

Opinion of the European Economic and Social Committee on ‘Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument’

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Rapporteur: **Stefano MALLIA**

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Section responsible	Economic and Monetary Union and Economic and Social Cohesion
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1. Conclusions and recommendations

1.1. Cohesion policy is one of the most tangible policies of the EU which has a direct bearing on the everyday lives of citizens. In view of this, the EESC strongly rejects the Commission’s proposal to cut the EU’s budget by 10 % in real terms. In this regard, the EESC urges the Member States to find solutions that allow this budget to be kept at the same level as the 2014-2020 programming period at 2020 values.

1.2. The EESC believes that there is a need for a clear political strategy that is aligned with the EU’s global commitments. The EESC urges the Commission to renew the Europe 2020 Strategy and align the priorities of the new Common Provisions Regulation (CPR) with this new strategy. The EESC also recommends that the Commission effectively mainstreams the Sustainable Development Goals (SDGs) into the cohesion policy related regulations by ensuring their cross-cutting inclusion in all priorities of the funds.

1.3. The EESC finds that the economic circumstances set up by the CPR (macroeconomic conditionalities, decreased co-financing etc.) would create a too rigid environment and could harm investment. The EESC therefore:

- rejects macroeconomic conditionality for penalising regions and citizens who are not to blame for macroeconomic decisions taken at national or European level;
- invites the Commission to maintain the decommitment rule at N+3;
- asks the Commission to reconsider increasing the co-financing rates.

1.4. The EESC greatly appreciates the efforts regarding simplification, flexibility and effectiveness — they point in the right direction. It is however unfortunate that the new rulebook is not a single set of rules.

1.5. The EESC finds the rules related to thematic concentration too strict. The EESC proposes that one of the policy objectives should be chosen by the Member States. In this regard, the EESC encourages the Member States to consider policy objective 5 as that PO that can guarantee the most tailor-made solution to their specific challenges.

1.6. The EESC recommends that the Commission develop the required tools that allow areas with structural and permanent disadvantages (islands, mountain regions etc. ⁽¹⁾) to effectively tackle their specific and complex challenges. This cannot remain the sole competence of national authorities. The EESC also recommends that the projects implemented in these areas be supported by higher co-financing rates.

1.7. The EESC recommends that ad-hoc solutions be found to address the situation of those countries or regions which were classified as convergence regions during the 2007-2013 programme benefitting from an 80 % co-financing rate during the 2014-2020 period and which will now be classified as transition regions during the 2021-2027 period benefitting from a 55 % co-financing rate.

1.8. The EESC believes that the Commission should further reinforce synergies by finding a way to reintegrate the European Agricultural Fund for Rural Development into the rulebook and also by strengthening ties with the European Social Fund Plus (ESF+). The EESC also advocates greater integration with and between other funding programmes and tools (Horizon 2020, InvestEU etc.).

1.8.1. These ties should also appear in the programming of the funds. The EESC encourages the Member States to prepare and implement multi-fund programmes that address challenges in an integrated way. The EESC believes that the integration should also appear in terms of territorial cooperation; reasonable ties between rural-urban, urban-peri-urban etc., i.e. a place-based approach is essential.

1.9. The implementation of 'multi-level and multi-actor governance' with the involvement of economic and social partners in the decision and implementation process is one of the most important conditions for the success of cohesion policy. Concerning the Code of Conduct, the EESC takes note of the dissatisfaction of the European Social Partners and asks that it be revised and updated in direct consultation with them. The EESC also asks that the Code of Conduct be made binding.

1.10. The EESC rejects the removal from the new CRP proposal of the principles of promotion of equality between men and women, non-discrimination, accessibility of persons with disabilities, as well as of sustainable development. It therefore strongly recommends that Article 7 of the current CPR 2014-2020 be incorporated in the proposed new CPR, and that this principle be directly embedded in the main text of the proposed European Regional Development Fund and Cohesion Fund (ERDF and CF) regulation. In addition, the EESC firmly proposes to include accessibility for persons with disabilities in Article 67 — on the selection of operations — of the proposed CPR.

