

Opinion of the European Economic and Social Committee on ‘Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund’

(COM(2018) 372 final — 2018/0197 (COD))

(2019/C 62/14)

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Section responsible	Economic and Monetary Union and Economic and Social Cohesion
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Outcome of vote (for/against/abstentions)	138/0/1

This EESC opinion concerns the proposal presented by the European Commission on 29 May 2018 for a Regulation of the Council and the Parliament ⁽¹⁾ on the European Regional Development Fund and Cohesion Fund for the period 2021 to 2027. The opinion also includes a few brief comments on some provisions of the proposed Common Provisions Regulation (CPR) ⁽²⁾ that directly concern relevant aspects of the structure, contents, articulation and further implementation of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF).

1. Conclusions and recommendations

1.1. The EESC reaffirms its strong commitment to and belief in cohesion policy and considers it a major instrument for bringing the EU closer to its citizens and for **tackling disparities among EU regions and inequalities among citizens**.

1.2. Although the EESC is aware of the Commission’s reasoning, it completely disagrees with the cuts to the cohesion policy in general, and in particular cuts of 12 % to the ERDF and 46 % to the CF. It therefore asks the European Commission, the European Parliament and the Council to increase the budget proposal, so as to maintain at least the same resources, at constant prices, as in the current financial framework.

1.3. The EESC underlines that the decrease in the **European co-financing rates** will hinder the implementation of projects, especially by Member States facing budget difficulties and of course by those that have been hardest hit by the crisis.

1.4. The EESC calls upon the Commission to make the criteria for **co-financing more flexible**, so that the economic and financial situation of each Member State is taken into account and the rule the Committee has recommended in several of its latest opinions is applied: investment expenses should not be taken into account regarding fulfilment of the deficit objectives of the Stability and Growth Pact.

⁽¹⁾ COM(2018) 372 final — 2018/0197 (COD), COM(2018) 372 final — ANNEX I, COM(2018) 372 final — ANNEX II

⁽²⁾ COM(2018) 375 final

1.5. The EESC considers that the Commission's proposal to reintroduce the N+2 rule is not supported by practical evidence or by the results analysis of the implementation of the N+3 rule. It therefore disagrees with this proposal and asks the Commission to maintain the N+3 rule for the new programming period.

1.6. The EESC welcomes the Commission's proposal for the **simplification** of the use of the funds in terms of structure, administration and management, facilitating smoother and more effective access to them. However, the simplification of the funds should not sideline principles and values that are an integral part of the EU *acquis*.

1.7. The EESC welcomes the fact that the Commission proposal improves **multi-level governance with its emphasis on shared management**, enhancing the participation of civil society organisations and other stakeholders in the process of programming, implementing, evaluating and monitoring the use of the funds. However, the European Code of Conduct on Partnership (ECCP) should be fully respected at all levels and **reinforced with strong guarantees and measures** ensuring its full implementation. Compliance with the ECCP should be considered to be an enabling condition. This will empower stakeholders and civil society organisations to play a vital role as **intermediary bodies**, bringing projects closer to their final beneficiaries.

1.8. The EESC points out that at EU level there is no structured involvement of civil society organisations in the process of monitoring the implementation of cohesion policy. It therefore strongly recommends that the Commission **establish a European Civil Society Cohesion Forum** with the participation of the social partners, civil society organisations and other stakeholders that will consult the social partners and CSOs annually on the state of implementation of the cohesion policy throughout the programming cycle 2021-2027.

1.9. The EESC recommends that the Commission effectively **mainstream the Sustainable Development Goals (SDGs)** in cohesion policy through the CPR and the ERDF and CF regulations, by ensuring their cross-cutting inclusion in all priorities of the funds, not only climate action.

1.10. The EESC proposes that **sparsely populated areas, isolated areas, small islands and mountainous regions**, in accordance with Article 174 of the Treaty on the Functioning of the European Union, be supported with the same thematic concentration requirements, scope of support and benefits, and with the same derogations, as the outermost regions. Investment strategies should be oriented towards the objectives of macro-regions and territorial and cross-border cooperation, especially to address complex phenomena such as migration.

1.11. The EESC recommends that the **European Territorial Cooperation (ETC)/Interreg budget be increased** for the new programming period in order to effectively fulfil its mission and objectives. The EESC also proposes providing the ERDF with enough support for the implementation of the cross-border mechanism. Moreover, the EESC believes that investment strategies should be directed towards the objectives of the macro and sea-basin regions.

