European Commission

EU Budget for the future

Cohesion Policy 2021-27

Madrid, 21 June 2018

#CohesionPolicy
#EUinmyRegion

Key themes

Modern

- Focus on smart, low carbon
- Enabling conditions, link to Semester

Simple & flexible

- 50% shorter regulations
- 50 key simplifications
- Adapts to emerging needs (migration, economy)

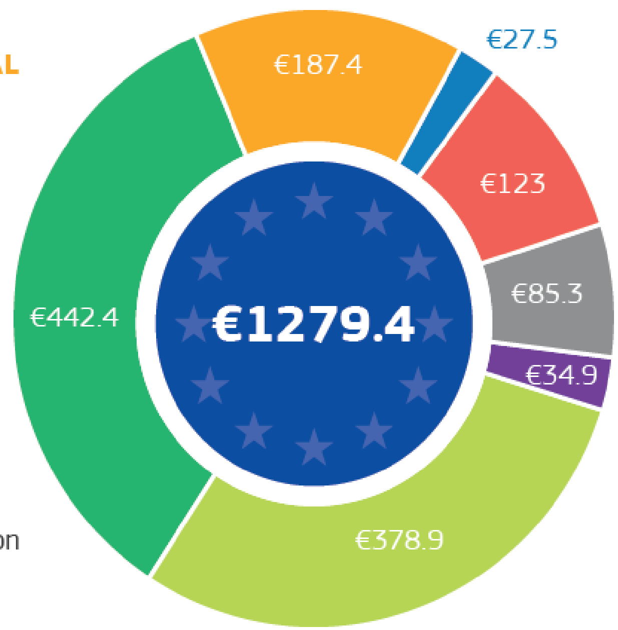
For all regions

- Objective method
- 75% for poorest regions
- Present for emerging needs elsewhere

Allocations

Cohesion Policy within the new MFF

In billion euro, current prices



I. SINGLE MARKET, INNOVATION AND DIGITAL
€187.4

1 Research and Innovation
2 European Strategic Investments
3 Single Market
4 Space

II. COHESION AND VALUES
€442.4

5 Regional Development and Cohesion
6 Economic and Monetary Union
7 Investing in People, Social Cohesion and Values

III. NATURAL RESOURCES AND ENVIRONMENT
€378.9

8 Agriculture and Maritime Policy
9 Environment and Climate Action

IV. MIGRATION AND BORDER MANAGEMENT
€34.9

10 Migration
11 Border Management

V. SECURITY AND DEFENCE
€27.5

12 Security
13 Defence
14 Crisis Response

VI. NEIGHBOURHOOD AND THE WORLD
€123

15 External Action
16 Pre-Accession Assistance

VII. EUROPEAN PUBLIC ADMINISTRATION
€85.3

17 European Public Administration

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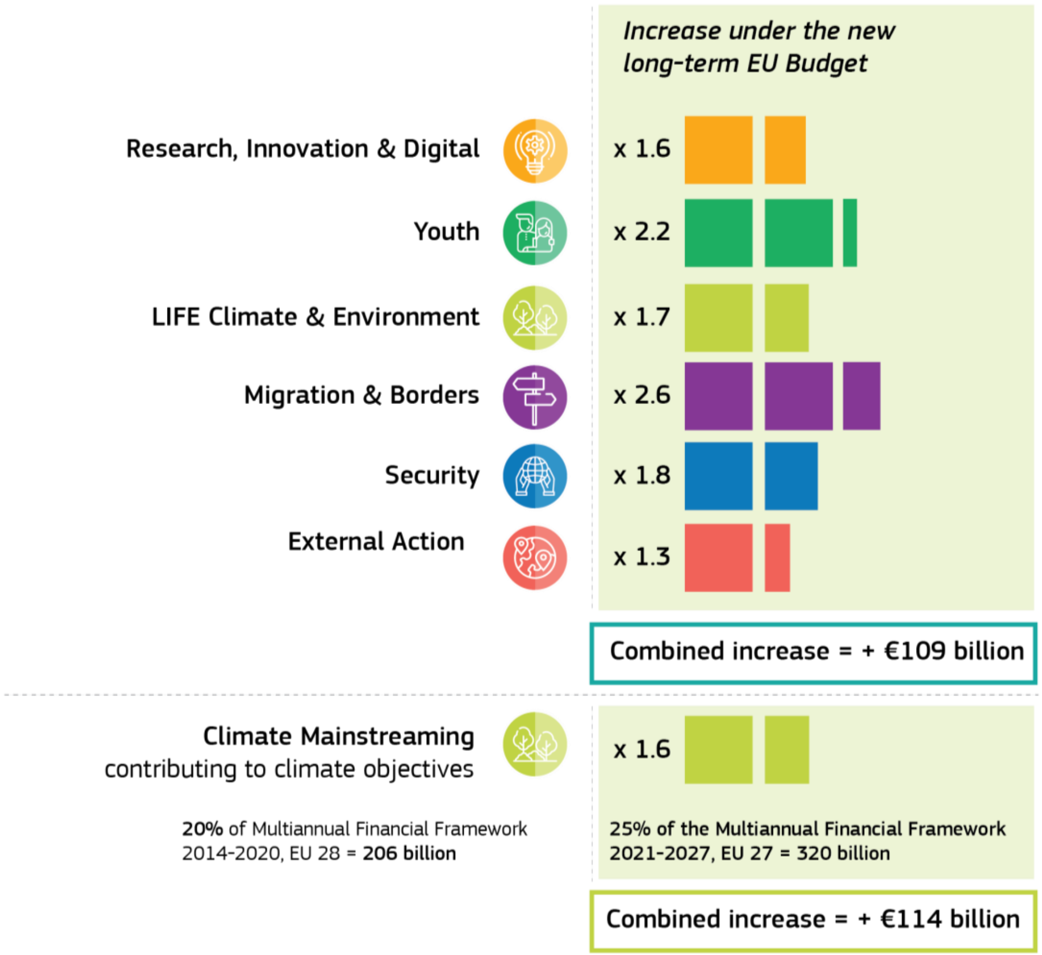
MFF priorities



Note: Compared to MFF 2014-2020 at EU-27 (including European Development Fund)

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How are Cohesion Policy allocations set?

