I. INTRODUCTION

Why do we need a cohesion policy now and in future?

The EPP Group stands for Cohesion Policy as a structural policy promoting growth and economic development across all EU regions, in line with the objectives of the Europe 2020 Strategy, as a key EU instrument for investment in the real economy. It is an expression of European solidarity, reducing economic, social and territorial disparities and also a policy of a genuine and common European self-interest to secure jobs and growth all over Europe with no region being forgotten. As a consequence of the sovereign debt and financial crisis, public investments have considerably decreased, making ESI Funds and the respective national co-financing the main tool for public investment in most Member States, with direct impact on citizens’ lives. It consistently contributes to the smart, sustainable and inclusive growth, continuing to be of added value also post-2020. This underlines the importance of a close link between cohesion policy and the attainment of common European goals.

II CURRENT COHESION POLICY

✓ STRENGTHS - Performance oriented policy framework

The EPP Group played a leading role in the design of Cohesion policy 2014 – 2020 and is a strong supporter of thematic concentration, through which investments are focused on specific objectives and priorities that correspond to performance indicators and targets specifically set for that theme, making cohesion policy a performance oriented policy.

We welcome the use of common output indicators which deliver information that can be aggregated at EU-level for all programmes and thus provide a basis for reporting on investments. We insist on the need to improve such reporting when it comes to the quality of the data regarding these common output indicators.

The EPP Group emphasises that the performance reserve introduced under the current framework could improve the implementation of cohesion policy operational programmes, but the timing of its allocation would need further consideration.

✓ CONCERNS:

The 2014 – 2020 regulatory framework was adopted only end of 2013 due to long negotiations and late agreement on the MFF. As a consequence, operational programmes could not be adopted on time and a large amount of commitment appropriations had to be transferred from 2014 to 2015 in order not to lose them.

We are concerned by the slow start-up of the implementation of cohesion policy operational programmes, which impacted the take up of the policy on the ground. We consider that it is imperative to know the state of play as regards the implementation, therefore we request a better and more complete Open Data Portal which should be updated in real time.

The delayed implementation also increased the risk of returning to an unsustainable high backlog from 2017 onwards. The adoption of many operational programmes through the carry over procedure and
the transfer of 2014 not-allocated commitment appropriations to 2015 significantly increases the risk of de-commitment in 2018.

The EPP Group expresses concern also on the slow designation of authorities for the operational programmes which theoretically is not preventing the start-up of implementation, but is preventing the execution of interim payments which consistently contribute to the start-up of investments.

✓ PROPOSALS FOR URGENT ACTION

For the second half of the programming period, without hampering the long term strategic planning of cohesion policy, we call on the Commission to make the appropriate legislative proposals;

- The EPP Group supports stability of rules, which should only be changed selectively where and when really needed.
- New ways of simplification have to be explored in order to reduce the administrative burden for authorities and beneficiaries and increase the accessibility of the funds:
  ✓ paperwork, time and costs have to be cut, by reducing the number of application documents and by reducing the evaluation/approval/contracting procedures;
  ✓ enhancing e-cohesion;
  ✓ reduction and optimisation of the control, monitoring and reporting activities in the Member States i.e. through increased digitalisation and standardisation of procedures;
  ✓ reduction of data and information requirements for beneficiaries in the application and reporting process and of requirements to keep documents on file when a project is ended;
  ✓ harmonisation to the extent possible of the rules concerning the cross-funding;
  ✓ further clarification of the financial instruments rules;
  ✓ clarification of the articulation between the rules governing the ESI Funds and the state-aid rules;
  ✓ simplification of EU financial rules;
  ✓ providing a clear distinction between fraud and errors.

- Flexibility of the procedures for amending the operational programmes has to be envisaged in order to increase the responsiveness to socio-economic developments;
- Conflicts between national financial rules and EU financial rules must be avoided. Wherever such a conflict arises, the EU financial rules should take precedence.
- The level of payment appropriations agreed in the yearly budgetary procedure has to meet the needs resulting from past commitments, especially towards the end of the period when Member States put forward more payment claims; The Commission should come forward with a payment plan until 2023 to avoid creating a backlog of outstanding payment claims;
- Appropriations decommitted due to a total or partial non-implementation of the actions for which they were earmarked, should be made available again in the EU budget and be mobilised by the budgetary authority in the framework of the annual budgetary procedure;
- We call for flexibility as regards the allocation of the performance reserve, which should be earlier for the programmes which have attained their targets and milestones;
- Administrative capacity has to be constantly increased; in this sense, functional and flexible e-government solutions have to be exploited;
- In this spirit of empowering national and regional authorities, the Commission needs to be given a more prominent role in assisting and advising the Member States’ administrations well before the implementation of programmes begins;
- The focus on training of the administration needs to be increased. The heads of paying agencies/ regional payment authorities should be trained and personally accredited by the Commission.
• Synergies with other policies and instruments, including Horizon 2020, EFSI and other financial instruments should be enhanced as to maximise the impact of investment; an “equal treatment” approach in relation to procedures e.g. on the state aid rules should become the leading principle;
• The smart specialisation methodology should become a model in the implementation of the policy;
• The visibility of the policy has to be enhanced. All the legal provisions as regards information and communication have to be thoroughly implemented, in order to ensure transparency and wide dissemination of the achievements of the Funds.
• The coherence and consistency with the European Semester has to be improved by strengthening the link between cohesion policy and Country Specific Recommendations, in a way that cohesion spending continues to address the priorities defined by those. Moreover, cohesion policy should maintain the support for structural reforms and technical assistance.

III COHESION POLICY AFTER 2020

The EPP Group is strongly in favour of keeping a strong, well balanced Cohesion Policy post 2020.