1.12. The EESC asks the Commission to take other **social indicators** into account, in addition to gross national income (GNI) per capita, in order to classify Member States according to the thematic concentration requirements that apply to them.

1.13. The EESC supports the concept of thematic concentration but asks the Commission **to balance distribution** of the thematic concentration requirements in investments among policy objectives (POs), as the allocation for POs 3 to 5 seems to be insufficient for tackling socioeconomic needs and for building a Europe that is closer to its citizens.

1.14. The EESC regrets that the Commission proposals for all regulations have excluded the horizontal incorporation of **equality, non-discrimination and accessibility for persons with disabilities**. It therefore strongly recommends that Article 7 of the current Common Provisions Regulation (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. Also, the EESC firmly recommends including accessibility for persons with disabilities in Article 67 of the proposed CPR on selection of operations.

1.15. The EESC underlines that the **United Nations Convention on the Rights of Persons with Disabilities (UNCRPD) should be fully embedded in the main text** of the proposed ERDF and CF regulation as well as in the CPR regulation. The UNCRPD in particular should be fully included in the legal basis of the ERDF and CF regulation and accessibility for persons with disabilities should be made a mandatory eligibility criterion.

1.16. The EESC asks the Commission to ensure that building or renovating segregated institutional care facilities **be excluded from the scope** of support under the ERDF and CF. Instead, social inclusion through the **transition from institutional to community-based care** must be promoted.

1.17. The EESC welcomes the improvement in the **coordination of the different funds**, as well as the link between these and the European Semester and the Reform Support Programmes.

1.18. The EESC considers that the inclusion of **macroeconomic conditionalities**, which are decided at national and European level, creates strong barriers to regions, local municipalities, other stakeholders and citizens when using the funds, and therefore the EESC completely rejects them and asks the Commission to reconsider the inclusion criteria

1.19. The EESC considers that the implementation of the **European Pillar of Social Rights (EPSR) needs to be prioritised in cohesion policy**, not only in the ESF+. It therefore firmly recommends that a minimum of 10 % be allocated to PO 4 of the ERDF, **establishing the Social Sustainability and Accessibility Regional Initiative (SSARI)**.

2. General comments

2.1. The EESC still considers cohesion policy — as it has done over many years — one of the fundamental pillars for achieving EU integration, and therefore is of the opinion that at times of uncertainty and the rise of populism, nationalism and euroscepticism, cohesion policy is the real connecting process for citizens in the EU project.

2.2. The EESC underlines that the cohesion policy and its financing instruments could have been used to present the European citizens with a new, positive narrative for the EU project.

2.3. The EESC therefore points out that the Commission's proposal has not been politically ambitious enough, and this is translated in practice in the cuts, at constant prices, of 12 % and 46 % to the ERDF and CF budgets respectively in the proposal for the MFF 2021-2027 with respect to current budgets. The cuts are proposed even though the Commission recognises, in the explanatory memorandum, that 'the ERDF and CF represent 50 % of public investment in many countries'. Thus they will have a negative effect on those countries that are stabilising their economies as they recover from the crisis and as their citizens try to cope with austerity measures. In many countries poverty and inequality levels remain high and in some cases are increasing, with substantial divergences between countries, and among and within regions and different population groups, particularly as regards the social indicators related to women, the Roma, persons with disabilities, the elderly, etc.

2.4. Given the paramount importance of both the ERDF and the CF for the economic and social development and cohesion of European regions, the EESC requests that the **financing of cohesion policies be maintained** in the MFF 2021-2027, at least with the same resources at constant prices as in the current financial framework⁽³⁾.

2.5. The Commission's proposal **to decrease the co-financing rates** for the three categories⁽⁴⁾ of regions undermines the capacity to access and utilise the funds on equal terms, especially for those Member States with greater spending difficulties and those that have been hardest hit by the crisis.

2.6. The EESC supports the efforts to **simplify** cohesion policy and welcomes the reduction in the number of objectives from 11 to 5, as this will allow resources to be concentrated on the priority issues of the competitiveness of enterprises and of the rights of persons. However, fewer, clearer and shorter rules should not mean less efficient regulations for achieving its general and specific goals. More particularly, greater simplification should not mean sidelining cross-cutting principles that are part and parcel of the European *acquis* from the proposed regulation.