The revised 'Berlin method'

	2014-2020	**2021-2027**
GDP (incl. GNI for Cohesion Fund)	86%	81%
Labour market, education, demographics	14%	15%
Climate	-	1%
Migration	-	3%
Total	*100%*	*100%*

Labour market: unemployment rate, youth unemployment rate, employment rate

Education: early school leavers, tertiary level of education, low level of education

Demographics: population of regions, low density of population

Climate: Greenhouse gas emissions in the non-ESD sectors

Migration: Net migration of non-EU citizens

⇒ *In addition, caps and safety nets apply to 17 MS (but not to ES or PT)*

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FONDOS DE COHESIÓN 2021-2027

En miles de millones de euros

	2014-20	2021-27	Variación (%)
Hungría	23,6	17,9	–24
Lituania	7,4	5,6	–24
Estonia	3,8	2,9	–24
Rep. Checa	23,5	17,8	–24
Malta	0,8	0,6	–24
Polonia	83,9	64,4	–23
Eslovaquia	15,1	11,8	–22
Alemania	19,8	15,7	–21
Letonia	4,9	4,3	–13
Irlanda	1,2	1,1	–13
Eslovenia	3,4	3,1	–9
Portugal	22,8	21,2	–7
Croacia	9,3	8,8	–6
Francia	16,9	16,0	–5
Luxemburgo	0,1	0,1	0
Austria	1,3	1,3	0
Holanda	1,4	1,4	0
Bélgica	2,4	2,4	0
Suecia	2,1	2,1	0
Dinamarca	0,6	0,6	0
Chipre	0,9	0,9	+2
España	32,4	34,0	+5
Finlandia	1,5	1,6	+5
Italia	36,2	38,6	+6
Grecia	17,8	19,2	+8
Bulgaria	8,3	8,9	+8
Rumania	25,2	27,2	+8
UE 27	367,0	331,0	–9,9

