



OPTIONS AND IDEAS FOR POST-2020 COHESION POLICY

IQ-Net Round Table with DG REGIO, Brussels, 14 June 2016

The aim of the IQ-Net meeting in Brussels was to facilitate a discussion among IQ-Net partners and the European Commission on future options for Cohesion policy after 2020. The discussion was based on an IQ-Net Briefing Paper, which reviewed the current state of the debate on the reform of Cohesion policy and setting out a selective list of key issues and questions based on the interests expressed by IQ-Net partners.

Walter Defaa (Director-General of DG REGIO) opened the meeting and provided a Commission perspective on the future challenges for Cohesion policy and an overview of the anticipated reform process. Professor John Bachtler (Director of IQ-Net) provided a brief presentation of the IQ-Net paper and set out a selective list of key questions to guide the round table discussion structured into two rounds of strategic and governance/implementation questions. The following note summarises the main points from the two rounds of discussion.

Round 1: Strategic questions

- ***What should be the principal objectives and role of Cohesion policy after 2020?***
- ***What is an appropriate balance between aligning Cohesion policy with wider EU objectives and ensuring a territorial focus?***
- ***How can the principle of thematic concentration be applied better in practice? How might more flexibility be introduced without leading to fragmentation of interventions?***

There is strong support for reaffirming the role of Cohesion policy as a long-term regional development policy but mixed views on the tensions with competitiveness/Europe 2020 goals. Some IQ-Net partners and the Commission consider the competitiveness and cohesion objectives to be mutually reinforcing and complementary rather than conflicting. For instance, within the Europe 2020 framework there is scope to promote both cohesion and competitiveness through smart specialisation tailored to regional needs, to foster linkages between capital regions and lagging regions and by earmarking funding to lagging regions. It was also considered appropriate to integrate Cohesion policy within the framework of the European semester and Country-specific Recommendations, not least because of the interests in ensuring that Cohesion policy supports supply-side reforms.

On the other hand, some IQ-Net partners consider that the competitiveness drive and integration of Cohesion policy in the European semester can detract from cohesion/solidarity and regional development objectives by increasing the thematic and financial targeting of priorities that are less suited to less-developed regions, shifting funding to more-developed areas/regions and by converting the policy into a compliance tool for other EU goals.

The participants highlighted a range of dimensions of added value in Cohesion policy compared to other EU policies including: the convergence/cohesion rationale; the long-term planning framework; multilevel and integrated governance; and conditionalities that improve public administrative processes. These dimensions of added value are considered to provide an important contribution to Europe 2020 goals but there are unanswered questions about the contribution of other EU policies to cohesion (such as monetary policy), which may hinder convergence dynamics in lagging regions.

Strong support was expressed for thematic concentration but with greater flexibility to address domestic/territorial needs and absorption challenges. This could involve fewer restrictions from the Commission on interventions within Thematic Objectives, reducing the number of ring-fencing targets and greater freedom to allocate funding to objectives that are not part of the Europe 2020 Thematic Objectives or allowing more concentration on a narrower range of priorities where funding is limited. By contrast, the Commission considered that the thematic concentration constraints are overstated given the relevance of the Thematic Objectives for growth and jobs in both less-developed and more-developed regions and the inherent flexibility in smart specialisation to tailor objectives to needs. One option could be to use the ESF approach for ring-fencing under ERDF, allowing more flexibility for Member States to focus on a subset of investment priorities, but this would have been a problem for countries that want to fund all Thematic Objectives.

More flexibility could also be applied to the programming of strategies and programmes. This could involve eliminating the Partnership Agreement or providing less detailed information on implementation details. Alternatively, the intervention logic of programmes could be simplified by omitting specific objectives and focussing on investment priorities or by restructuring/reducing the number of intervention priorities. It is also necessary to acknowledge the scale of funding relative to domestic development expenditure to provide a credible and realistic intervention logic in Partnership Agreement and programmes.

