EU Budget for the future

CPR ERDF/CF
ETC & ECBC

CoR COTER meeting
6 June 2018
Eric von Breska, DG REGIO

#CohesionPolicy
#EUinmyRegion
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
## 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
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)
ERDF THEMATIC CONCENTRATION

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

<table>
<thead>
<tr>
<th>For countries with:</th>
<th>minimum % PO1 (&quot;smarter Europe&quot;)</th>
<th>minimum % PO2 (&quot;greener, low carbon Europe&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI below 75%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>GNI 75-100%</td>
<td>45%</td>
<td>30%</td>
</tr>
<tr>
<td>GNI above 100%</td>
<td>60%</td>
<td>PO1 + PO2 min. 85%</td>
</tr>
</tbody>
</table>

- 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)
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
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)
# Simpler reimbursement

<table>
<thead>
<tr>
<th>What's in?</th>
<th>What's out?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- SCO (simplified cost options). Unit costs, fixed rates, lump sums.</td>
<td>- Less reimbursement of eligible costs = less paperwork, receipts, invoices</td>
</tr>
<tr>
<td>- &quot;Financing not linked to costs&quot; (= based on conditions or milestones)</td>
<td>NB: The measures on this slide are potentially the biggest simplifications. Study suggests could save 25% of administrative costs.</td>
</tr>
<tr>
<td>- TA linked to implementation or milestones, as above</td>
<td></td>
</tr>
</tbody>
</table>
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
Solidarity and responsibility
## Lower co-financing ceilings

<table>
<thead>
<tr>
<th>Ceiling</th>
<th>Applies to</th>
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<tbody>
<tr>
<td>70%</td>
<td>Less developed regions</td>
</tr>
<tr>
<td></td>
<td>Outermost regions</td>
</tr>
<tr>
<td></td>
<td>Cohesion Fund</td>
</tr>
<tr>
<td></td>
<td>Interreg</td>
</tr>
<tr>
<td>55%</td>
<td>Transition regions</td>
</tr>
<tr>
<td>40%</td>
<td>More developed regions</td>
</tr>
</tbody>
</table>

"Quid pro quo": VAT eligibility

No specific rules for revenue generating projects
## Indicators in the "Berlin method" (% indicates financial weight)

<table>
<thead>
<tr>
<th>Category</th>
<th>2014-2020</th>
<th>2021-2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (incl. GNI for Cohesion Fund)</td>
<td>86%</td>
<td>81%</td>
</tr>
<tr>
<td>Labour market, education, demographics</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Climate</td>
<td>-</td>
<td>1%</td>
</tr>
<tr>
<td>Migration</td>
<td>-</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

- **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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2021-2027</th>
<th>2014-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohesion Fund</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>ERDF Less developed regions</td>
<td>62%</td>
<td>53%</td>
</tr>
<tr>
<td>ERDF Transition</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>ERDF More developed</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Share CF + ERDF less developed</td>
<td>75%</td>
<td>74%</td>
</tr>
</tbody>
</table>
New regional eligibility map 2021-2027
Thank you for your attention
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
Cohesion policy

Comparison of aid intensities 2014-2020, 2021-2027

Aid intensity (Euro per capita per year in 2018 prices)
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