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## EU Budget for the future

# CPR ERDF/CF ETC & ECBC

## CoR COTER meeting

## 6 June 2018

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# A modern, dynamic policy

## Modern investment

- Focus on transition to smart, low-carbon economy
- Stronger conditions & link to European Semester
- Comprehensive performance data in near real time

## Simple, flexible, dynamic

- 7 funds, 1 regulation (50% shorter)
- 50 key administrative simplifications
- Faster implementation (return to n+2)
- Responsive to emerging needs (migration, economy)

## For all regions

- Balanced and fair "Berlin method"
- 75% to poorest regions, where most needed
- Tackling emerging needs and economic transition across the EU

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# Legal architecture

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# Key legal instruments

## Common Provisions Regulation (CPR)

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

## ERDF/CF regulation

- Single regulation for both funds
- Policy priorities are here (specific objectives, thematic concentration requirements, etc)

## ETC regulation

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

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

Also: ESF+ regulation

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# Modernising the policy

# Policy objectives

11 objectives simplified and consolidated to 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)

2 horizontal objectives:

- Administrative capacity building
- Co-operation between regions and across borders (embeds co-operation in mainstream)

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# ERDF THEMATIC CONCENTRATION

- Maintaining spending in the key areas for jobs and growth
- 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 – local ownership

# Changes in ETC

- Embedding in mainstream via horizontal objectives
- Cross-border programmes: from fund distributors to centres of strategic planning
- New: Interregional innovation instruments
- New: Maritime co-operation goes from CBC to sea-basin level
- New: Specific component for the outermost regions (with co-operation outside EU)
- New: Co-operation outside the EU (incorporation of IPA/ENI)
- New: European Cross Border Mechanism (ECBC and ECBS)

# Creating the conditions for success

## Enabling conditions (used to be "ex ante")

- Fewer, clearer, tighter link to policy
- Directly applicable: no action plans
- Followed up, not just set at the beginning

## EU Governance

- European Semester
- Macroeconomic conditionality
- Reform Support Instrument
- Rule of law – *dedicated regulation applying to all EU expenditure, will not affect beneficiaries (MSs obliged to continue financing)*

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# Coherence with other EU instruments

4 key examples:

- Horizon Europe ("European excellence")
  ERDF ("regional relevance", 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.
- Reform Support Programme, European Investment Stabilisation Function

# Simplification and flexibility

# Programming

## What's in?

- Simplified, more focused and more strategic programming
- Performance-oriented: Mid-term review in 2025
- Synergies: Closer link with the European Semester
- Annexes: to replace some 40 empowerments from 2014-2020

## What's out?

- No more changes of the PA during period
- Eliminated overlaps between PA and programmes (e.g. enabling conditions only in progs)
- Fewer procedures: combining technical adjustment with performance review

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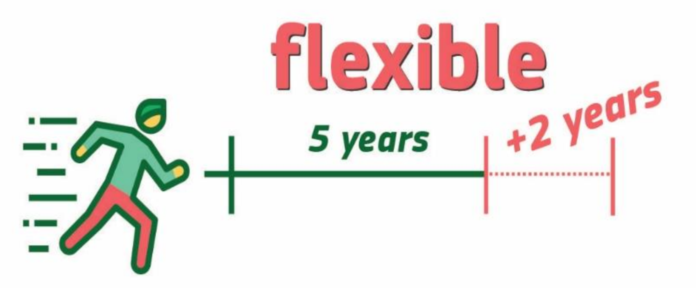
# More flexible

- New transfer possibility: Member State may request the transfer of up to 5 % of programme resources to another EU instrument
- Simpler reprogramming: up to 5% of a priority (3% of programme) without Commission decision.
- "5+2" Programming:
  - **5 years programmed initially**
  - **2026-27 allocations programmed after mid-term reviews in 2024-25 (basis: emerging needs, performance)**
  - **Technical adjustment fed in (modifying allocations from 2025)**

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# Simpler reimbursement

## What's in?

- SCOs (simplified cost options). Unit costs, fixed rates, lump sums.
- "Financing not linked to costs" (= based on conditions or milestones)
- TA linked to implementation or milestones, as above

## What's out?

Less reimbursement of eligible costs = less paperwork, receipts, invoices

NB: The measures on this slide are potentially the biggest simplifications. Study suggests could save 25% of administrative costs.

