ministry of Economic Affairs & Employment.

- **France**. Preparations for post-2020 programmes began in Spring 2019, with initial meetings with the Commission and the first domestic discussions on technical issues.

- **Italy.** The work on defining the content of the 2021-27 PA is being organised through a series of thematic working groups linked to the new Policy Objectives, which are expected to conclude in September 2019.

- **Portugal.** The reform debate has been high on the political agenda in Portugal as part of the process of defning the strategic approach to economic and social development over the next decade (Box 3). Developing the main priorities for the 'Portugal 2030' strategy has involved work by national Ministries as well as regional, sub-regional and local authorities. It is expected that this planning and programming phase, which is not yet focused on the finanical allocations, but rather on developing a socio-economic strategy will allow the Portuguese authorities to engage in informal dialogue with the Commission in 2019.

- **Sweden.** The regions were invited to submit proposals on future priorities to the Ministry of Enterprise & Innovation by end April 2019. Focusing on ESF, the government instructed the ESF-Council (the MA for ESF) to conduct an external analysis and propose preliminary priorities for ESF+ for 2021-27 by 1 October 2019, with a draft ESF programme expected by 1 April 2020. Further thinking is expected to take place throughout 2019 with the government presenting its strategic position on the PA in Autumn 2019.

Box 3: CP 2021+ reform debate in Portugal

Since the third quarter of 2017, the Portuguese Government, supported by the Agency for Development and Cohesion (AD&C), has promoted **consultations** with the main sectoral and territorial stakeholders, and organised a **roadshow** presenting the main guidelines and priorities for the economic and social strategy for the next decade (Portugal 2030). Resulting from this roadshow and political consultations, the Government and the main opposition party signed a **joint declaration** on the main priorities for the Portugal 2030 strategy and basic principles for the negotiation of the MFF 2021-27. After that, some sectoral preparatory steps had been taken, namely regarding the planning and strategic priorities concerning investments in infrastructures (transportation, urban mobility, environment, energy, agriculture) – the **National Investment Plan** was concluded by the Government at the beginning of 2019 and is being evaluated in the Parliament.

Work is underway to develop the programming of the Portugal 2030 strategic priorities. This work is done with Ministries as well as regional, subregional and local authorities. The planning phase has focused on developing a broad strategy for socio-economic development, which will allow the Portuguese authorities to engage in the informal dialogue with the European Commission. Other relevant processes under way that will feed into the strategic debate include decentralisation reform, the dialogue with Spain on the depopulation of the cross-border area, and the approval of the revised spatial policy and planning strategy (PNPOT).

Table 4.1: Finland: Timetable for the 2021-27 programming

Spring 2019	-Challenges in the operating environment -COM opinion on investment needs in Cohesion Policy (Feb 2019) -Setting of objectives -Preparation of specific objectives, supported activities and indicators -Preparation of the national legal framework -Preparation of the governance system
Autumn 2019	-Negotiation and preparation map to be agreed with COM (June 2019) -Government sets objectives, priorities and administration -Preparation of aid types and measures -Preparation of urban policy and local development -Unofficial negotations with the Commission
Spring 2020	-Government's decision on urban policy and local development -Preparation of aid types and measures -Preparation of the PA -Unofficial negotations with the Commission -Preparation of the governance system
Autumn 2020	-Financial agreement (EU and domestic) -Public consultation of the OP -Unofficial negotiations with the Commission -Approval of PA and OP to be submitted to the Commission -Preparation of the governance system -National legal framework done
Spring 2021	-Official negotations with the Commission -Preparation of the governance/IT system -Implementation of the OP

Source: Ministry of Economic Affairs and Employment (2019) Ohjelmakauden 2021-2027 valmistelun aikajana, EU:n alue- ja rakennepolitiikan kansallisen ohjelmatyön valmistelu, TEM/AKO

4.2 Preparations for programming 2021-27

European Commission guidance on future Cohesion Policy investment priorities and factors for effective delivery was published in February 2019 as part of the the European semster country reports, and country-specific recommendations were agreed by the Council in July 2019. Launch events on the Commisson guidance were organised in the Member States and the Commission requested roadmaps to be prepared on programmng plans by the Member States. According to the Commission, these plans foreee draft programming documents being sent to the Commission in the first half of 2020 with formal negotations taking place thereafer. The Commission's aim is to approve all PAs and programmes by the end of 2020. This deadline is regarded as ambitious by some Member States who do not anticipate programmes to be approved until spring 2021.