Fuente: Comisión Europea. EL PAÍS

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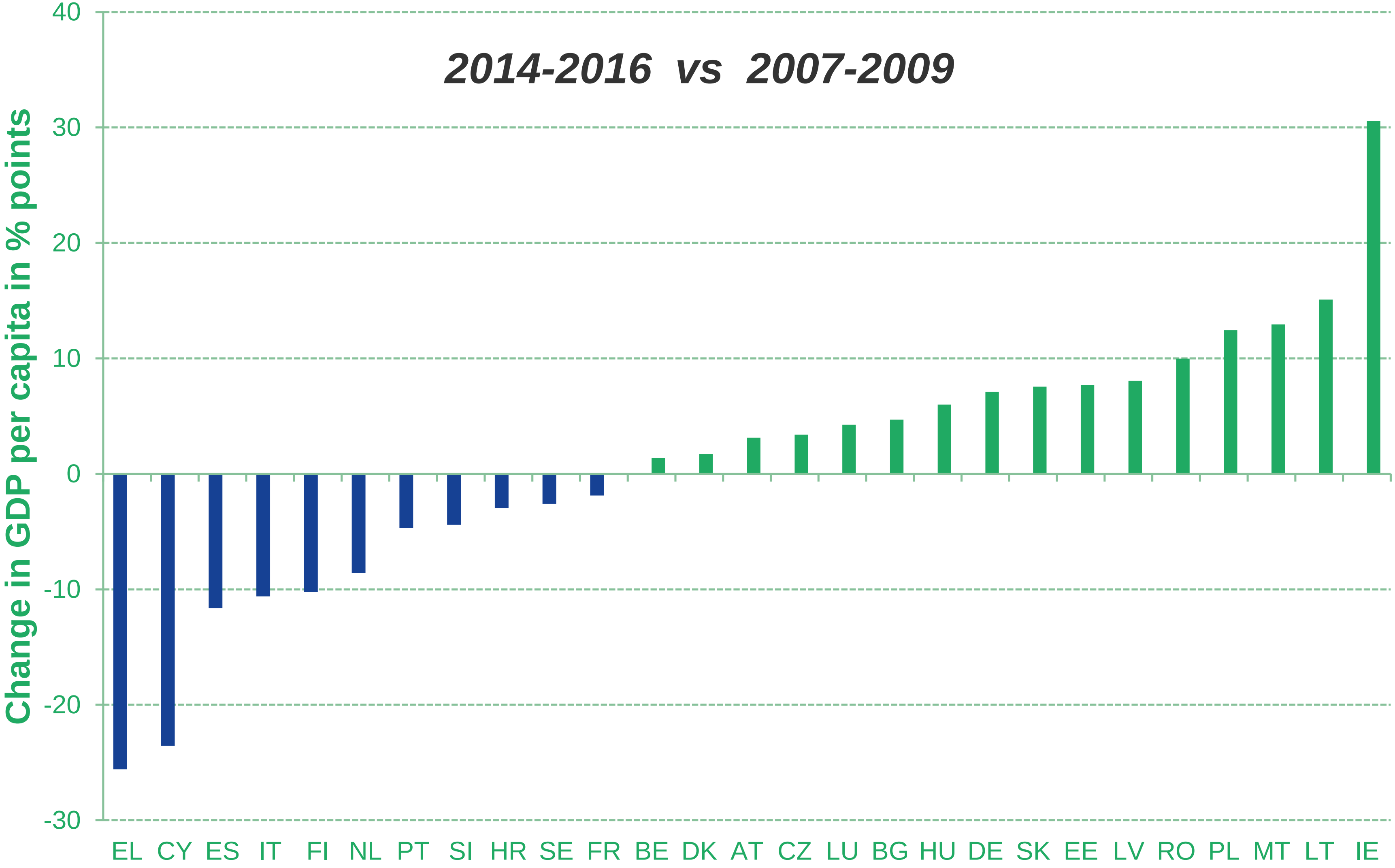
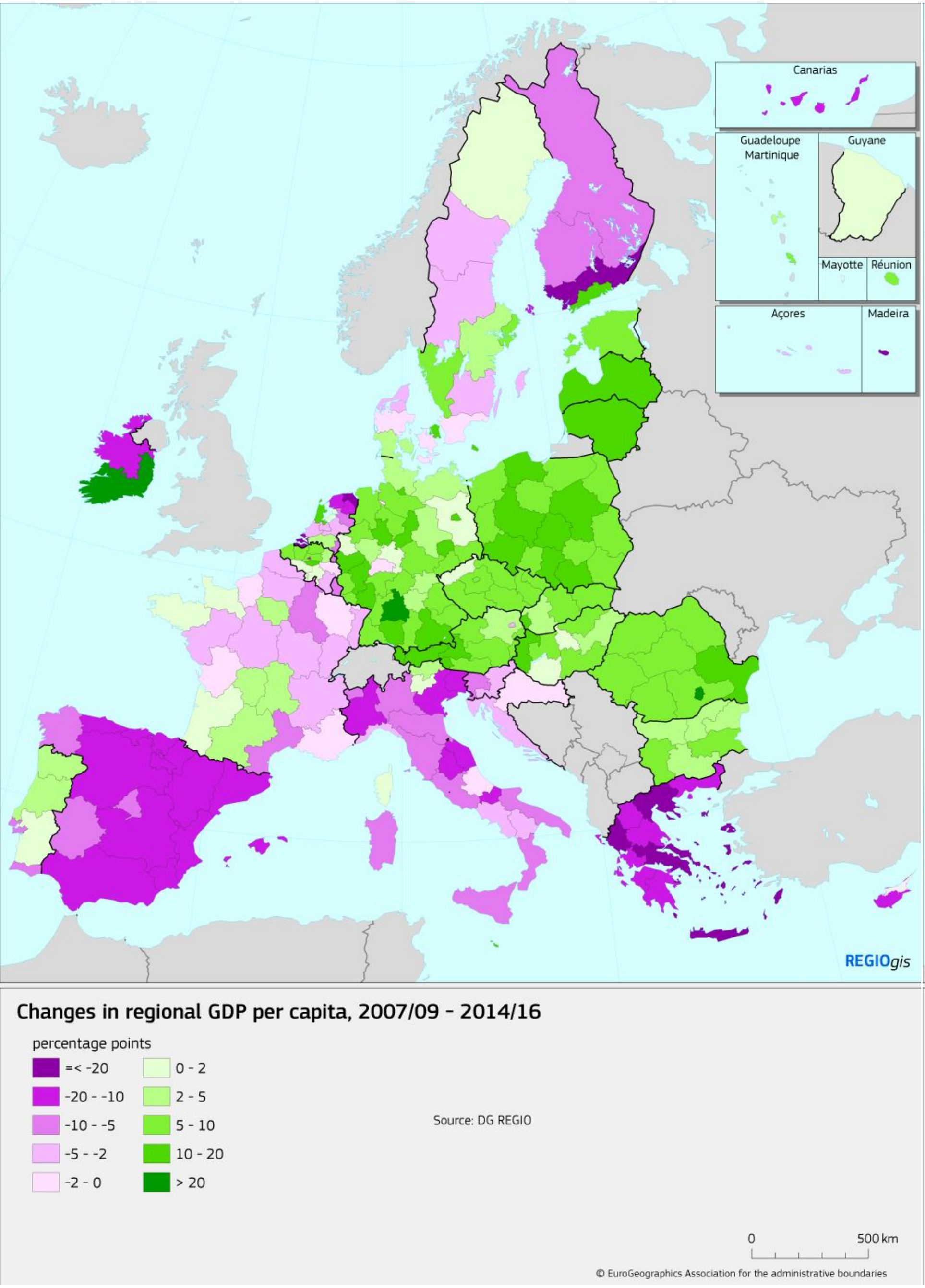
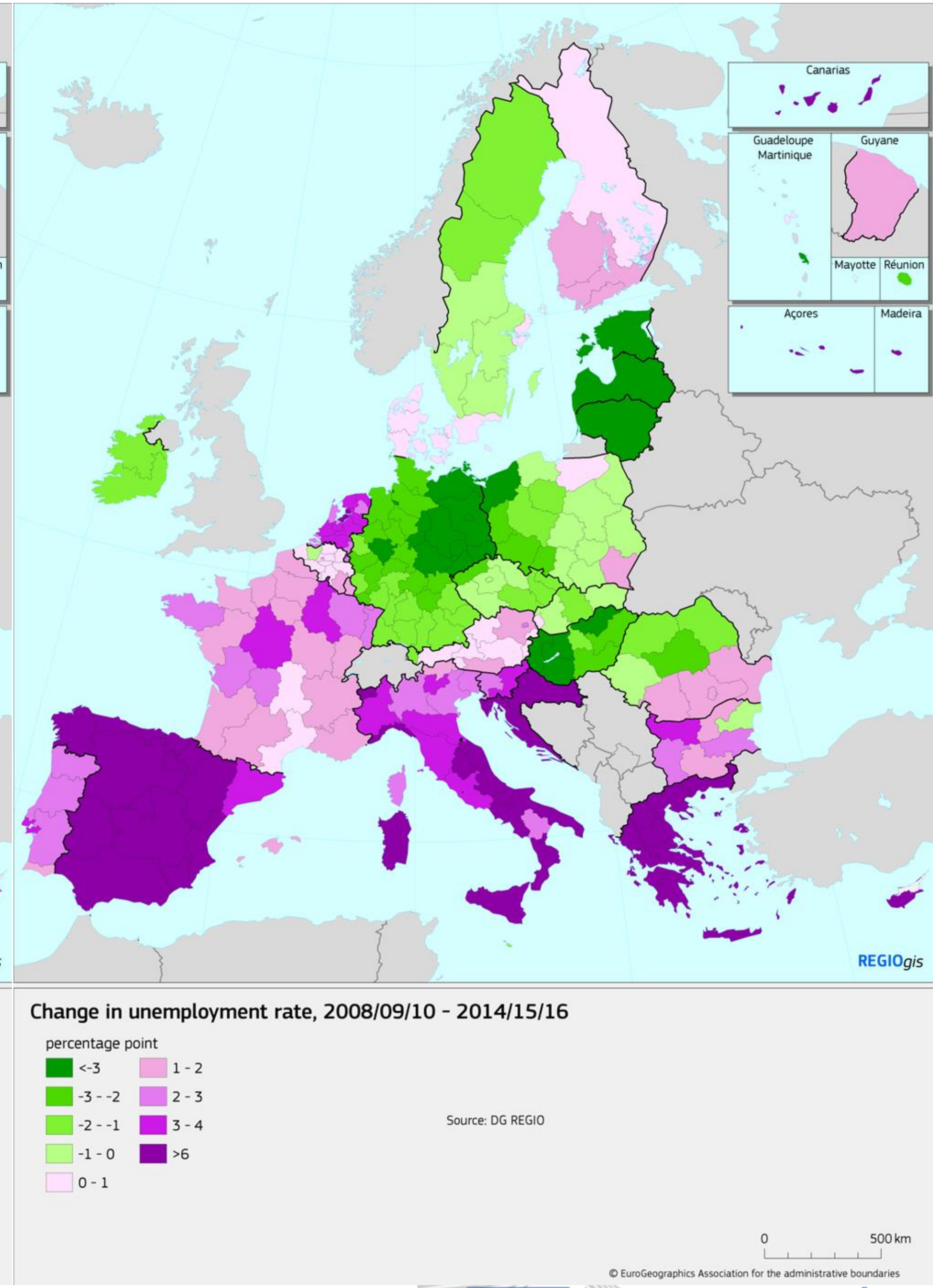
GDP per capita as the main driver of change







