



EU solidarity post 2020: an ambitious Cohesion policy

Declaration of PES Cohesion ministers – adopted in Luxembourg, 12 April 2018

Cohesion policy is turning 30 and it is one of the landmarks of European integration. Without cohesion policy, it would be difficult to envisage Europe as it is today¹.

Cohesion policy is the EU's largest investment instrument. Thanks to shared management, it drives European, national and local levels toward common objectives. **Only during the period 2007-2013 EU Cohesion Policy** (i.e. the European Regional Development Fund, the European Social Fund, the Cohesion Fund) **has created one million jobs**, corresponding to one-third of all new jobs in the EU in that period of time. Cohesion policy created a strong economic multiplier effect, it **generated almost €3 of additional GDP for every euro invested, which will give an estimated return of €1 trillion of additional wealth by 2023²**. Cohesion policy promotes upward social convergence among EU countries. It is well-managed, well monitored and support quality projects. In other words, cohesion policy works and delivers results.

Cohesion policy reflects **solidarity** between Member States and European regions – the founding principle of European integration. **Cohesion policy investments have become trademarks** of the EU at local and regional level. No other instrument has a clearer link with citizens and local economy. People are connected to water, broadband and transport infrastructures thanks to cohesion policy. They receive better education at schools, better healthcare at the hospitals, and receive better training. They work, start their own company and innovate thanks to cohesion policy.

The discussion on the future Multiannual Financial Framework has already started. **Cohesion policy must be at the centre of this debate.** Our best investment policy must remain ambitious beyond 2020. **We, PES ministers in charge of cohesion, identify the 7 following principles for a successful, ambitious Cohesion policy post 2020.**

1. Constant financial engagement post 2020

Years of financial crisis have widened gaps in wages, employment, investment and growth both between and within Member States. Cohesion policy is needed more than ever to reverse this trend. It has played an important role in safeguarding public investment in regions suffering asymmetric economic shocks and thus played a crucial stabilisation function. It is an essential tool to strengthen the crisis-resilience of the EU. In a context where the future EU budget is under pressure, there is a danger that our

¹ <http://www.institutdelors.eu/011-25507-Solidarite-2-0.html>

² http://ec.europa.eu/regional_policy/en/newsroom/news/2016/10/10-07-2016-cohesion-policy-at-work-key-outcomes-of-eu-investments-in-2007-2013



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political opponents will take the opportunity to make brutal cuts to cohesion funding. Our best investment policy must therefore be secured beyond 2020.

- ➔ **Cohesion policy must remain as a priority in terms of financial means** in the next MFF, which means it must be maintained at least at the level of the 2014-2020 budget at constant prices.³ It must remain the main tool to invest in Member States.
- ➔ At the same time, cohesion policy must remain a policy looking beyond short term, operating in an integrated manner (the European Regional Development Fund, the European Social Fund, the Cohesion fund) and reflecting a territorial approach.

2. Cohesion : convergence, solidarity and investment fit for the future

Through its 11 thematic objectives⁴, cohesion policy already supports key investments for fighting climate change, for the integration of migrants, to accompany the digitalisation of societies and for promoting innovation. These priorities should be further strengthened, ensuring continuity with the current programming cycles. Additional priorities such as defence or border control shouldn't be financed at the expense of solidarity. The principle of solidarity is part of its success, we must defend it.

- ➔ Cohesion policy funds are one of the **main tool for investing in people, growth, development, and jobs in Europe**, against inequality and for social investment. The integrated, results-oriented nature of cohesion policy means that interventions in all policy areas have a positive social impact. Better road infrastructure also means better access to hospitals. Better access to ICTs also means better access to the labour market.
- ➔ **Promoting the competitiveness of the economy and the territories.** As a structural policy, Cohesion policy must focus on supporting innovation and knowledge, qualification, training and employment, while providing more flexibility to Member States regional and local authorities to adapt it to the different territorial context.
- ➔ **There must be a renewed, bold financial commitment for social investment in the new cohesion framework.** The funding in the current programming period allowed the EU to broaden the scope of its financial intervention from labour to social inclusion and poverty reduction. Among others, this allowed to properly fund the European Youth Guarantee. This was one of our achievements in the current MFF.
- ➔ Cohesion policy must further support the fight against climate change and enable a just transition to **the low-carbon economy of the future**⁵.

Solidarity should be taken into account in Cohesion funding through appropriate allocative and incentive criteria.

³ PES Council Resolution #Progressive Europe/Renewal Adopted in Lisbon on 1 December 2017

⁴ Enhancing access to, and use and quality of information and communication technologies (ICT); Enhancing the competitiveness of small and medium-sized enterprises (SMEs); Supporting the shift towards a low-carbon economy in all sectors; Promoting climate change adaptation, risk prevention and management; Preserving and protecting the environment and promoting resource efficiency; Promoting sustainable transport and removing bottlenecks in key network infrastructures; Promoting sustainable and quality employment and supporting labour mobility; Promoting social inclusion, combating poverty and any discrimination; Investing in education, training and vocational training for skills and lifelong learning.

⁵ *Saving Europe: for Youth and Progress*. Resolution adopted by the PES Council in Prague on 3 December 2016

3. A policy for the EU's 276 regions

Cohesion policy benefits all Member States, not just the poorest. While more needs to be done to fight inequalities between regions, it must remain a policy with added value for all 276 regions, it must remain available to all of them. This is a matter of principle for the EU, and also a matter of efficiency, of reaching out to all citizens and a guarantee of support for the policy.