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# Eligibility

## What's in?

- Flexibility when responding to natural disasters
- Separate and clearer rules on durability and relocation
- For operations below 5 MLN EUR of total costs, VAT eligible. In all other cases VAT is ineligible.

## What's out?

- Applying specific rules on revenue generating operations
- Appraising and adopting major projects; instead "operations of strategic importance" followed by monitoring committee

# Simpler management and control

- No designation procedure: roll-over of existing systems
- Fewer layers of control: Certifying Authorities replaced by an accounting function (which will not duplicate controls)
- Now: administrative verification of 100% of payment claims.
  Post-2020 : risk-based sample
- More proportionate system for low error rate programmes: reliance on national systems, no system audit, audit sample of max. 30 operations
- Simpler process for acceptance of accounts (and no "zero accounts")
- Clarity on document retention period for beneficiaries
  (5 years from end of year with last reimbursement)

# 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 up to 5% of each Fund to new "InvestEU" instrument. Rules of InvestEU, but cohesion objectives.

# Performance, monitoring and evaluation

## What's in?

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

## What's out?

- Performance reserve (replaced by "5+2")
- Annual implementation and progress reports for cohesion policy
- Ex ante evaluation

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# Solidarity and responsibility

# Lower co-financing ceilings

| Ceiling | Applies to |
|---|---|
| 70% | Less developed regions<br>Outermost regions<br>Cohesion Fund<br>Interreg |
| 55% | Transition regions |
| 40% | More developed regions |

"Quid pro quo": VAT eligibility

No specific rules for revenue generating projects

# Indicators in the "Berlin method" (% indicates financial weight)

| | 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: Green House gas emissions in the non ESD sectors

Migration: Net migration of non EU citizens

# Allocations by Member State

| Member State | 2021-27 allocation (billions, 2018 prices) | Change from 2014-2020 period (%) | Aid intensity (EUR/head) | Change from 2014-2020 period (%) |
|---|---|---|---|---|
| BG | 8.9 | 8 | 178 | 15 |
| RO | 27.2 | 8 | 196 | 17 |
| HR | 8.8 | -6 | 298 | 0 |
| LV | 4.3 | -13 | 308 | 0 |
| HU | 17.9 | -24 | 260 | -22 |
| EL | 19.2 | 8 | 254 | 12 |
| PL | 64.4 | -23 | 239 | -24 |
| LT | 5.6 | -24 | 278 | -12 |
| EE | 2.9 | -24 | 317 | -22 |
| PT | 21.2 | -7 | 292 | -5 |
| SK | 11.8 | -22 | 310 | -22 |
| CY | 0.9 | 2 | 147 | -5 |
| SI | 3.1 | -9 | 213 | -11 |
| CZ | 17.8 | -24 | 242 | -25 |
| ES | 34.0 | 5 | 105 | 3 |
| MT | 0.6 | -24 | 197 | -28 |
| IT | 38.6 | 6 | 91 | 5 |
| FR | 16.0 | -5 | 34 | -9 |
| FI | 1.6 | 5 | 42 | 2 |
| BE | 2.4 | 0 | 31 | -5 |
| SE | 2.1 | 0 | 31 | -6 |
| DE | 15.7 | -21 | 27 | -20 |
| DK | 0.6 | 0 | 14 | -3 |
| AT | 1.3 | 0 | 21 | -4 |
| NL | 1.4 | 0 | 12 | -3 |
| IE | 1.1 | -13 | 33 | -17 |
| LU | 0.1 | 0 | 16 | -14 |
| EU27 | 331 | -9.9 | 106 | -11 |