Table 4.2: Planned Programming timetable 2021-27

Programming milestone	Content	Date
Country Reports	Annex D sets out investment priorities and factors for effective delivery	27 Feb 2019
Country-specific recommendations	Proposed by Commission, adopted by Council	9 July 2019
Events launching programming	In the Member States	First half 2019
Programming Roadmap	Member States sent timetable to the Commission on programming plans / indicative timeframe	June-Aug 2019
Draft Programming documents	Draft PAs/OPs sent to Commission	Jan-June 2020
Formal programming documents	Formal submission of PAs/OPs	Second half 2020
Approval	Commission approval of PAs/OPs	End-2020

Source: own elaboration based on Marc Lemaitre presentation to REGI committee, 3.9.19

4.3 European Commission Investment Guidance

In February 2019, the European Commission published 'Investment Guidance on Cohesion Policy Funding 2021-27' for all Member States in an annex (D) to the Country Reports under the European Semester process. The aim is to provide a framework for dialogue on the future Partnership Agreemements and programme by presenting the preliminary views of the Commission services on policy objectives, priority investment areas and framework conditions for effective delivery of the 2021-2027 Cohesion Policy.

4.3.1 Policy Objectives

For 2021-27, a simplified and broader menu of five Policy Objectives is proposed to promote a Europe that is smarter (PO1), greener (PO2), more connected (PO3), more social (PO4) and closer to citizens (PO5). The Commission proposes varying levels of concentration ranging from a narrow focus on two Policy Objectives (DK, FI, IE, LU, SE) to all five objectives in less-developed countries with greater funding allocations. In between these two groups are the Netherlands (with three POs) and Austria and Germany (four POs).

Table 4.3: Policy objectives proposed by the Commission

PO1	PO2	PO3	PO4	PO5	Member States
✓			✓		DK, FI, IE, LU, SE
✓			✓	✓	NL
✓	✓		✓	✓	AT, DE
✓	✓	✓	✓	✓	BE, BG, CZ, CY, EE, EL, ES, FR, HU, HR, IT, LT, LV, MT, PL, PT, HR, RO, SI, SK

**Note: PO1 Smarter Europe; PO2 A Greener, Low-Carbon Europe; PO3 A more connected Europe; PO4 A more social Europe; PO5 A Europe closer to citizens*

Source: Own elaboration based on Country Reports (Annex D)

4.3.2 Improving the effectiveness of delivery

The Commission identifies a range of factors for effective delivery of policy objectives in the country reports. Beginning with **partnership**, the main recommendation in most reports is to ensure adequate participation and strengthened capacity of social partners, civil society and other relevant stakeholders in the delivery of policy objectives (AT, CY, DE, DK, BE, EE, EL, ES, FR, IE, IT, FI, HU, HR, LT, LV, PL, PT, RO, SE, SI, LU, NL, RO) including through public consultations (BG, IT, CZ).

In terms of **management and coordination,** a clear division of responsibilities in the programming, management and implementation cycle is highlighted (CY, EL, HR), including strategic coordination of programmes across themes and geographies (EL, PL). Stronger institutional coordination and collaboration between and within different levels is called for both gneerally and in evaluation (ES, HR). A review of the appropriateness of ESIF executive units in line Ministries is stressed in Greece, potentially revisiting their number, role and legislative context to ensure a uniform and streamlined approach. Other recommendatiosn include empowering regional MAs (EL) and regional AAs (FR). Streamlined regional procedures and a reduction in the number of programmes is also recommendated in France.

Additional efforts are needed to increase the **administrative capacity** necessary for effective administration and implementation of the Funds (BG, HR, SI). This can be done through the development of 'roadmaps on administrative capacity building' (CZ, ES, HU, PT, RO,LV,SI, SK), based on the pilot action on frontloading administrative capacity building (BG,HR, PL), or by implementing existing administrative strengthening plans (IT). Other capacity-building recommendatiions relate to the following.

