Presidenza del Consiglio dei Ministri

Ministro per la Coesione Territoriale e il Mezzogiorno

Italy's Position on post-2020 Cohesion Policy

Background and general principles

The European Union is facing increasingly demanding challenges that require it not only to consistently adapt its own capacity to compete on the global market, but also to strengthen the ideal of European citizenship and respond to new challenges (security/safety, migration, climate change) more effectively via *ad-hoc* resources. The future European budget must be perceived as a tool to fulfill the priorities the European Union will be pursuing till 2030.

Over the crisis years for several Member States, and up to 2014 also for Italy, gaps measured in terms of per capita GDP versus EU average increased and exacerbated marginality and social exclusion phenomena, mostly affecting structurally lagging-behind regions.

In order to prevent progressive deterioration of European solidarity coupled with exacerbated disaffection to the European project, it is hence essential to find, within the Union, the necessary strength to pursue an investment policy aimed at fostering EU regions' convergence, *as a common European asset.*

In this context, Cohesion Policy can be a valuable tool for pursuing this objective. Cohesion Policy is, in fact, the most visible expression of the European Union's ability to look at the needs of its citizens by focusing on population development and well-being parameters – namely, a European Union not only attentive to macroeconomic parameters, but also aimed at inclusive and sustainable growth.

At the same time, the Union should support *Rule of Law* principles also by introducing, in relation to all EU budget intervention areas, conditionalities linked to respect for fundamental values and rights, as well as cohabitation rules within the Union, notably solidarity principles in managing migratory phenomena by means of adequate control systems.

Key objectives, resources and concentration of interventions

Cohesion Policy needs to be confirmed and re-launched as an EU priority, namely as a key pillar for integration and solidarity, reconciling social development and economic growth opportunities within its territories.

Cohesion Policy needs adequate resources also in the post-2020 period – i.e., the budget must be appropriate and distinct from the resources required to face the new challenges (migration, security/safety). The above is essential in order to ensure and strengthen the pursuit of the key objectives pursued by the Treaties to reduce regions development gaps, effectively respond to social, economic and environmental changes, and attain EU 2030 objectives. To such end, due attention is required on the resources allocation mechanism which, consistently with further result-oriented programming, should take account of the same indicators measuring development gaps to be filled via Cohesion Policy.

Adequate Cohesion resources should be ensured to all ESI Funds (ERDF, ESF, EARDF, and EMFF) so as to adequately attain the objectives pursued by the Treaty, taking account of the respective strategic intervention scopes and in continuity with the current programming cycle, aiming at:

- Implementing strategies aimed at innovation, research and competitiveness of enterprises;
- Enhancing digital, energy and transport infrastructures, notably within insular Regions;
- Pursuing effective countering and mitigation of climate change; preventing territories' fragility, preserving and enhancing cultural and natural resources aiming to sustainable management, also as an essential element to raise the security and vitality of rural and urban economies, consistently with the Urban Agenda;
- Combating unemployment, notably of young people and most vulnerable population segments by enhancing active labour policies;
- Countering poverty and social exclusion, by reinforcing the links between active labour policies and inclusion policies, and active inclusion services;
- Enhancing education and training systems effectiveness; and,
- Improving the institutional context.

Smart specialisation strategies must represent, also in the future, the reference framework for Cohesion Policy investments to make territories increasingly resilient to change. By reducing economic and social inequalities and territorial disparities, Cohesion Policy is essential not only to ensure territorial rebalancing and solidarity but also to fully implement the single market.

Cohesion Policy must tune on the priorities the EU will identify on its own path by 2030, taking into account single regions' delays and needs, and helping most disadvantaged ones to accomplish the necessary efforts to fully partake the EU development strategy.

Adequate allocation of resources requires action concentration on the aforementioned lagging-behind regions and strategic thematic areas, within the framework of a policy aimed at all regions. Territorial specificities must be taken into account, in line with the principle of subsidiarity, in order to contribute to European goals more effectively, by generating tangible impacts on citizens and enabling for more flexible selection of thematic objectives and identification of priorities within the ensuing programming axes.

Exacerbated territorial disparities detected also within the most developed EU regions – also affected by poverty, inclusion and unemployment issues – demand that special attention be paid to urban, rural and so-called *inner* areas, as well as to insular and mountainous areas, enhancing their development potential, capitalising on relevant best experiences, ensuring a specific financial effort via all ESI Funds and enacting a further integrated place-based approach.