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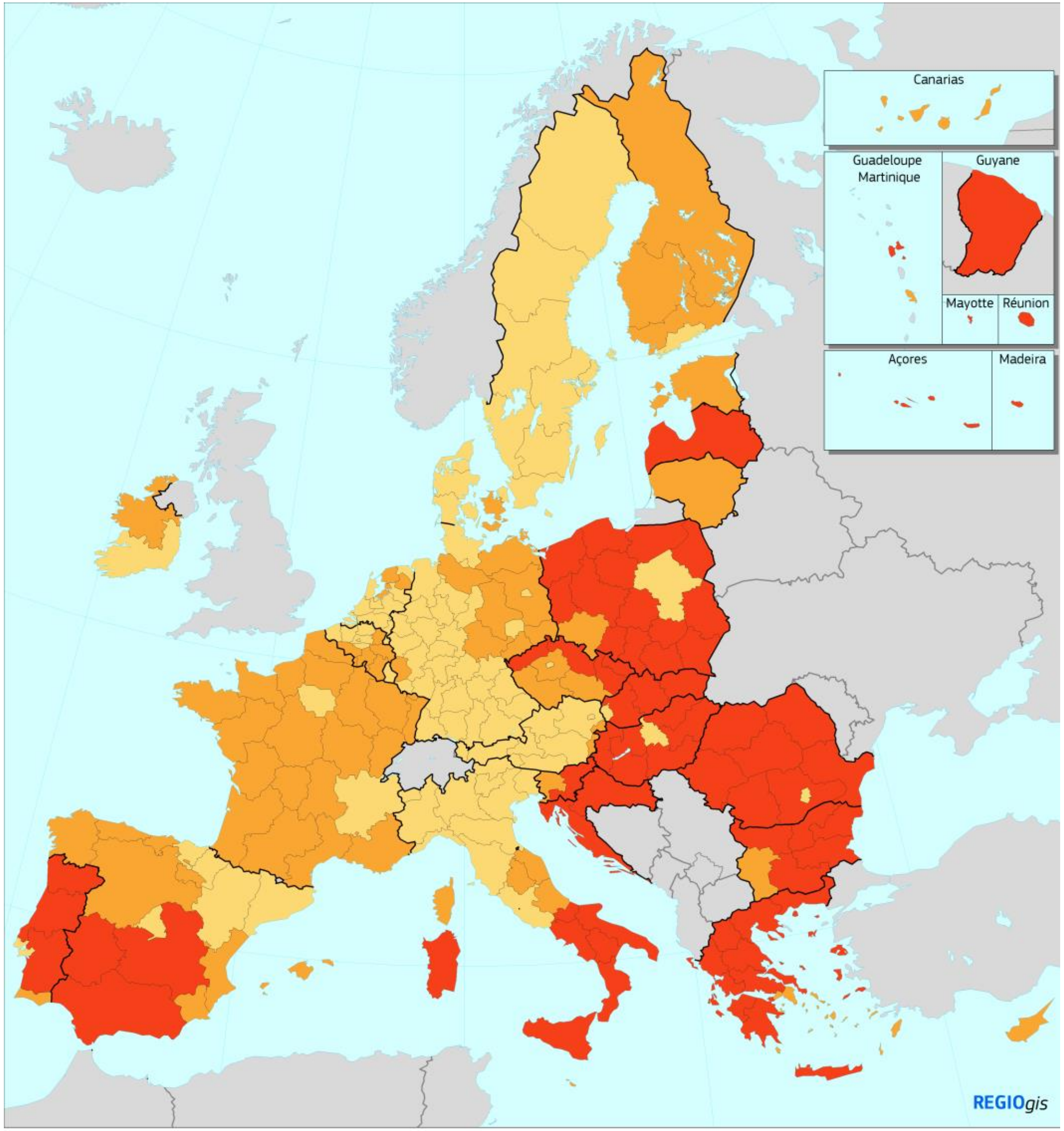
Comparison of aid intensities

2021-2027 vs 2014-2020

New regional eligibility map 2021-2027



GDP/head (PPS) by NUTS2 region, average 2014-2015-2016

Index, EU-27 = 100

- < 75% (less developed regions)
- 75% - 100% (transition regions)
- >= 100% (more developed regions)