# 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% |

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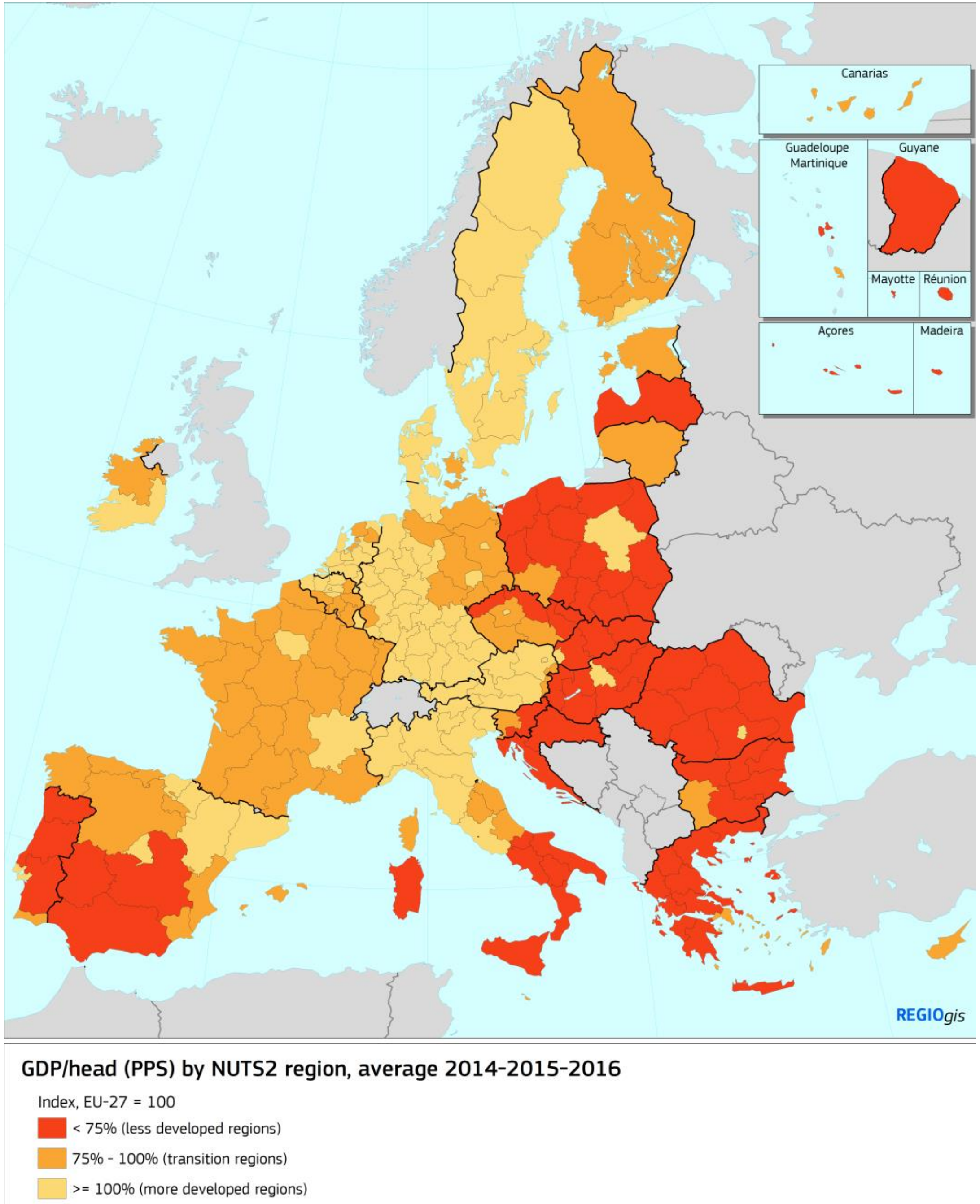
# New regional eligibility map 2021-2027

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# Thank you for your attention