- Increase capacity in management, audit and control bodies (BE, ES, FR, IT), evaluation (MT) IT systems (SI) and adequate resources to attract, retain and train staff (MT) or to manage OPs (IE).
- To ensure a timely and efficient delivery of territorial and urban integrated strategies through reinforced partnership (IT) and administrative capacity for regional and/or local public authorities (BG, FR, RO) and outermost regions (FR), and to improve the quality of public services' delivery in social, education and health sectors (RO).
- Strenghten capacity of intermediate bodies and beneficiaries to prepare and implement projects (EE, FI, LT, LV, MT, SI) or of authorities to deliver policies and strategies (BG). The latter includes smart specialisation strategies (SE), Public Employment Services (CY, PT) and training measures (MT). Increased capacity of beneficiaries is also hihglighted (HR, SK) in the rail sector and areas facing socioeconomic challenges (PL, RO) as well as waste, roads, education and health sectors (RO).

Simplification of prcedures and reduction of administrative burden is emphasised (HR, SI) for applicants and beneficiaries in particular (AT, BG, EE, HR, LT, PL, RO, SI, SK). This can be

achieved by reducing documentation or bureaucratic requirements in project selection (CY HR, LV, SI) and enhanced use of simplified costs options (RO).

Improved **public procurement procedures and performance** are stressed in many country reports (AT, BG, CZ, CY, DE, EE, EL, ES, HR, IE, MT, PL, RO, SI). Specific issues needing attention include

- weaknesses identified in the Single Market Scoreboard (AT,EL,PT,GR);
- low bids and single bidding (CZ, EE, EL, HU, RO, SI, SK) especially at local level (LT, LV);
- avoiding the use of contracts without prior calls (CZ) and procurement divided into lots (MT);
- improved efficiency, decision speed and capacity (BG, CY, HR, IT, SI, SK, IT);
- participation of SMEs (DE, IT);
- application of green criteria (CZ); and
- puttng into practrice a new domestic law on public contracts (ES)

Improved and more efficient measures are needed to prevent and address **conflicts of interest, fraud and corruption** (BG, CZ, CY, ES, FR, GR, HR, HU, LV, MT, PT, IT, RO, SI, SK). For Greece, the Commission proposed to complete the actions under economic adjustment programmes, including the staff selection, evaluation and mobility schemes; the electronic platforms for the management of state aids and public procurement; and the integration of the General Secretariat for Anti-Corruption in the Cohesion Funds' management system.

To learn the lessons from **strategic policy initiatives**, the Commission has called for account to be taken of the pilot project on industrial transition in a number of countries (BE, DE, FI, FR, IT, LT, PL, RO, SE, SI), particularly regarding the impact of new technologies, decarbonisation and the promotion of inclusive growth (DE, ES, FR, IT, RO, SE, SI). It also proposes improved spatial planning and project management, particularly within functional areas (PL), adoption of a national strategy to tackle inequalities and ageing (PT) and to take account of the Catching-up Regions Initiative (RO). Effective delivery of social objectives is through innovative actions, including social innovation and experimentation (BE, EE, FI, FR, HU, IE, LT, LU, LV), is also stressed by the Commission.

Finally, a broader use of **financial instruments and/or contribution to InvestEU** for revenue-generating and cost-saving activities is a common reccommendation in all of the country reports.

4.4 Reactions to European Commission Country Reports

Reactions to the Commission's Investment Guidance on Cohesion Policy Funding 2021-27 have generally been generally positive, although criticsm has also been made. On the positive

side, EoRPA countries view the proposed document as balanced (Portugal), sound (Germany), containing fitting and well-formulated thematic challenges (Netherlands), and providing a good starting point for an informal dialogue with the Commission about priorities of the next programming period (Portugal). The consistency with domestic priorities and the current ESF and ERDF programmes (Denmark), or with the recent domestic analytical exercises (Germany), was welcomed. For Portugal, an improvement compared to the 2014-20 programming exercise was the absence of a requirement to identify 'negative priorities' that should not be supported by ESI funds.

Notwithstanding these positive comments, a number of signficant criticsms were raised. The first is **a lack of responsiveness to Member State comments.** Poland noted that, although it participated in consultations with the Commission on the development of the Report, the final result was not what was expected. Similarly, Germany raised concerns with the specific wording and formulations, e.g. references to 'eastern regions', which it considers should refer to all structurally weak regions. While these issues were raised with the Commission, no changes were made to the Annex in response.