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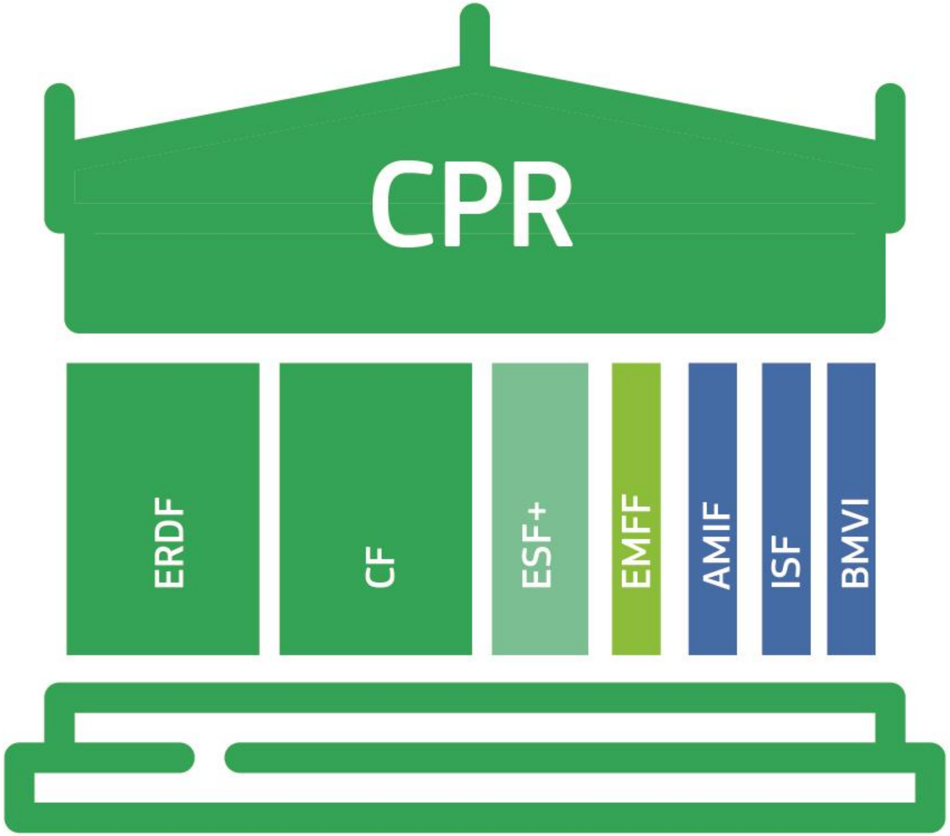
Continued concentration on the poorest regions

	2021-2027	*2014-2020*
Cohesion Fund	13%	22%
ERDF Less developed regions	62%	53%
ERDF Transition	14%	10%
ERDF More developed	11%	15%
Total	*100%*	*100%*
Share CF + ERDF less developed	**75%**	**74%**

Legal architecture

7 funds, 1 regulation



CPR covers delivery.
1 set of rules is:

- More coherent
- Simpler to learn
- Simpler to combine

4 key legal instruments for Regional Policy

Common Provisions Regulation (CPR)

- Covers 7 funds, i.e. ERDF, CF, ESF+, EMFF, AMIF, ISF and BMVI
- Delivery elements are here

ERDF/CF regulation

- Policy priorities are here (e.g. specific objectives and thematic concentration requirements)

ETC regulation

- Territorial co-operation including external assistance
- New interregional innovation instrument

ECBM: off-the-shelf legal instrument to simplify cross-border projects

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Coherence with other EU instruments

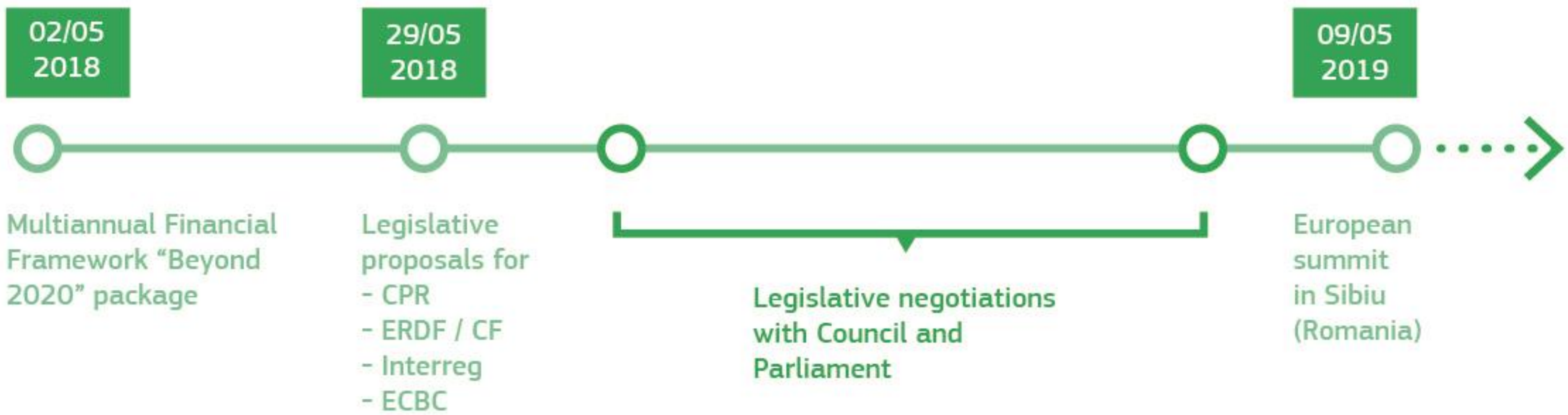
- Horizon Europe ("European excellence")
  ERDF ("regional relevance", e.g. smart specialisation – innovation diffusion) & reinforced 'seal of excellence' mechanism

- CEF/CF: Transfer of EUR 10 billion from the CF to the CEF; trans-European transport networks projects to be financed both through shared and direct management

- Migration: all Cohesion Policy Funds will address long-term needs linked to integration, while AMIF will focus on short-term needs.