2.7. Simplification through unifying funds and facilitating access for beneficiaries, notably by relying more on management carried out by Member States, and through stepping up the use of Simplified Cost Options, are much-needed steps for enhancing the efficiency of investments. The extension of the principle of the single audit and greater reliance on

⁽³⁾ See EESC's opinion on Multiannual Financial Framework post 2020 (OJ C 440, 6.12.2018, p. 106).

⁽⁴⁾ See EESC's opinion on Multiannual Financial Framework post 2020 (OJ C 440, 6.12.2018, p. 106).

national, regional and local authorities will also make for more efficient technical assistance expenditure. The EESC also welcomes the strengthening of **e-cohesion and data exchange**, as these will enhance the transparency and efficiency of the ERDF and CF. The EESC welcomes Commission's proposal to strengthen interregional cooperation through the Smart Specialisation Strategy (S3).

2.8. The EESC believes that the **European Territorial Cooperation** is an important way of supporting specific cross-border regions that commonly face problems with infrastructure, the delivery of public services, communication and transport due, amongst other things, to geographical and/or historical characteristics. Interreg should be a tool to promote the economic and social convergence of these regions, sub-regions and local areas in practical terms, and the EESC therefore suggests increasing the budget of this instrument. The EESC also strongly recommends that ERDF funding be provided to support the effective functioning and implementation of the cross-border mechanism.

2.9. Although **equality, non-discrimination and accessibility** are included in the preamble, the EESC firmly believes that they should be fully embedded in the main text of the ERDF and CF regulation, making them mandatory eligibility criteria for funding allocations and that accessibility for persons with disabilities must be included in Article 67 of the proposed CPR on selection of operations ⁽⁵⁾.

2.10. The classification of the regions is still determined by the **'Berlin method'**, taking into account exclusively the gross national income and population of each region to determine the thematic concentration requirements applying to each ⁽⁶⁾. Nevertheless, the Commission has decided to include new indicators for the allocation method, such as unemployment, net migration or greenhouse gas emissions. Even if this solution contributes to improving the accuracy of the funding distribution regarding the needs of the regions, the thematic concentration requirements would still be determined by a method of classification that leaves aside these inequalities.

2.10.1. Therefore, many regions of Member States in 'group 1' might receive a 'correct' allocation in terms of the inequalities they suffer that goes beyond GNI, but would then have to contend with the thematic concentration requirements, something that could constrain their capacity for tackling these inequalities. The explanation given in the Impact Assessment — as an answer to the requirement of the Regulatory Scrutiny Board ⁽⁷⁾ — on the choice of the 'Berlin method' does not clarify why other relevant indicators were not taken into account. The EESC therefore asks the Commission to reconsider this approach.

2.11. **Sparsely populated areas**, in accordance with Article 174 of the Treaty on the Functioning of the European Union, as well as isolated areas, such as small islands, are regions that face specific problems of communication — including internet access — and transport. In addition, they commonly lack social infrastructure (health, education, etc.). In these regions, the scattered nature of the population and the lack of employment opportunities, causing a disturbing rate of aging, results in a gradual increase in the cost of delivering public services, making it harder to develop employment programmes and attract companies.

2.11.1. The proposal allocates part of the budget for these regions together with those classified as outermost regions. However, the classification of regions includes the outermost regions in 'group 3', not taking into account the special characteristics of the sparsely populated areas, other than GNI per capita. The EESC considers taking a specialised approach

⁽⁵⁾ Article 7 of the Common Provisions Regulation 2014-2020 has been removed, as the Commission has opted for the inclusion of an obligation on the Member States regarding the selection of projects, through Article 67 of the proposal for a Common Provisions Regulation (CPR), for the 2021-2027 MFF. However, Article 67 does not include any mention of accessibility.

⁽⁶⁾ The new proposal for a thematic concentration of the ERDF classifies Member States in three groups according to their GNI: 'group 1' for those with a GNI ratio equal to or above 100 % of the EU average; 'group 2' for those with a ratio equal to or above 75 % and below 100 %; and 'group 3' for those where the ratio is below 75 % of the EU average, as well as for the outermost regions regarding their programmes dedicated to the 'Investment for jobs and growth' goal. The thematic concentration requirements for the different regional groups propose that 'group 1' Member States allocate at least 85 % of their resources to PO 1 and PO 2 and at least 60 % to PO 1; that 'group 2' focus at least 45 % of the budget on priorities under PO 1 and at least 30 % to PO 2, and that 'group 3' allocate at least 35 % of their resources to PO 1 and a minimum of 30 % to PO 2.