Second, there is **a lack of clarity over the status of the Annex.** While the Commission argues that it merely provides a starting point for discussion, there is uncertainty about its status and how binding it will be during the formal negotiations (Germany). More clarity is needed on whether OPs must be linked to the CSR themselves (adopted by the Council) or to the Annex (which is only a provisional Commissoin staff working paper).

A related concern is that **the proposed Policy Objectives are restrictive.** The question is whether the OPs will be able to fund interventions that are not mentioned in the Annex, and how much priority should be placed on the Policy Objectives (DE, FI, PL, PT, SE). For instance, while in Finland the exclusive focus on PO1 and PO4 is viewed as appropriate, there are also calls to have funding available for PO3 in order to allow some infrastructure investments in the east and north at least to allow the continuation of activities in the current period. Similarly, continued investments in the transport sector are seen as one of the important areas in Sweden, given the strong dependnece on foreign trade and well-functioning passenger and goods transport, the need for reduced emissions and transport efficient society that improves the mobility of labour, regional cohesion and the skills base of businesses.

Within the Policy Objectives, there are conerns about **important invetment priorities that are not identified** by the Commission. In Poland, these include a focus on large firms as well as SME start-ups, intra-regional and inter-regional transport infrastructure (including links to TEN-T), the accessibility of rolling stock for people, and strengthening the institutional capacity of public authorities. Similarly, Sweden argues that programmes should be able to address specific objectives that are not identified in the Commission analysis of PO1 (e.g. digitalisation) and PO2; and considers that references to Smart Specialisation are unclear, notably the link to the programme level is not well articulated to the geograpical level of delivery. Portugal has noted that while RIS3 continues to focus on innovation, science and enterprise support, this is

dispersed in Annex D, which contains only a generic reference to RIS3 under PO1 with no further elaboration.

The lack of a territorial dimension taillored to needs is another issue. While the country reports do include a stronger regional dimension than previously, including analysis of regional disparities, the Annex D guidance has a strong sectoral approach that is not adjusted to specific territorial contexts and challenges (Poland). For instance, the general recommendation to increase in the use of finanical instruments should be dependent on the real necessities of each Member State and response capacity from the business sector (Portugal). The distinction between 'urban' and 'rural' under PO5 is also a concern in Portugal, as this typology (rather, dichotomy) is viewed as lacking a consideration of the national reality, where there is no 'only urban' and 'only rural' dimension. The necessity to make a clear distinction between 'urban' and 'rural' (and specific objectives for each dimension) is problematic for important territorial policy issues, e.g. the development of so-called low-density territories. Sweden underlined the importance of a bottom-up process in determining the priorities as as it is a large country with diverse regional needs and opportunities (especially in the sparsely populated areas). Regions de France have expressed concerns about responsibilities to implement funds under PO4, and have argued for the need to maintain territorial focus of ESF.

Finally, **a more cross-cutting approach** is called for in certain investment areas**.** Portugal considers that the Commission's vision of a circular economy is not transversal, being very linked to PO2. It considers that it should be approached in a more horinzontal way and have applicability also under PO3 and PO1, although this is not viewed as a major obstacle, but rather a difference of tone. According to Tillväxtverket (Sweden), programmes should address climate change challenges through measures under PO1 (innovation and business development) and PO3 (rail, ports, public transport). In addition, PO2 can be relevant if there is a clear investment need that the ERDF can address through PO2.

5 CONCLUSIONS

There has rarely been a more complex, uncertain and potentially protracted reform of the MFF than the budget and policy negotiations for 2021-27.

First, **the EU is still enmeshed in the process of adapting to the UK leaving the Union**. The loss of UK budget contributions, combined with new spending priorities, has constrained options for the MFF and presented EU27 Member States with unpalatable consequences for their net balances. The Withdrawal Agreement is clearly only the first stage in reshaping EU-UK economic and political relations. The inability to conclude a Free Trade Agreement by the end of the transition period would cause disruption to trade and investment, mostly for the UK but also for the EU27 especially Ireland. In the medium term, the EU27 will need to come to terms with the loss of one of its major Member States with possible divergence in economic, taxation, employment and other policies. There may be a need for emergency financial aid for those countries/regions most affected by Brexit.