Next steps

Timeline



02/05 2018
29/05 2018
09/05 2019
Multiannual Financial Framework “Beyond 2020” package
Legislative proposals for
- CPR
- ERDF / CF
- Interreg
- ECBC
Legislative negotiations with Council and Parliament
European summit in Sibiu (Romania)

Key novelties – Modernising the policy

Policy objectives

11 objectives are simplified and consolidated into 5:

1. A smarter Europe (innovative & smart economic transformation)
2. A greener, low-carbon Europe (including energy transition, the circular economy, climate adaptation and risk management)
3. A more connected Europe (mobility and ICT connectivity)
4. A more social Europe (the European Pillar of Social Rights)
5. A Europe closer to citizens (sustainable development of urban, rural and coastal areas and local initiatives)

Horizontal issues: administrative capacity building, cooperation outside the programme area

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ERDF thematic concentration

- Maintaining spending in the key areas for growth and jobs
- At national level based on GNI per head => flexibility

For countries with:	minimum % PO1 ("smarter Europe")	minimum % PO2 ("greener, low carbon Europe")
GNI below 75%	35%	30%
GNI 75-100%	45%	30%
GNI above 100%	60%	PO1 + PO2 min. 85%

- 6% of budget to urban development, delivered through local development partnerships

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Creating the conditions for success

Enabling conditions (used to be "ex ante")

- Fewer, clearer, tighter link to policy
- Followed up, not just set at the beginning

EU Governance

- European Semester
- Macroeconomic conditionality
- Reform Support Instrument
- Rule of law

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Performance, monitoring and evaluation

What's new?

- Performance framework will cover all output and result indicators
- Open data to follow progress every 2 months
- Structured and dynamic policy dialogue between COM and MS in the annual review meeting

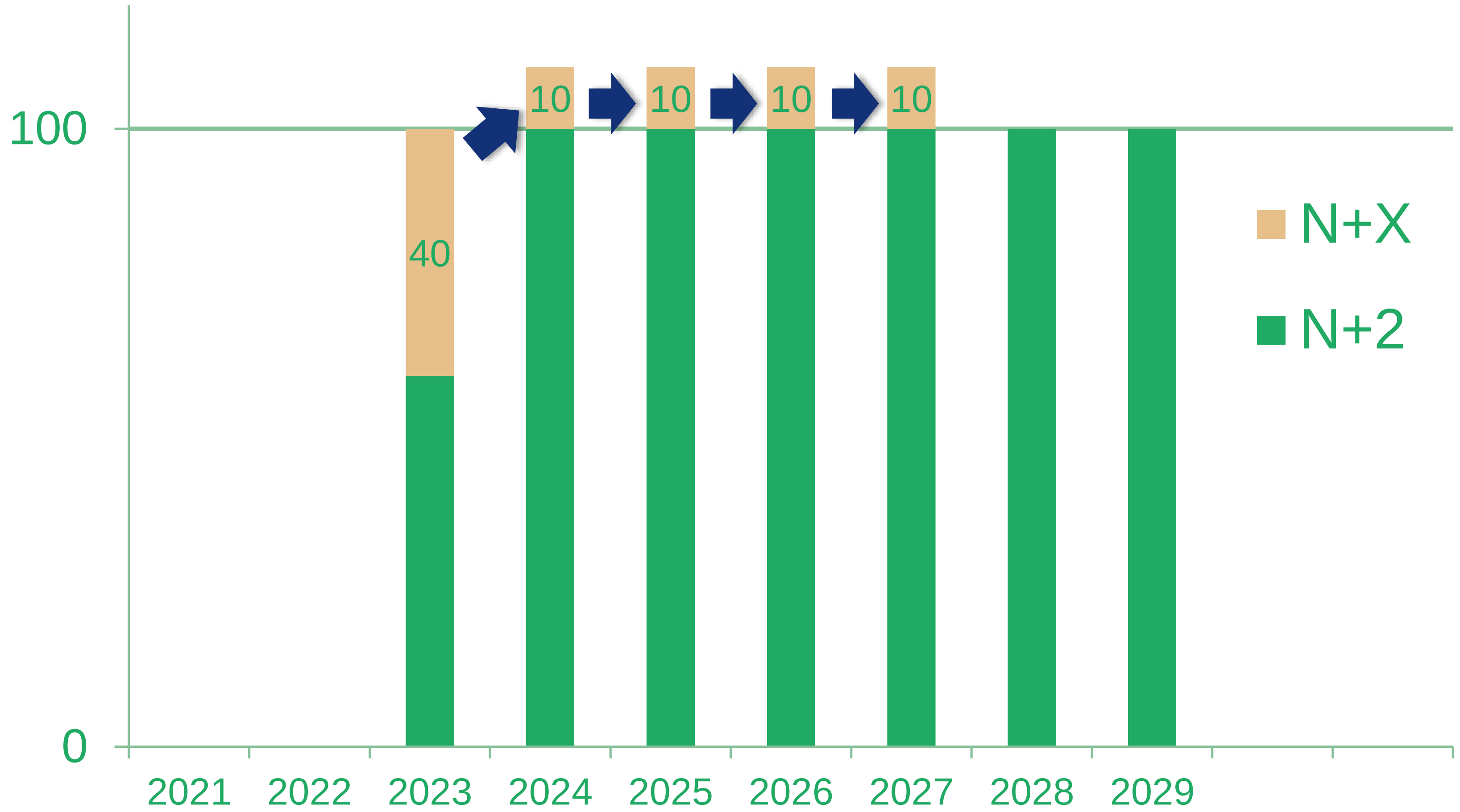
What's gone?

- Performance reserve (replaced by the 5+2)
- Annual implementation and progress reports for Cohesion Policy
- Ex-ante evaluation

Lower co-financing ceilings

Ceiling	Applies to
70%	Less developed regions Outermost regions Cohesion Fund Interreg
55%	Transition regions
40%	More developed regions

From N+3 to N+2 over the period



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Sustainable urban development

- New dedicated specific objective for integrated development of urban areas
- 6% of ERDF to go to urban development, delivered through local development partnerships with different tools
- Requirement for local development strategies – local ownership
- European Urban Initiative: a coherent approach to capacity building, innovative actions, knowledge and policy development and communication

Outermost regions

- **Additional allocation** secured – despite the overall reduction of the budget
- Co-financed by ESF : EUR 377 million
- Highest co-financing rate (70%) similar to less developed regions – article 106(3)
- Flexibility for programming :
  - *OR classified as group 3 for thematic concentration (35% PO1 and 30% PO2) – article 3(3) ERDF / CF*
  - *Additional allocation excluded from thematic concentration*
- OR specificities to be addressed in national position papers