1.11. The EESC considers that a more effective overall communication effort is essential. All too often EU funded projects take place with little or no knowledge of citizens of the involvement of the EU. The EESC therefore asks the Commission to put in place a more effective information strategy aimed at its citizens and the different types of beneficiaries.

2. General comments

2.1. The EESC deeply regrets that the cohesion policy budget was reduced by 10 % in real terms. In this regard, the EESC strongly rejects the proposed cuts to the EU's budget and proposes that the Member States find solutions through which the budget can be kept at the current level at 2020 values.

2.2. Cohesion policy is one of the most important elements in bringing citizens closer to the vision of European integration. It has a clear added value in creating jobs, sustainable growth and modern infrastructure, overcoming structural barriers, boosting human capital and improving people's quality of life. This is why the EESC strongly welcomes the fact that all regions are eligible for funding.

2.2.1. EU cohesion policy must be an integral part of a European investment strategy, with a strong territorial approach, aimed at empowering each region with the necessary tools to enhance their competitiveness. It must lead to economic and structural transformation, securing a resilient base in each region, based on their own strengths ⁽²⁾.

⁽¹⁾ Article 174 of the Treaty on the Functioning of the European Union.

⁽²⁾ https://www.businesseurope.eu/sites/buseur/files/media/position_papers/ecofin/2017-06-09_eu_cohesion_policy.pdf

2.3. The EESC takes note that the new approach, still based on three categories (less-developed, transition, more developed), is a more tailored one. While the allocation method for the funds is still largely based on GDP per capita, new criteria have been added (youth unemployment, low education level, climate change, and the reception and integration of migrants). The EESC is of the view that this reflects better the reality on the ground although — in line with the Impact Assessment required by the Regulatory Scrutiny Board ⁽³⁾ — the EESC feels that this approach could be fine-tuned further.

2.4. The EESC is deeply concerned about the Commission proposal to decrease the co-financing rates and the effect of this on the engagement of the beneficiaries in less favourable financial situations. The inclusion of VAT as an eligible expense is welcome although some element of this already exists in the current period.

2.5. It is also to be noted that situations exist whereby countries or regions classified as convergence regions during the 2007-2013 programme benefitting from an 80 % co-financing rate during the 2014-2020 period will now be classified as transition regions during the 2021-2027 period benefitting from a 55 % co-financing rate, which means a massive fall in the co-financing for them. The EESC feels that such situations need to be specifically addressed. Furthermore it is to be noted that in projects with private funding, beneficiaries will only receive the co-financing of the public element.

2.6. The EU's priority in relation to the outermost regions must be to strengthen the links that connect them with mainland Europe and their citizens' sense of belonging to the European project ⁽⁴⁾. The EESC welcomes the fact that the outermost regions will continue to benefit from special EU support.

2.7. The EESC regrets, however, that cohesion policy still does not offer comprehensive solutions for the challenges of specific territories mentioned in Article 174 of the Treaty on the Functioning of the European Union ⁽⁵⁾. Studies show that the central authorities do not always address the specific areas as mentioned in Article 174. The EESC therefore believes that the Commission should encourage the involvement of regional and local stakeholders in the way their specific territories are addressed by Member States while respecting the institutional and legal frameworks in place in the respective territories.

3. General principles

3.1. The EESC rejects the removal of the principles of promotion of equality between men and women, non-discrimination, accessibility of persons with disabilities, as well as of sustainable development from the new CRP proposal. The European *acquis* has developed a transversal approach to these in the programming and implementation of the funds (Article 7 of the current CPR and Article 16 of CPR 2007-2013).

3.1.1. It therefore strongly recommends that Article 7 of the current CPR 2014-2020 be incorporated in the proposed new CPR, and that this principle be directly embedded in the main text of the proposed ERDF and CF regulation. Furthermore, the EESC firmly proposes to include accessibility for persons with disabilities in Article 67 — on selection of operations — of the proposed CPR.

3.2. Since the EU is a state party to the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD), the EESC considers appropriate that the UNCRPD is embedded in the legal basis of the proposed CPR regulation.