⁽⁷⁾ SEC(2018) 268.

with sufficient funding and the correct thematic concentration requirements in order to tackle the difficulties encountered by sparsely populated and isolated areas, and that they should therefore benefit from the thematic concentration scope of support and derogations applicable to outermost regions.

2.12. The EESC welcomes the improvement in the **coordination between the seven shared management funds** — established mostly through the CPR proposal — fulfilling a major request on the part of stakeholders. For the ERDF and the CF the combination with the proposed Reform Support Programme⁽⁸⁾ is especially relevant, as it will help to link the implementation of the programmes with the recommendations made under the European Semester, when they are socially sustainable, improving the effectiveness of the investments. This combination should provide for specific negotiations between national and European authorities, with the active involvement of the social partners and CSOs.

2.13. The EESC recognises the importance of **combining different types of funds and tools** with the cohesion policy funds, especially financial instruments, thus covering the objectives more effectively. The mobilisation of private capital also ensures and multiplies the added value of investments and the wider distribution of benefits.

2.14. The EESC welcomes the improvement in the **flexibility** in adapting the funds and programmes to incoming contingencies, as proposed by the Commission. The proposed link between the Country-Specific Recommendations and the programming period and mid-term evaluation is important for the effectiveness of the funds. However, it is necessary to pay close attention should changes become too frequent, as they are likely to distort the nature of the programming. In addition, the proposal to leave the resources unscheduled until the last two years is likely to make them hard to use for reasons of time.

2.15. The EESC acknowledges the increase in the proposed 2021-2027 MFF compared to the 2014-2020 MFF in the percentage the Commission proposes to allocate to climate objectives, with an expenditure of 30 % of the ERDF and 37 % of the CF. Given the paramount importance of this goal and the capability of both funds in addressing it, the EESC believes an increase should be given further consideration.

2.16. The Sustainable Development Goals (SDGs) are taken into account by the Commission as a justification for the proposed expenditure on climate objectives. The EESC believes that the Commission should consider a broader alignment of the proposed regulation and its five proposed priorities for the programming and implementation of the funds with the SDGs. This should take place by ensuring that the social and economic perspectives of the SDGs are also included in the regulation.

2.17. The Commission presents a **multi-level governance model** which emphasises the shared management of the programmes between the Commission and the Member States, which now have more direct responsibility. The division of responsibilities is also clearer, and the contribution of the regional and local authorities and the social partners and civil society organisations⁽⁹⁾ has been increased. However, strong guarantees and specific measures need to be introduced to empower the social partners and civil society organisations to play a vital role **as intermediary bodies**, developing projects more efficiently and bringing them closer to their final beneficiaries.

2.18. The EESC underlines that there is a need for more partnership, participation and involvement of civil society organisations and other stakeholders in the monitoring of cohesion policy at EU level. In fact, the EESC notes that this deficit at EU level could be addressed by the EESC in a highly proactive, inclusive and effective manner. The EESC therefore proposes that a **European Civil Society Cohesion Forum** be established to monitor cohesion policy, with the EESC available to fully facilitate its functioning.

2.19. The EESC welcomes the fact that the Commission has opted to vary the traditional approach to **Technical Assistance** by eliminating the priority objective used to direct this support. Instead, the proposal suggests a general flat rate of 2,5 % of each programme, adding up to 100 % of the investment, aimed at covering technical assistance expenses. Other investments made under the classification of Technical Assistance may also be co-financed, if needed, on top of that 2,5 % rate. The EESC welcomes this simplified approach. In addition to prioritising the proportionality principle and improving flexibility and partnership governance, the Commission has opted not to limit the amount of the allocation aimed at the institutional capacity of partners, including bodies representing civil society.

⁽⁸⁾ COM(2018) 391 — 2018/0213 (COD).

⁽⁹⁾ This includes the environmental partners and bodies responsible for promoting social inclusion, fundamental rights, rights of persons with disabilities, gender equality and non-discrimination, as referred to in Article 6 of the CPR proposal.