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Outermost regions

- Eligibility scope of additional allocation detailed in article 11 ERDF / CF :
  - *Consistently with restraints listed in article 349*
  - *Compensation granted for PSO*
  - *Limited list of ineligible actions – article 11(3) ERDF / CF*
- Derogation on exclusion list (art 6) : airport infrastructure
- Specific provisions / recitals included in other EU instrument's regulations, such as CEF (higher co-financing rates)

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The ESF+
The EGF
Erasmus+

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The European Social Fund Plus

ESF+

#EUBudget

Policy challenges

- Evolving **technology, productivity and globalisation** call for adapted education and training systems
- Improved **employment** situation in the EU but still important long-term and youth unemployment
- People in/at risk of **poverty and social exclusion** still high
- **Demographic** trends (ageing population, migration) affecting society and world of work

The ESF+ in the MFF 2021-2027

II COHESION & VALUES

5 Regional Development & Cohesion

- European Regional Development Fund
- Cohesion Fund
- Support to the Turkish-Cypriot Community

6 Economic & Monetary Union

- Reform Support Programme including the Reform Delivery Tool and Convergence Facility
- Protection of the Euro Against Counterfeiting

7 Investing in People, Social Cohesion & Values

- European Social Fund + (incl. Integration of Migrants & Health)
- ERASMUS+
- European Solidarity Corps
- Justice, Rights & Values
- Creative Europe (incl. MEDIA)

European Solidarity Fund

European Investment Stabilization Function

Globalization Adjustment Fund

Reminder:
EGF

€ 1,6 bn
(outside MFF ceiling)

ESF + €101,2 Billion

ESF+ Shared management €100 billion

Concentration requirements

- CSR implementation (link with Semester)
- at least 25% Social inclusion, of which
at least 2% support to most deprived (4% EU-level target)
- at least 10% in Member States with high NEET rate

Outermost Regions/NSPA €400 million

Transnationality €200 million

ESF+
(in)direct management €1,2 billion
- *Employment and Social Innovation strand €761 million*
- *Health strand €413 million*

ESF+ OBJECTIVES

General objectives

- All strands: Support the implementation of the **European Pillar of Social Rights**
- Shared management strand: also the Employment Guidelines and Country-specific recommendations under the **European Semester**
- **Employment and Social Innovation strand**: special focus on employment, skills, social protection, social inclusion and working conditions.
- **Health strand**: ensure a high level of health protection in the Union

Specific objectives

- **11 specific objectives** under the **CPR policy objective "a more social Europe"** in the policy areas of employment, education and inclusion, including health
- Wording closely follows the **principles of the Pillar**
- Specific references to **migrants** and **basic material assistance**
- ESF+ also contributes to **other CPR policy objectives**

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Partnership

Support to policy innovation

- Member States shall support actions of social innovation and social experimentations and partnerships, under any/all ESF+ specific objective

- Support to up-scaling of innovative approaches tested on a small-scale (social experimentations) developed under the Employment and Social Innovation strand and other Union programmes.

- ***Programmed under dedicated priority axes; higher EU co-financing rate***

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(In)direct management - Employment and Social Innovation (EaSI) / Health strands

- Operational objectives:
- **EaSI:** evidence-based policy & mutual learning, networking, social experimentation, labour mobility, micro-finance, social investment, transnational cooperation, harnessing globalisation

- **Health:** crisis preparedness, health systems, EU health legislation, integrated networks

- Eligible actions: analysis; policy implementation; capacity building; communication & dissemination

- Scope: MS, associated countries, other 3rd countries, international organisations

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Simplification

- Simplification of the strategic and programming documents (partnership agreement and programmes)
- Increased use of SCOs and payments based on conditions
- Reintroduction of n+2 rule
- Fewer indicators: from 44 to 23
- Streamlined programme reporting and monitoring

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The European Globalisation Adjustment Fund

EGF

Objectives of the EGF

PO: A **more social** Europe (European Pillar of Social Rights)

- → Retain **workers and self-employed** in, or reintegrate them into the labour market
- → when they have been displaced by **unexpected major restructuring events**
- → **particularly those** triggered by changing global trade patterns, automation, digitalisation, transition to low-carbon economy, etc.

Horizontal principles:

Gender

Equal opportunities

Non discrimination

Contribution Smarter Europe

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Erasmus+
2021 – 2027

Future Erasmus+ Programme 2021 – 2027

Key novelties in the proposal of interest to VET and AE

- Opening the **international dimension** to VET mobility of learners and staff
- Introducing **mobility for people on the labour market** (continuing VET), to support their upskilling and reskilling
- Support for the set-up of **Centres of vocational excellence**
- Introducing **small-scale partnerships** to strengthen the participation of small organisations by introducing simplified access procedures
- Opening access to **Jean Monnet** actions
- Enlarging the concept of Staff in mobility actions to include "***multipliers***", e.g. HR staff in companies
- **Increase the key targets**: triple the number of VET learners and staff with the opportunity to go abroad (from 650 000 to around 2 million people); in AE multiply by six the number of staff with the opportunity to go abroad (from 50 000 to 300 000)

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Simplification and flexibility

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Overview

- More than 50 simplification measures

- Includes legal framework: shortened and rationalised – annexes replacing most of delegated acts

- Inspired by experience and the outcome of high level group on simplification

- Expected outcome:
    - *Earlier implementation of programmes*
    - *Higher legal certainty*
    - *Substantial reduction of burden and costs for authorities… and beneficiaries*

Benefits only effective if parallel simplification of national rules and procedures…

Programming

- No more ex ante evaluation
- Lighter content and requirements (template annexed to CPR)
- Amendments to OPs simpler and less frequent:
  - *Capacity to transfer up to 5% of priority axis and 3% of OP budget to another priority*
  - *Clerical or editorial nature that do not affect the implementation of the programme not subject to decision*
- No modification of partnership agreement
- Thematic concentration applied at Member State level
- No more performance reserve – but mid-term review (2025)