3.3. The EESC strongly believes that genuine partnership at all levels, with economic and social partners and organised civil society stakeholders in the preparation, execution and *ex-post* evaluation of the programmes and projects in EU cohesion policy enhances their quality and efficient delivery. Having asked for a Code of Good Conduct, the EESC strongly supports the Commission's initiative and agrees with its proposed recommendations (Article 6) ⁽⁶⁾. The EESC notes that the Commission proposal may need to be fine-tuned to address the sector-specific challenges (particularly national security-related challenges) addressed by the migration and security programmes.

⁽³⁾ SEC(2018) 268.

⁽⁴⁾ OJ C 161, 6.6.2013, p. 52.

⁽⁵⁾ OJ C 209, 30.6.2017, p. 9.

⁽⁶⁾ OJ C 44, 15.2.2013, p. 23.

3.4. The EESC strongly believes that the partnership between administrative authorities and economic and social partners at the EU, national and regional level, in the form of multi-level and multi-actor governance, is one of the essential criteria for the success of cohesion policy. It must be the basic condition for awarding Partnership Agreements and European funds. The EESC welcomes the new binding wording and expressly asks the legislator to maintain the current wording 'shall involve'.

3.5. Concerning the Code of Conduct, the EESC took note of the dissatisfaction of the European Social Partners and asks that it be revised and updated in direct consultation with them. The EESC asks that the Code of Conduct be made binding.

3.6. In order to strengthen the skills and the effectiveness of the partnership, the EESC calls for the introduction of capacity-building and technical assistance measures for the partners referred to in Article 6. The EESC would also like to see an annual consultation mechanism established with the relevant partners.

3.7. The EESC agrees that each member of the monitoring committees has one vote. In order to ensure a fair balance in decision-making, the weighting of the votes should be 50 % for the administrative authorities and the authorities designated in Article 6(1)(a) and 50 % for the economic and social partners in points (b) and (c). The EESC notes that this proposal may need to be fine-tuned to address sensitive issues such as those of national security.

4. Simplification

4.1. The EESC finds it of utmost importance to substantially reduce the unnecessary administrative burden for beneficiaries while maintaining a high level of assurance of legality and regularity. The EESC recognises and welcomes the fact that the Commission's proposal has addressed multiple issues with regards to simplification.

4.2. The EESC proposes the systematic application of the 'only once' principle of the Small Business Act, ensuring that administrative, auditing and control formalities are transmitted only once by project managers to the direct competent managing authority which will be responsible for transmitting them to the national and European managing authorities.

4.3. The EESC also recommends the establishment of a 'de minimis' oversimplified control/audit system for very small projects: if the immediate managing authority finds and declares that the expected results have been obtained, no further control or audit should be requested.

4.4. It is an overstatement to call the CPR a single set of rules. Even though seven funds are included, with the considerable number of 'exceptions to the rules' there is a lack of coherence; there are often different provisions, for example, for the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. In line with the conclusions of the High Level Group on Simplification for post 2020 ⁽⁷⁾, the EESC believes that the regulatory package should be much simpler and avoid micromanaging the funds.

4.5. While the EESC takes note of the integration of the new funds allocated to tackle the migration crisis and security matters ⁽⁸⁾ within the CPR, it greatly regrets that the European Agricultural Fund for Rural Development is not part of the rulebook and also that the ties with the ESF+ are poorer than with its predecessor. The EESC asks the Commission to reconsider this decision.

4.6. The EESC agrees that priority should be given to suspension of commitments and not of payments to avoid aggravating crises. Payments must only be suspended when immediate action is sought and in the case of significant non-compliance.

5. Flexibility

5.1. To facilitate business creation and growth, the EU must support reforms for an investment-friendly environment in which businesses can thrive and improve the framework conditions for entrepreneurship. Cohesion funds must be used to provide better conditions for the growth of start-ups and young innovative SMEs and to facilitate the succession of family businesses. In this regard, the EESC believes that cohesion policy needs to provide a stable yet flexible framework ⁽⁹⁾.