Scope
• The EPP Group stresses that Cohesion Policy post 2020 should remain an EU investment policy covering all Member States and EU regions. At the same time the future Cohesion Policy should continue to have as one of its objectives to reduce the disparities between European regions and avoid new disparities, as provided for in article 174 of the Treaty (TFEU). We reiterate that a proper balance needs to be found between these two complementary objectives;
• Financial instruments should be always tailor made, and complimentary to the Funds, in order to maximize the output on the ground.
• The EPP Group supports the prolongation of the thematic objectives approach and believes that apart from the objectives reflecting current Union political priorities, a specific territorial objective is needed i.e. to strengthen the urban-rural development.
• The classification of regions for the future cohesion policy should remain NUTS II regions, without excluding the possibility of using the NUTS III classification for some selected priorities.
• The current system of categories of regions: less developed, transition and more developed regions should be continued. The creation of the transition regions category has demonstrated its relevance. This category should be maintained and strengthened in the future cohesion policy. We call at the same time for more precise indicators to measure performance.
• The share of cohesion policy in the total EU budget should be maintained in the future.

Shared management
• The EPP Group supports a reformed shared management approach for the ESI Funds in the post 2020 period and calls for more flexibility for Member States in regard to the changes of operational programmes and a differentiated treatment of Operational Programmes according to risk relevant criteria.

Simplification
• In order to reduce the administrative burden, increase the legal certainty and fully explore the potential of Cohesion policy as a policy delivering concrete results, the EPP Group calls for:
  ✓ Timely adoption of all rules on management and control before the start of the new funding period;
  ✓ A clear and legally binding “no” to any retroactive effect of new rules including the application of Commission guidelines;
Keeping rules on management and control across funding periods. The continuous change of rules every seven years causes uncertainty, backlogs and errors;

The EU rules should be limited to what is necessary for reaching the aims of Cohesion policy, be very clear and reliable. The role of the legislator should be strengthened, and the Commission should issue clearly less regulations and guidelines.

**Performance based budgeting**

- The EPP Group pleads for further advancing the performance oriented nature of cohesion policy, with the continuation of the thematic concentration working method. Programmes and projects need to attain political priorities and objectives with the highest potential leverage, to reach the highest added value for growth and jobs, as well as for economic, social and territorial cohesion.

- In the eligibility of projects, priority should be given to those covering aspects of economic development combined with social and territorial elements;

- The common output indicators for the Funds must be maintained in order for the results to become visible and easy to demonstrate;

- Any surplus resulting from under-implementation of the EU budget or fines should be budgeted as extra revenue in the EU budget; Decommitments, resulting from total or partial non-implementation of the actions for which they were earmarked, should be made available again in the EU budget; The EPP Group calls on the Commission to make appropriate legislative proposals in this regard;

- Cohesion Policy should become more horizontal. Smart specialisation should be the leading mechanism in the cohesion process by facilitating the cooperation between more developed and less developed regions, urban and rural areas, as well as EU integration.

- An enhanced complementarity has to be ensured in the implementation of cohesion policy funds and Horizon 2020 investments in all regions, supporting an innovation driven uptake, in view of achieving a strong EU smart, sustainable and inclusive growth.

- We should evaluate the results, including the increase of GDP based on EU money, and take the necessary measures.

**Implementation - Flexibility and discipline**

- The EPP Group is in favour of a strong financial management. The flexibility in implementing the Funds under the shared management has to be ensured, but Member States should take up stronger responsibility for the way EU money is spent. The success of shared management depends not only from the EU level, but in particular from the efforts made by the Member States. Therefore, we call for the application of “national declarations”, as to ensure that political responsibility is taken for the management of EU funds by national and regional authorities.

- A clear distinction between errors, irregularities and deliberated fraud is needed and the Commission must always make sure the amounts unduly paid are recovered, respecting the principle of proportionality.

- We ask the Commission to introduce a reporting system for the Member States on the situation of the completed operations supported by the ESI Funds 5 years after the project’s completion.

**Financial instruments**

- Financial instruments can provide answers to certain challenges but cannot become the only implementation method for cohesion policy, some projects needing rather grants. Therefore, the EPP Group is in favour of reaching an appropriate balance between the two. Financial instruments have to be promoted when they have an added value, but it is essential to maintain the variety of tools for all regions (whatever their category) to be able to choose the implementation processes that are the most efficient and meet the priorities and needs.

**Timing of new Commission proposals**
• The preparations for the new regulations for Cohesion Policy have to be finished early enough, in order to avoid new delays in the implementation of the new policy. The EPP Group urges both the co-legislators and the Commission to ensure that they are adopted by end-2018;

• In the context of the duration of the MFF, the multi-annual nature of Cohesion Policy has to be taken into account, by ensuring either a maintenance of the 7 years period, or a 5+5 programming period with a clear mid-term revision of the policy.

Further recommendations for the future cohesion policy

✓ Currently GDP is used as indicator for the allocation of the Funds. For the new programming period, the possibility of taking more indicators into consideration has to be explored.

✓ Employment, social inclusion, as well as addressing the demographic challenge and supporting the circular economy must also be priorities for cohesion policy. Actions and funding to fight youth unemployment in vulnerable regions are needed more than ever.

✓ The money going to European Territorial Cooperation is set at 2.8 percent for the period 2014-2020. Considering its added value, this amount needs to be increased;

✓ Specific measures for the Outermost regions must be preserved;

✓ The EPP Group supports the strong urban dimension of cohesion policy. Many European economic, social or environmental challenges can be best addressed directly by Europe's towns and cities. Future cohesion policy should strengthen its direct support to local governments by enhanced financing and tailored instruments of territorial development.