Second, **the election of a new European Commission President and appointment of new Commissioners, together with a new European Parliament, introduce new dynamics** into policy and budgetary planning. The Political Guidelines of President Ursula van der Leyen, and her subsequent agenda, demonstrate similar political activism to that of the previous Commission, evident in the proposals for major new regulatory and budgetary commitments e.g. for the Green Deal. These are associated with additional spending (within and outside the MFF) and a redirection of funding for the currently proposed priorities. In the European Parliament, the centre left and centre right parties have lost their majority for the first time in 40 years, with seats going to green, nationalist and far-right parties. The greater attention being given to the climate crisis is evidence of the shift in parliamentary priorities.

For Cohesion Policy, the Political Guidelines suggest that the trend towards prioritising sectoral policy objectives will continue. The Guidelines propose measures to deal with job loss and poverty, and there is explicit recognition of the unequal impacts of the energy transition in the creation of a new Just Transition Mechanism to support people and regions affected by the energy transition. The importance of investment to safeguard the vitality of rural areas is also recognised. However, there is little mention of the wider challenges of territorial inequality in Europe, and the central role of Cohesion Policy in dealing with regional challenges. In the longer term, the renewed commitment to a Convergence and Competitiveness Instrument for the Eurozone has implications for the sustainability of Cohesion Policy.

A third feature is more typical of previous MFF negotiations: **the big gap between Member State positions on the resources proposed for the MFF and how they should be allocated**. A reduction in the level of commitments in the MFF to 1.0 percent of EU27 GNI would imply cuts of more than €100 billion, while increasing the commitment level to 1.3 percent of GNI would require almost €200 bn of additional funding. At present, the direction of travel appears to be in cuts of 5-10 percent in the Commission proposals, although there is as yet no consensus;

indeed at time of writing it is unclear whether a European Council under the Croatian Presidency will take place. There is clearly a risk that a sizeable share of any cuts would fall on the 'Cohesion and Values' heading. A further complication is the proposed Just Transition Fund that will need to be accommodated, with at least some of the funding coming from Cohesion Policy.

There is an additional problem facing the allocation of Cohesion Policy resources. Application of the lastest data to the allocation formula – which some Member States prefer to avoid and the results of which have not been released by the Commission - changes the distribution of resources to Member States. Some would be due more and some less compared to the figures published by the Commission in May 2018. The EPRC calculations in Section 3 (which should be regarded as indicative) suggest that the scale of gains and losses for individual Member States could be significant in both directions compared to the Commission's 2018 figures.

Turning to the implementation of Cohesion Policy in the 2021-27, the major concern is that agreement on the budget and regulatory package may not be achieved until late 2020 with – yet again – a delayed start to the new programme period. Once more, there may be an investment gap between the current programmes ending and the new ones being launched, as well as constant pressures to spend more quickly.

More positive was the progress made with the regulations under the Bulgarian, Austrian, Romanian and Finnish Presidencies, where Council working groups finalised the (partial) mandates for negotiations with the European Parliament on the Common Provisions Regulation, the ERDF/Cohesion Fund Regulation, the ESF+ Regulation and the Interreg Regulation. Inter-institutional negotiations have not been straightforward with more detailed scrutiny by the Parliament than may have been anticipated.

Taking a step back from the detail of the recent reform negotiations, the strategic focus of Member States is primarily on their net balances, as in previous MFF debates. In this respect, the language and tone of the debate suggests that some national and EU actors appear to have learned little from the past. At a time when the EU is struggling to (re)connect with citizens, the media narrative is one dominated by national leaders criticisng the perceived unfairness of the EU. More broadly, for those concerned about terrrtorial inequality and the 'geography of discontent' in Europe, it must be profoundly depressing to see some Commissioners and officials hail the reduction in Cohesion Policy spending as a positive step.