⁽⁷⁾ http://ec.europa.eu/regional_policy/sources/newsroom/pdf/simplification_proposals.pdf

⁽⁸⁾ OJ C 75, 10.3.2017, p. 63.

⁽⁹⁾ OJ C 81, 2.3.2018, p. 1.

5.2. Regarding the obligatory transfers to the Connecting Europe Facility (CEF), the EESC notes that the overall amount of funding to be transferred has remained at the same current level even though there has been a 10 % cut in the overall funding. Therefore the percentage of overall funds being transferred would be in fact higher than it is for the current programming period. The EESC agrees with the overall approach as long as the overall cohesion policy budget remains at the 2014-2020 level.

5.3. Furthermore, currently 100 % of the funds transferred to the CEF are ring-fenced for each Member State. The proposal for the new period is that only 70 % will be ring-fenced for the specific Member State with the remaining 30 % going towards projects of choice of the Commission. The EESC strongly rejects this proposed approach.

5.4. The EESC welcomes the fact that there will no longer be specific rules for revenue generating investments. The EESC also notes that there will be no 'major project' process (instead, strategic projects will be followed by the monitoring committee). Whilst this in itself is a welcome development, the EESC has concerns as to how the validity of major projects can still be guaranteed.

5.5. The EESC also welcomes the possibility to adjust programme objectives and resources in the light of changing circumstances that would make it possible to mobilise EU funding as of day one in the event of a natural disaster⁽¹⁰⁾.

5.6. The EESC agrees that grants alone cannot address the significant investment gaps. They can be efficiently complemented by financial instruments, which have a leverage effect and are closer to the market. The EESC therefore welcomes the fact that combining grants and financial instruments is made easier and that the new framework also includes special provisions to attract more private capital.

5.7. The EESC supports the fact that the technical assistance of Member States has been simplified and specifies that the partners of Article 6 should also benefit from it.

6. Effectiveness

6.1. The EESC regrets the fact that the Commission has not launched a participatory process leading to an overarching and integrated strategy for a sustainable Europe in 2030 and beyond. It is questionable with what priorities the Commission proposes to align the Member States' Partnership Agreement and operational programmes.

6.2. The EESC recommends that the Commission align cohesion policy with the UN 2030 Agenda and its SDGs be embedded in the main text of the CPR, covering all funds.

6.3. The EESC has concerns with the new thematic concentration rules. The EESC believes that the concentration of funds on two priorities is too restrictive. The EESC is concerned with the one-size-fits all approach taken by the Commission in this regard. The EESC believes that thematic concentration must be sufficiently flexible to allow funding priorities to address the different development needs at national and regional level.

6.4. The EESC welcomes the stronger link with the European Semester via the Country-Specific Recommendations⁽¹¹⁾. It however rejects macroeconomic conditionality for penalising regions and citizens who are not to blame for macroeconomic decisions taken at national or European level⁽¹²⁾. The EESC agrees that it is also important to ensure full complementarity and coordination with the new, enhanced Reform Support Programme.

6.5. As it may contribute to simplified access to funding, the EESC appreciates the reinforced synergies between certain programmes ('Seal of excellence approach'), but in most cases the proposal is not clear enough (for example, if, in the case of the Community-Led Local Development tool, the structural funds can be combined with the EARDF).

6.6. Regarding the decommitment rules, the EESC regrets that this proposal amends the current N+3 rule to an N+2 rule and invites the European Commission to reconsider it. The EESC wishes to consider the needs of the countries which have had difficulties in the implementation of the programmes and offer them more and not less flexibility.

⁽¹⁰⁾ OJ C 173, 31.5.2017, p. 38.

⁽¹¹⁾ <https://www.eesc.europa.eu/sites/default/files/resources/docs/qe-02-17-362-en-n.pdf> and <https://www.eesc.europa.eu/sites/default/files/resources/docs/qe-01-14-110-en-c.pdf>

⁽¹²⁾ OJ C 191, 29.6.2012, p. 30.

