*Adopted*
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# Bureau Statement on the Future of the Cohesion Budget

## *"For a modern cohesion policy based on a strong role for regions"*

On 2 May, the European Commission presented the proposal for the EU Multiannual Financial Framework (MFF) for the 2021-2027 period. This will be followed by legislative sectoral proposals for spending programmes. The discussion on the long-term European Union (EU) Budget is a crucial opportunity to shape ambitions, priorities and the next generation of financial instruments. This debate offers a crucial opportunity to strengthen and modernise the economic, social and territorial cohesion of the Union.

Therefore, we have formulated the following positions and recommendations:

The EU's future financial architecture must uphold the block's values and be consistent with economic, social and territorial cohesion objectives of the Union by **providing adequate resources to make cohesion policy stronger**.

The **European added-value and the achievements of the EU cohesion policy are clear**. Cohesion funds have significantly contributed to job creation, business competitiveness, innovation, sustainable economic growth and the improvement of citizens' quality of life. What is more, they have promoted European values & regional cooperation across borders.

We therefore welcome a clear and strategic focus on smart specialisation and the Commission's commitment to **modernise and strengthen cohesion policy**. Nevertheless, a single rulebook for the European structural investment funds is needed. The number of funds should be reduced to allow for regions to have greater flexibility in setting priorities, based on each region's unique challenges and opportunities.

We support the Commission's effort to **streamline the new budget** as well as the proposal to bring forward investments in key enabling factors of smart, sustainable and inclusive growth, such as **climate, energy, transport** and **digital transformation, research** and **innovation, small businesses, health, education** and **social infrastructure**, and **social inclusion**.

We are pleased with a more tailored approach to regional development. However, while the **gross domestic product (GDP) per capita** is suggested to remain the predominant criterion for the allocation of funds, emphasising regional competences and needs,  **additional indicators** such as unemployment and climate change are also being considered. We expect to see the EU both capturing these factors and designing a new allocation mechanism.

However, the Commission's **proposed cuts to the cohesion budget are disappointing**. We call for greater clarity from the Commission regarding these cuts to better analyse their implications on European regions in more detail.

We also regret the fact that whereas Cohesion funds have been cut, the proposed size of financial instruments has been tripled. **Regions are not convinced about the (regional) value added of this new InvestEU fund**. We welcome that existing financial instruments are streamlined into a new InvestEU fund with a single structure that will boost research and innovation, digital networks and low-carbon economy across Europe. The blending of this centrally managed fund with shared managed funds should become more easy. Furthermore, we are keen to ensure that no transfer of regional funds is made without prior consent of the involved region and management authority. When blending funds, the region must be able to choose between the rules of the regime (either shared management regime in CPR or centrally) that are most suitable for the situation.

We would also welcome **greater clarity regarding the future of the European Social Fund** (ESF), in order to have a clearer vision regarding its impact on regions. We emphasise that ESF and its role in labour market participation, promote social inclusion and improve the skills of the workforce should be seen by future reform as integral to cohesion.

We further stress that **smart specialisation** should continue to have an important role for delivering funds within cohesion policy and the Framework Programme for Research and Innovation. Synergies between cohesion policy initiatives and the **Framework Programme must be strengthened**. The regional level, responsible for regional growth, should have an increased role in the Framework Programme, and the direction and measures should have a clearer link with the regions' work on smart specialisation.

We emphasise that to enable smooth implementation and involvement on the ground, all **EU spending on economic, social and territorial cohesion shall adhere to the partnership principle and multi-level governance** as only by engaging with local and regional authorities the EU will be able to design and implement a cohesion policy, instruments and programmes that effectively meet the needs of its territories and citizens.

Likewise, we reject any proposal under which **funds would be diverted away from cohesion policy** and its objectives **into top-down incentives to structural reforms.** Therefore, we hope to hear more specifics about the proposal to **increase the role cohesion policy will play in supporting the economic reform process** in the Member States.

We support **the rule of law mechanism proposal** and the fact that it will not affect the obligations of the Member States concerned with regard to beneficiaries. Appropriate Ex-ante conditionalities are also welcomed. Yet, regions must not be punished by mistakes done at national level.

We await Commission proposals to continue INTERREG programmes having proved their EU value added supporting interregional cooperation.

On account of that, we call upon the European Commission, European Parliament and the Member States to:

- **Strengthen the role of regions** in the management of the cohesion funds.
- Support the proposal to **modernise and strengthen cohesion policy, through adequate funding covering all regions.**
- Keep the **European Social Fund within cohesion policy**.
- Secure an adequate budget for **cross-border, transnational and interregional programmes**, in order to tackle common challenges across borders.
- Commit to **simplify the implementation** of cohesion funds and create a **more flexible programme** structure, with **better synergies between policies and programmes**.
- As such, further **simplify the audit rules**, ensuring **increased cross reliance on audits** and a **lighter regime management and control system** for programmes with good track records.
- Further **strengthen the partnership principle** in the future legal framework of the cohesion funds, InvestEU fund and other financial instruments.
- Ensure that **regions and their management authorities are fully and meaningfully involved in the Semester process.**

We **look forward to seeing the legislative proposals by the European Commission for the reform of cohesion policy for the 2021-2027 period**, with specific information on how these will apply in terms of instruments and programmes and their respective objectives, priorities, eligibility and resources.

As the largest independent network of regions in wider Europe, AER remains committed to engaging constructively in the debates and negotiations on the new EU budget and future cohesion policy post-2020.