In this context, it is interesting that the Just Transition Mechanism explicity recognises the 'significant challenge to some territories' involving economic restructuring, new business models and new skills requirements which have to be addressed in a way that 'leaves no one behind'. This is clearly welcome but it begs the question of why the EU has not given the same prominence to the other 'transitions' affecting EU regions with similarly profound economic and social consequences. In both designing and negotiating the MFF, the EU has arguably missed a huge opportunity to put the goal of cohesion centre stage, respond to poltiical

alienation, and demonstrate that a central purpose of the Union, its institutions and policies is to address both territorial and social inequality, and that citizens *wherever they live* will not be left behind.

Notes

[1] European Commission (2020) *A Union that strives for more – Commission Work Programme 2020*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 29.1.2020 COM(2020) 37 final.

[2] Note that the paper was written substantially in September 2019 and generally reflects the positions of the MFF and Cohesion Policy reform process at that date.

[3] The paper builds on the detailed analysis of the MFF and Cohesion Policy proposals from the Commission in: Bachtler J, Mendez C and Wishlade F (2018) Proposals for the MFF and Cohesion Policy 2021-27: pragmatic drift or paradigmatic shift? *EoRPA Paper* 18/5, European Policies Research Centre, University of Strathclyde, Glasgow and Technical University of Delft.

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[15] European Council (2019b) *Strategic Agenda 2019-2024 – Outline*, Leaders' Agenda, European Council, 9 May 2019.

[16] *Sustainable Europe – Sustainable Future, Finland's Presidency Programme,* Presidency of the Council of the European Union 1 July – 31 December 2019.

[17] *Multiannual Financial Framework 2021–2027*, Paper submitted by Finland's Presidency , October European Council (unpublished)

[18] Interestingly, an earlier version of the Finnish Presidency paper (dated 7 October rather than 11 October 2019) was more specific : "Balancing the proposed decrease between Cohesion and CAP, so that both policies would face a similar level of decrease compared to the current MFF" https://www.euractiv.com/wp-content/uploads/sites/2/2019/10/MFF-state-of-play.pdf

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[53] Some of these uncertainties may be clarified in the large number of 'fiches' addressed to members of various Council working parties, but these are not routinely made available beyond policymakers circles.

[54] Calculated using regional shares of national population applied to emissions targets, rather than as regional GHG targets.

[55] As for the climate change allocation, this is appears to be calculated using regional shares of national population, rather than requiring regional net migration data.

[56] Cohesion Policy 2021-27: http://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/fcp2020Demyo/Documents/CP_2021-27_Madrid_21.6.18.pdf

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EoRPA RESEARCH

This report has been prepared by the European Policies Research Centre (EPRC) under the aegis of EoRPA (European Regional Policy Research Consortium), which is a grouping of national government authorities from countries across Europe. The Consortium provides sponsorship for EPRC to undertake regular monitoring and comparative analysis of the regional policies of European countries and the inter-relationships with EU Cohesion and Competition policies. Over the past year, EoRPA members have comprised the following partners:

Austria

- Bundesministerium für Nachhaltigkeit und Tourismus (Ministry for Sustainability and Tourism), Vienna

Finland

- Työ- ja elinkeinoministeriö (Ministry of Economic Affairs and Employment), Helsinki

France

- Commissariat Général à l'Egalité des territoires (General Commissariat for Territorial Equality, CGET), Paris (membership renewal pending)

Germany

- Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy), Berlin
- Niedersächsisches Ministerium für Wirtschaft, Arbeit, Verkehr und Digitalisierung (Lower Saxony Ministry for Economic Affairs, Employment, Transport and Digitalisation), Lower Saxony

Italy

- Agenzia per la Coesione Territoriale (Agency for Territorial Cohesion), Rome

Netherlands

- Ministerie van Economische Zaken en Klimaat (Ministry of Economic Affairs and Climate Policy), The Hague

Norway

- Kommunal- og moderniseringsdepartementet (Ministry of Local Government and Modernisation), Oslo

Poland

- Ministerstwo Inwestycji i Rozwoju (Ministry of Investment and Economic Development), Warsaw

Portugal

- Agência para o Desenvolvimento e Coesão (Agency for Development and Cohesion), Lisbon

Sweden

- Näringsdepartementet (Ministry of Enterprise and Innovation), Stockholm

Switzerland

- Staatssekretariat für Wirtschaft (SECO, State Secretariat for Economic Affairs), Bern

United Kingdom

- Department for Business, Energy & Industrial Strategy, London
- Scottish Government, Glasgow

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