6.7. Furthermore, it is to be noted that the administrative capacity especially of the smaller Member States and regions could be put under severe pressure during the initial phases of the 2021-2027 period. This needs to be seen in light of the fact that whilst Member States are still closing the current programming period, they will be under pressure to start implementing the last two years of the new programming period (due to the 5+2 approach) and with an N+2 rule as well as a reduced pre-financing amount.

6.8. Given the fact that small and micro enterprises and civil society organisations can have difficulties benefiting from opportunities offered by the European funds in general, the EESC requests support for actions that strengthen their access to information, provide coaching and mentoring and boost their intervention capacities.

7. Programming and implementation

7.1. The EESC welcomes the fact that there are less policy objectives (PO) which seem to be more flexible than their predecessors but regrets that they are not linked to a wider strategic context.

7.2. The EESC especially welcomes the new policy objective called 'Europe closer to its citizens' (PO5). The EESC hopes that, in keeping with its name (and the requirements of Article 17(3)(g)), the Member States will prepare and implement their programmes under this objective in close cooperation with citizens as well as economic and social partners and civil society organisations.

7.3. The EESC has concerns regarding the fact that only the first five years would be programmed initially. The EESC sees the advantages of this approach but fears that it can become a heavy administrative burden for the authorities which also risk not meeting the decommitment rules.

7.4. The simplification of the programming documents (Partnership Agreement (PA), operational programmes) is welcome. In particular the EESC agrees with the simplification of the PA and believes that it should be a strategic high-level document. Therefore, it is important that an effort is made to ensure that the Member States' programmes remain in line with the EU priorities and in synergy with each other. The EESC also welcomes the simplification of the delegated acts. In order to avoid the risk of gold plating by managing authorities, the EESC asks the Commission to involve the European economic and social actors in the formulation of the delegated acts.

7.5. The EESC finds it essential that there are simple solutions proposed that would connect the different cohesion policy related initiatives (strategies and programmes) of the different territorial levels horizontally (e.g. macro-regional strategies with transnational programmes) and vertically (between the different territorial levels). For this reason the EESC welcomes Article 17 and encourages the Commission to continue its work in this direction.

7.6. More than half of the world's population now lives in cities, and this figure is set to rise to 70 % by 2050⁽¹³⁾. The EESC therefore welcomes the increased ERDF earmarking for integrated sustainable urban development but regrets that it is not extended to the ESF+.

7.7. The EESC believes that basing territorial development on integrated territorial strategies is the right approach which allows the local level to identify its potentials and needs and to launch actions in partnership between all local actors to meet the specific needs identified. The EESC believes that this is a good governance approach which should be greatly encouraged and strengthened. In this regard, the EESC welcomes the fact that the partners, in accordance with Article 6, must be involved in the preparation and implementation of the territorial strategies.

7.8. The EESC also welcomes the new 'other integrated tools' as referred to under Article 22(c), as these can allow tailor-made and locally functioning solutions to be identified and used, but regrets that their usage is limited to PO5. Such a tool should be open to all POs. As the explanations regarding this new tool are rather vague, the EESC recommends that the Commission elaborate further on it so that Member States can be encouraged to make full use of this option.

7.9. The EESC believes that in order to reflect the reality better and make sure that local interest is represented in the actions of the new European Urban Initiative, civil society should be strongly involved and represented in its governance mechanism. The EESC is strongly in favour of the establishment of such a governance mechanism on a European scale with the involvement of the relevant civil society actors.

⁽¹³⁾ <http://www.un.org/en/development/desa/news/population/world-urbanization-prospects-2014.html>

7.10. The EESC strongly believes that the funds under cohesion policy are the most visible for the citizens and the economic and social actors. The supported actions constitute one of the best ramparts against euroscepticism and the movements opposed to Europe. It is therefore necessary to provide direct and easily accessible information, targeted according to the professional activity of the people concerned, for example with good practice guidelines. The EESC asks the Commission to develop a strategic communication plan in partnership with all the partners concerned.

Brussels, 17 October 2018.

The President
of the European Economic and Social Committee
Luca JAHIER