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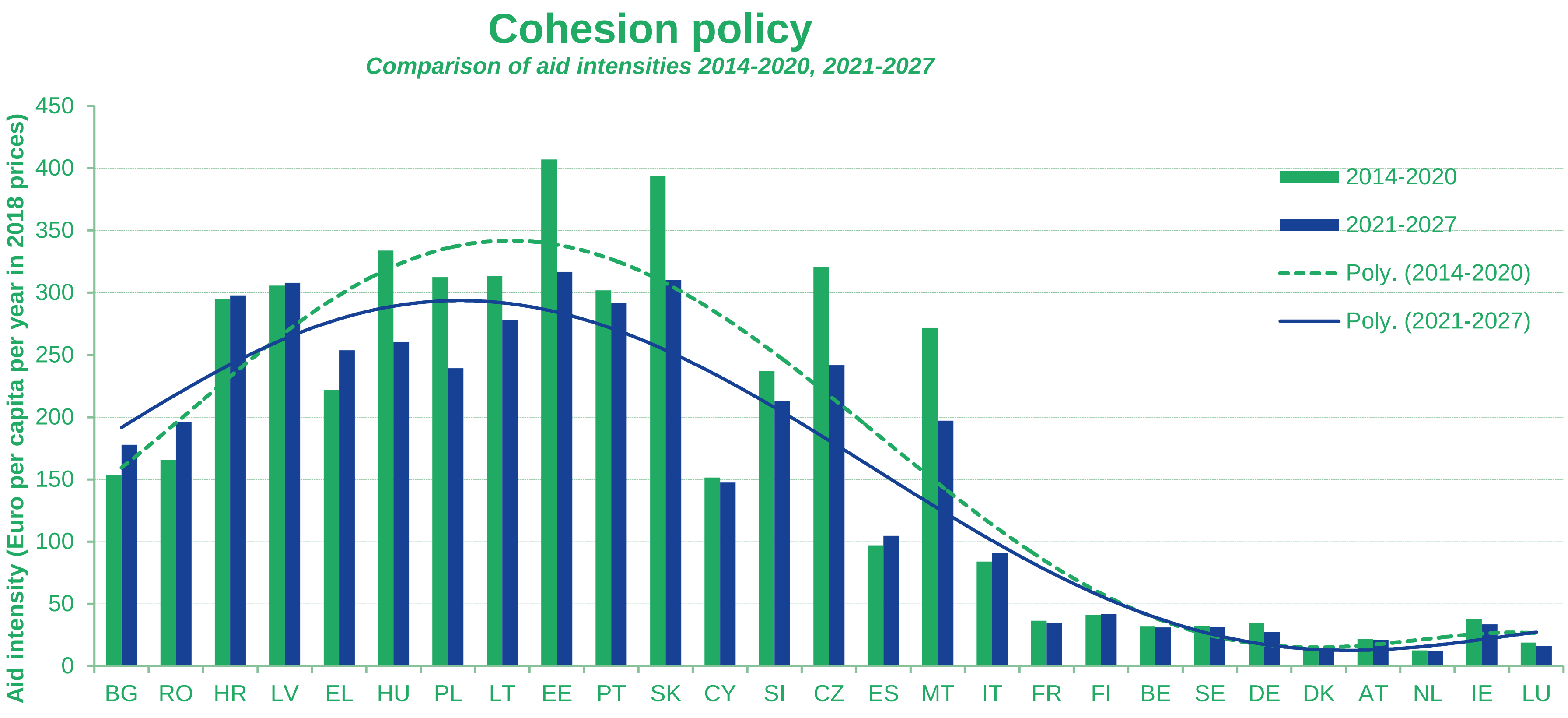
# Annexes

# 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 via various 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

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# Caps and safety nets

- Absorption and equity cap (ranges from 2.3% of GDP for RO, BG and HR to 1.55% for most Member States)
- Safety net concerns 14 of the 27
  - -24% lower limit (5 Member States)
  - +8% "reverse safety net" (3 Member States)
  - 0% limit for 6 richer Member States

# From N+3 to N+2 over the period