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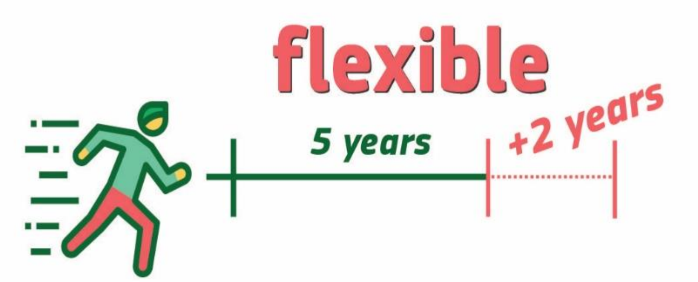
More flexible

- New transfer possibility: Member State may request the transfer of up to 5% of programme resources to any other Fund under shared management or to any instrument under direct or indirect management

- "5+2" programming:
  - **5 years programmed initially**
  - **2026-27 programmed after mid-term review in 2025 (basis: emerging needs, performance)**
  - **Technical adjustment to feed in (modifying allocations starting from 2025)**



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Implementation

- No requirements on revenue generating projects (but State aid rules apply)
- Cancellation of major projects procedure
- Simplified rules for financial instruments
- No more restrictions for operations outside MS / UE
- VAT eligible below EUR 5 million
- No more reporting obligations: annual report, progress reports

Financial management

- *Different **forms of grants**:*
  a. Reimbursement of real costs incurred by beneficiary
  b. Unit costs
  c. Lump sums
  d. Flat rates : for indirect costs, direct staff costs (no methodology required below some thresholds)
  e. Combination of the above
- ***Simplified cost options** (b, c and d) compulsory below EUR 200,000*
- *Flat rates for technical assistance (2.5%)*
- *Only 4 payment claims / OP / year*

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Increased use of financial instruments

- Encouraging financial instruments (FIs) by simplification:
  - **Lighter ex-ante assessments**
  - **Integrated rules for grants and FIs => easier to master rules, easier to combine instruments**
  - **Simpler rules on eligibility, payments and management fees**
  - **No separate reporting**
- Voluntary contribution, as a general rule, up to 5% of each Fund to new "InvestEU" instrument
- Rules of InvestEU apply, but cohesion objectives pursued

European Territorial Cooperation

Interreg - European Territorial Cooperation

Five strands, new legal instrument for border regions

1. Cross border (land) programmes , more strategic approach, NEW including co-operation on external borders (IPA/ENI)
2. NEW: Maritime co-operation goes from CBC to sea-basin level
3. NEW: Specific component for the outermost regions (co-operation outside EU)
4. Interregional co-operation; INTERACT, ESPON
5. NEW Interregional innovation instrument

NEW: European Cross Border Mechanism to faciliate cross border projects

5 + 2 Interreg-specific objectives

1. A smarter Europe (innovative & smart economic transformation)
2. A greener, low-carbon Europe (including energy transition, the circular economy, climate adaptation and risk management)
3. A more connected Europe (mobility and ICT connectivity)
4. A more social Europe (the European Pillar of Social Rights)
5. A Europe closer to citizens (sustainable development of urban, rural and coastal areas and local initiatives)

1. A better Interreg governance

2. A safer and more secure Europe

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Thematic concentration

	Percentage	On what?
Components 1, 2 and 3	At least 60%	Maximum of 3 out of 5
Components 1, 2 and 3	Another 15%	Better Interreg governance or Safer and more secure Europe
2A Transnational supporting MRS **2B Maritime supporting MRS or SBS** **Component 4**	100% At least 70% 100%	Objectives of MRS Objectives of MRS or SBS Better Interreg governance

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Audit

Simplifying Management and Control post 2020

The Commission **explored all simplification avenues** to:

- Reduce red-tape, complexity and control burden
- Strengthen the **single audit principle**

And took account of:

- 2007-2013 and 2014-2020 **experience**
- Recommendations from the **Court of Auditors**
- Conclusions and recommendations of the **High level group on simplification**
- Feedback from **stakeholders**

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Simplifying Management and Control post 2020

The aim is to:

(1) **decrease the cost of controls** and **burden** on beneficiaries and programme authorities while reducing complexities and ensuring **radical simplification**

(2) **speed up programme implementation** and ensure smooth transition between periods, building on current system without fundamentally reconsidering the design and mechanism for CPR funds (stability)

(3) maintain the current robust **assurance model allowing for annual level of errors below 2%** for each programme**,** when necessary after financial corrections

=> Simplification but without undue deregulation!

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Simplifying Management and Control post 2020

Simplification applies to all programmes.
But control requirements adjusted to the identified level of risks:

- All programmes to benefit from simplification

- For some programmes - Based on objective criteria and low risks: further simplification / proportionality – the so-called ***'Enhanced proportionate arrangements***' – Art. 77 to 79

Simplifying Management and Control post 2020

Main simplifications proposed for all programmes:

- **no** designation process (system roll-over) but early system audits to prevent problems
- simpler eligibility rules, mandatory use of SCOs, more funding based on conditions/milestones
- **risk-based** management verifications (from coverage of every single payment claim today)
- 'accounting function', no additional checks on beneficiaries
- streamlined **audit requirements,** synergies, single audit
- one EU-level sample for all ETC programmes

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Simplifying Management and Control post 2020

Further simplifications and proportionate requirements proposed for 'enhanced' proportional package in the following areas:

- National rules apply for management verifications by Managing Authorities
- No system audits
- Fixed sample of 30 operations audited annually for all Member State's programmes concerned
- Commission audits limited to review of the work of audit authorities, not at beneficiaries' level
- Flexible and easy to switch in; joint monitoring

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Simplifying Management and Control post 2020

Main advantages of the intended approach:

- Speedier start of the next programming period
- Radical decrease of the control burden on beneficiaries, increased legal certainty
- Less administrative procedures and reporting for programme authorities and reduced cost of controls/audits
- Key features of assurance model maintained, including the calculation of annual residual level of error in annual expenditure

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Simplifying Management and Control post 2020

In an effort to streamline the annual accounting function, the Commission also simplified:

- Acceptance of accounts
- Templates for accounts

and increased legal certainty for beneficiaries:

- Clarification of meaning/reporting of financial correction for EU budget
- Period for retention of documents (5 yrs now) – Art. 76.1
- No Commission audits for more than 3 years back; transmission of report within 3 months

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Thank you!

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