Round 2: Governance and implementation questions

- ***Which aspects of the current attribution of responsibilities between the Commission and the Member States should be modified to ensure a more clear-cut and effective separation of tasks and responsibilities?***
- ***What differentiated management and implementation arrangements could be introduced to take account of the different institutional contexts, administrative requirements and scale of funding?***
- ***What are the priorities for improving legal certainty, flexibility and less prescription in ESIF rules after 2020?***
- ***What changes need to be made to the performance framework and results-orientation to make them more efficient and effective to manage in practice?***

In developing reform proposals for the post-2020 period, the use of a HLG – as was done during the previous reform and currently on the topic of simplification – was considered useful to ensure Member State input and ownership of reform proposals and to provide a forum for strategic discussion. Timely approval of the Regulations should be a key priority to ease implementation. The late arrival of the final CPR in 2013 created challenges especially concerning IT system requirements. Regulatory negotiations could distinguish between technical processes prepared well in advance and policy content issues, which could be negotiated later.

There is widespread criticism about the complexity of the regulatory framework and the need for simplification involving fewer, clearer and less burdensome rules. Simplification should not only focus on beneficiaries but also managing authorities. State aid and procurement rules were highlighted as an area in need of simplification. Harmonisation of rules across different Funds could simplify implementation and facilitate integrated delivery. However, it is also recognised that different Funds have different objectives and target sectors/groups, and that regulatory harmonisation requires a lot of momentum behind it in advance. Moreover, coordination is inherently difficult to achieve in practice due to institutional structures and divisions across governmental levels.

Financial management, audit and control are considered to be particularly demanding. The new designation procedure has taken longer than expected, holding back intermediate payments and involving disproportionate use of staff resources. Part of the problem is that audit authorities have often adopted a stricter approach to compliance than necessary based on different interpretations of rules to MAs and with limited ability to appeal decisions. Difficulties were noted with respect to the designation of intermediate bodies and the excessive volume of information that needed to be provided (e.g. anti-corruption reports, even where standards are high).

A better balance between the focus on audit and performance was repeatedly stressed. However, the Commission noted that it is difficult to change the audit system and pressures associated with the error rate because of Treaty obligations and discharge responsibilities. That said, the error rate has fallen considerably in recent years as the Member States have built up capacity. One proposal that could improve the system is for the ECA to change its audit methodology to recognise that audit risks are reduced after audit activity by Member States during the implementation period.

Radical changes to shared management would be disruptive and unlikely. Current proposals – such as budget transfers involving conditional grants – have not proven to be effective in supporting

structural change and policy effectiveness, e.g. based on accession country experiences. In this context, incremental reforms should focus on developing:

- Legal certainty through clearer rules and fewer changes to rules. There is always an element of judgement involved in making decisions (e.g. on the scale of financial corrections) and uncertainty about whether auditors will make the same judgement later which reduces confidence and trust. Involving auditors from the outset could be useful in this respect. It is difficult to have trust without back up through controls.
- Proportionality especially where large amounts of own resource have to be invested to manage small amounts of funding. The volume of controls is considered excessive.
- Differentiation could provide a solution but no specific proposals have been made beyond the need for objective criteria (e.g. relating to risk, funding).

Turning to the performance framework and results orientation, a long-term perspective is needed because impacts can only be seen in the long term. Targets set in performance frameworks can be problematic because of changes in the policy environment. There are also challenges with reporting on performance. It is burdensome for MAs to report on the contribution of programmes to a large and increased number of objectives. Further, delays in implementation mean that the first implementation reports in 2016 will focus on compliance progress because there are limited achievements to report are a political difficulty for presenting the case for a strong Cohesion policy during the mid-term EU budget review.

Financial instruments have a role to play and evidence-based decisions are necessary (e.g. ex-ante studies) but need to recognise the need for balance and that other options may be an effective way to deliver programmes (e.g. combining grants and FIs).

Capacity building is needed at EU, national and local levels. There are huge variations in capacity to manage funds and practice and there is a need to prepare public administration 2-3 years in advance of a new period.