However, it is essential to ensure real and concrete implementation of the "additionality" principle in relation to European and national sectoral investment policies, taking into account the real financial dimension of Cohesion Policy (currently equal to approximately one third of the EU budget, but yet only 0.3 per cent per year in relation to EU-28 GDP).

The responsibility lying on each Country plays a key role not only for Cohesion Policy implementation but also for its credibility as perceived by European citizens. That is why national co-financing is indispensable (*for European investment policies*). In this context, adequate national contribution is needed to ensure cooperation between Member States, taking into account major divisions, and without prejudice to cohesion agenda dimension.

Whilst it is desirable to look for possible synergy between ESI Funds and other EU investment promotion tools, such as the Juncker Plan, the specificity of single instruments needs to be properly considered, and Cohesion funds' own objectives are to be safeguarded, in coherence with the aims laid down in the Treaty.

Cohesion Policy and Structural Reforms

Supporting Cohesion Policy does not mean supporting priorities other than the European Union's Growth Agenda, it rather means fostering the same policies within most lagging-behind areas, where stronger interventions are required.

The macroeconomic conditionality mechanism within Cohesion Policy must be overcome, in order to avoid jeopardising investments in those areas affected by stronger structural weaknesses, and ensure the necessary stability within the programming framework. Respect for macroeconomic parameters must still be guaranteed through *ad-hoc* identified tools.

Implementation of structural reforms and macroeconomic governance in each Member State must not be perceived as "deterrent"; conversely, cohesion logic shall be encouraged, proposing such reforms as complementary elements of the same inclusive and sustainable growth "picture".

In this perspective, coherence between ESI Funds programming and actions aimed at supporting structural reforms must continue to play a key role in defining Funds' intervention choices.

In order to ensure such consistency, it is worth recalling ESI Funds' role for structural reforms is, indeed, limited, due to Cohesion Policy's modest financial dimension. The need to ensure medium-long term programming stability (such as for ESI Funds) is to be reconciled with the need to respond to Country-Specific Recommendations arising from the European Semester cycle. To this end, a mid-term programming review could be envisaged, via any additional resources, to take into account "relevant" Country-Specific Recommendations meantime issued by the European Council.

At the same time, the link between Cohesion Policy and structural reforms can be strengthened by highlighting some of the mechanisms already applied within the current 2014-2020 programming cycle, in particular *ex-ante* conditionalities. The introduction of *ex-ante* conditionalities in the 2014-2020 programming positively contributed to activating structural reforms and development strategies that have been providing solid foundations for ESI Funds interventions sustainability.

The approach must, in any case, provide an incentive to do better, and not consist in sanctions. In this regard, it is desirable to introduce pricing mechanisms to be linked to appropriate flexibility measures.

Linking Cohesion Policy with structural reforms based on incentives and premiality, combined with tools strengthening Member States' administrative capacity to implement reforms, such as Italy's administrative reinforcement plans (*Piani di Rafforzamento Amministrativo – PRA*) – the only case across Europe – enables creating institutional, regulatory and strategic planning conditions to enhance EU funds and investments effectiveness, thus strengthening the sense of European identity.

Result-oriented approach and simplification

Future Cohesion Policy must preserve and strengthen its result-oriented approach, following the path already undertaken.

It is necessary that the results pursued through funds be defined in a precise and immediately perceptible manner both by the subjects in charge of implementing interventions and by their related final beneficiaries, and that they be adequately proportionate to the volume of resources utilised.

At the same time, simplification of rules is indispensable for more efficient and further result-oriented management of Community budget resources, also capable of promptly responding to emergency situations.

There is a need for further simplification and harmonisation of rules to ensure broader access to Funds opportunities, by reducing administrative burdens that discourage potential beneficiaries, and streamlining and harmonising OP-related rules on ESI Funds in order to favour their integration also at territorial level, both in the programming and implementation phases. Funds' harmonisation is to be pursued also in terms of control and reporting/eligibility of expenditures.

This process must rely on collaboration between the Commission and relevant national authorities so as to build up adequate trust, consistently with the principle of subsidiarity, and ensure, from the very outset, full involvement of "partnership" as the key "actor" of simplification.