2.20. The EESC disagrees with the proposal to amend the N+3 rule to N+2 and invites the Commission to reconsider. The approach to flexibility in these terms should be closer to the needs of those countries, regions, sub-regions, local communities and stakeholders which have experienced the greatest difficulties in implementing the programmes and should adapt the implementation process to the capacities of the different Member States and the conditions prevailing in them. The reintroduction of the N+2 rule also requires a higher level of efficiency in programming and implementing, with a year less for the certification of payments.

3. Specific comments

3.1. The EESC believes that the specific objectives for the ERDF and CF (Article 2) should include areas such as the social economy and accessibility of infrastructure and services for all EU citizens, and that there should be specific references to sparsely populated areas and islands, in accordance with Article 174 of the Treaty on the Functioning of the European Union.

3.2. The EESC believes that Annexes I and II should be reviewed accordingly in order to translate the previous areas into common output and result indicators as well as performance indicators.

3.3. Although the EESC acknowledges that PO1 and PO2 are policy objectives with high added value, it points out that placing very high percentages for these two areas in all three regional groups would undermine the efficiency of the ERDF and CF in tackling POs 3 to 5. It therefore asks the Commission to revisit the thematic concentration requirements (Article 3.4) in order to balance efforts to properly tackle social inequalities, including poverty and discrimination, something that is needed in order to achieve inclusive growth.

3.4. The EESC highlights the fact that urban development is closely linked to modernising and innovating local infrastructure and services, and therefore welcomes the inclusion of a European Urban Initiative in the ERDF, linked to the European Urban Agenda. However, the EESC strongly recommends that the Commission increase the financial support to this initiative and at the same time makes it cross-cutting to cover the three pillars of the SDGs 2030 Agenda, for instance, so as to develop smart and accessible cities.

3.5. The EESC welcomes the inclusion of horizontal enabling condition 4, requiring national frameworks for the implementation of the UNCRPD. Nevertheless, it considers that:

3.5.1. Since the EU is a state party to the UNCRPD and therefore implementation by the EU is obligatory, it is appropriate that the **UNCRPD be embedded in the legal basis** of the proposed ERDF and CF regulation.

3.5.2. Accessibility for persons with disabilities, including the accessibility of goods, services and infrastructures, **should be included in the scope** of the proposed regulation and set **as a mandatory criterion for funding projects** in each sector covered. The EESC therefore strongly recommends that point 5 of the introduction of the proposed ERDF and CF regulation — *‘Member States should also respect the obligations of the UN Convention on the Rights of Persons with Disabilities and ensure accessibility in line with its Article 9 and in accordance with the Union law harmonising accessibility requirements for products and services’* — should be included in the main text of the regulation.

3.5.3. The **European acquis** has developed a cross-cutting approach to the promotion of **equality, non-discrimination and accessibility** for persons with disabilities in the programming and implementation of the funds through **Article 7** of the current CPR⁽¹⁰⁾ and **Article 16** of the CPR 2007-2013. The EESC therefore strongly recommends **reincorporating Article 7** of the CPR 2014-2020 into the proposed new CPR.

3.6. The EESC is disappointed to see that the commitment under the ERDF which started in the 2014-2020 MFF to promote the **transition from institutional to community-based care** has not been followed up in the proposed regulation. Article 2(d) of the proposed ERDF regulation prioritises increasing socioeconomic integration ‘through integrated measures including housing and social services’. While this is an important provision, it is not certain that this specific objective is enough to ensure that people, especially the most disadvantaged ones, will be included in the community through targeted investments in deinstitutionalisation. In view of the fact that ERDF investments are crucial for

⁽¹⁰⁾ Regulation (EU) No 1301/2013.

the social inclusion, the EESC proposes to ensure that the ERDF invests only in services that support social inclusion and that the use of funds for building or renovating segregated institutional care facilities is excluded from the scope of the ERDF and CF. It is crucial that both the positive incentive and the negative obligation be maintained, but also strengthened, in the proposed ERDF regulation.

3.7. Although it is proposed that one third of ESF+ funding should support the implementation of the **European Pillar of Social Rights**, the EESC strongly believes that funding from the ERDF budget should be prioritised to effectively support the implementation of PO 4. The EESC therefore firmly recommends that a minimum of 10 % be allocated to PO 4 of the ERDF, establishing the **Social Sustainability Regional Initiative** (SSRI), in order to promote social inclusion and accessibility in a systematic and coherent manner.

Brussels, 17 October 2018.

The President
of the European Economic and Social Committee
Luca JAHIER