Furthermore, the simplification effort must be geared to reducing the extent, number and complexity of regulatory provisions and secondary legislation, which do not necessarily result in greater certainty and lower financial risks.

A more uniform framework of rules and criteria for the various European policies could favour synergy between ESI funds and other European instruments and funds, including direct management ones (extending direct management rules to shared management rules – i.e., starting from State Aid rules), resulting in resources optimisation and clear benefits for operators.

Strengthening the focus on Cohesion Policy expected results also enables simplifying the system of controls, while preserving quality and efficiency thereof, via a revised approach shifting its focus from control on procedures to verification of actual attainment of the objectives pursued. However, it is necessary to prevent the new approach from increasing the complexity of management, monitoring and evaluation of interventions. Duplication of controls must be avoided, and national authorities should be allowed to decide autonomously on most efficient solutions (as per subsidiarity principle), once control systems have been validated at programming start with respect to a set of common rules. Simplification tools (e.g. simplified costs) should be increasingly used, and "best practices" experienced by Member States within the current programming cycle should be highlighted via adequate communication initiatives. This also includes the experience of multi-fund programmes, to be promoted within the next programming cycle, by ensuring close co-ordination between competent DGs within the European Commission, and evaluating possible thematic interventions based upon usage of multiple ESI Funds.

Constant focus on Funds' expected results – not just on the level of expenditure – must guide the improvements pursued within different areas.

However, simplification processes require constant strengthening of administrative structures' technical capacity, on which we must continue to invest by implementing, where necessary, action plans shaped upon Italy's administrative reinforcement plans (to be introduced by all PAs involved in ESI Funds co-financed programmes) but ultimately aimed at significantly reducing administrative burdens arising from fund management procedures.

Any differentiation within management rules must be based on objective and transparent criteria – and not on the financial dimension of Cohesion Policy investments – whereby possible according to the typologies of EU policies and investment instruments to be supported, whether within direct or shared management.

European territorial cooperation and macro-regional strategies

The territorial cooperation objective must be confirmed in its three dimensions (cross-border, transnational and interregional) as an integral part of Cohesion Policy, for its evident added value also in terms of social and territorial integration.

Cooperation between insular regions can be favoured, in specific cases by revising the max 150-km distance criterion currently underlying the identification of territories eligible to cross-border cooperation.

Special attention must be paid to the Mediterranean area, which is of key relevance to Europe's political stances on global challenges, notably as to migratory flows and future economic development opportunities for the Mediterranean in the context of global trade.

Current and future macro-regional strategies must be based on a regulatory framework that explicitly links cohesion programmes (OPs and ETC), and identifies how programmes are to provide contribution to strategies' priorities, also at financial level.

Communicating Cohesion Policy results

Effective simplification demands greater transparency and openness of information, through dialogue within and across territories, focusing on the added value that may result from relevant partnership mobilisation.

Cohesion Policy is the only European policy aimed at defined objectives and measurable results (i.e., Member States and the Commission measure programmes' impact through appropriate assessments). Although Cohesion Policy results are tangible, enhancing such results and their impact continues to encounter objective criticism which adversely affects public perception of Structural Funds. For the future, it is crucial to ensure a more incisive and inclusive tool for communicating and disseminating Cohesion Policy results, capable of developing a positive and involving narrative on Funds' use, through modern languages and tools (social and multimedia channels) that are simple and accessible not only to operators but also to all citizens.

Open government tools, such as Italy's *OpenCoesione* web portal (acknowledged as an EU best practice) must increasingly play a central role so as to bring citizens closer to Cohesion Policy.

Governance and decision-making structure

The decision-making structure for ESI Funds management must preserve the right balance amongst the actors involved, failing to alter the equilibrium between the competences of the Union's structures, of Member States and their territorial units, respectively, and promoting any further coordination effort to ensure most effective and timely use of funds. Within such logic, the national government level must preserve its role in steering, coordinating and monitoring the Funds in order to address regional disparities and regional development issues at a national scale – and, whereby required by deficits widely characterising several regions albeit with different territorial intensity – with a homogeneous approach, also aiming to ensure the necessary integration with ordinary funds.

The validity of the multilevel governance of the Funds is confirmed, as established by the General Regulation currently in force, which heightens, alongside the Central State's function, the role played by Regions and local autonomous bodies.