- ➔ **Cohesion policy must remain available to all regions** in the EU.
- ➔ **Cohesion policy must continue to prioritise the regions and people that are most in need.**⁶ It must enhance their development and provide them with proportionately higher support.
- ➔ Cohesion policy funds should be allocated on a broader base than regional GDP, and for example **include social, environmental, demographic, innovation and the investment gap criteria**, albeit GDP per capita should remain as the main allocation criterion.

More needs also to be done to fight inequalities within European regions. A progressive cohesion policy has to take greater account of territorial fragmentation, and the striking gaps that exist for example between two cities of the same region, or between cities and rural areas.

- ➔ **A reflection on the territorial approach of Cohesion policy must take place** granting, where relevant cities and other communities at local and regional level true ownership and ensuring better territorial convergence, including between rural and urban areas.
- ➔ At the same time, **macro regional strategies should better focus on how to address new cross border challenges**, for example for migration, missing transport links or environmental objectives.

4. A joint EU-Member States investment

In the current 7-year-long programming period, cohesion policy and the European Structural and Investment Funds mobilise around 645bn EUR of resources. More than 460bn EUR comes from EU funds, the remaining 185bn EUR comes from national co-financing⁷. This guarantees national ownership and effectively boosts the EU cohesion budget.

- ➔ **National and regional co-financing of projects under cohesion policy in the post-2020 period should be exempted from the deficit calculations** under the Stability and Growth Pact rules.

5. A progressive approach to conditionality

Some conditionalities have proven useful to support the better implementation of cohesion policy and more quality projects. Yet conditionality should neither drive cohesion policy funds away from their objectives nor dilute their mandate. The existing macro-economic conditionality in cohesion policy funds should neither overlook nor contravene convergence and social progress; Social and economic cohesion cannot continue to be held hostage to an austerity agenda. Conditionalities should remain a mechanism that reinforces cohesion policy and the principle of solidarity between regions and Member States. Furthermore, conditionality should not equate to punishing local authorities, businesses and citizens for the policies of their central state. The essence of EU cohesion policy is that it addresses regions directly.

⁶ PES Council Resolution #Progressive Europe/Renewal Adopted in Lisbon on 1 December 2017

⁷ <https://cohesiondata.ec.europa.eu/overview>, accessed on 06 March 2018.

- ➔ The **European Semester and its social scoreboard** should serve as a tool to identify areas of intervention for Cohesion policy, but should not lead to a short term perspective management of Cohesion policy.
- ➔ When assessing macro-economic criteria, **budgetary and fiscal objectives should not take precedence over economic, social**, employment or environmental objectives and realities in regions.
- ➔ **Adhesion to the rule of law is crucial for our Union**: it should be the precondition for all EU policies, not only for Cohesion policy, but should avoid placing the responsibility of the State on its regions and local authorities.

6. Investment tools that serve cohesion objectives

Cohesion follows primarily an objective of socio economic convergence and should be supported by adequate means. The principles of loans and guarantee, cannot therefore replace the cohesion policy approach. The **European Fund for Strategic Investments (EFSI)** and its model of corporate funding were expected to favour riskier projects, in practice EFSI tends to favour traditional project. It was supposed to support investment across the EU, the result is that 92 percent of EFSI go to the former EU 15. Cohesion policy funds must retain the tools that suit its aims as well as its characteristic of investment and solidarity for all.

- ➔ The **EFSI logic cannot be replicated in the European Structural and Investment Funds (ESIF)** if we do not want cohesion policy to become a mere financial instrument. Cohesion policy follows political objectives such as convergence and solidarity, which cannot be simply replaced by a market logic.
- ➔ **The combination of ESIF with EFSI and other EU funds and initiatives should be simplified**⁸ to improve consistency and avoid overlap of rules.
- ➔ The EFSI's contribution to the sustainable territorial development of European regions must be improved, to benefit the regions in biggest need of investment too.
- ➔ **Grants should remain the standard form of financing, with** loans and other financial instruments playing a complementary role, where they can bring proven added value. This is particularly important for cohesion to continue supporting small scale projects and to avoid further complexity for users and managing authorities.

7. Simplification of rules and better use of resources

Although the 2014-2020 financing period has seen improvements regarding the simplification of rules, the real difficulties some regions face in mobilising available funds makes a clear case for further administrative simplification. While maintaining the level of requirements and the high quality standards, further progress is needed for a more transparent, understandable and manageable cohesion policy.

- ➔ **All ESIF funds should be integrated under a single regulatory framework, as integral components of EU Cohesion policy.**
- ➔ **Overlaps of projects or abuses need to be effectively addressed.** Suspected fraud in Cohesion policy is already under 0.5%, it must be brought down combining intelligently simplification efforts and focus on preventing and combating fraud.
- ➔ The **scope and complexity of the rules should be reduced**, relying more on the national monitoring and control systems wherever possible.

⁸ Inter-institutional agreement on Tuesday 12 December on the proposal for the “*omnibus*” regulation for the midterm review of legislation governing the use of European Structural and Investment Funds

- Cohesion policy have encouraged a high degree of ownership of their main recipients. **Further citizens', local and regional authorities' engagement** could be sought using more transparent, open and accessible communication and building on the existing code of conduct.

Cohesion policy is the best solidarity instrument available, delivering results for people, for the economy, for Member States and regions. The EU must give itself the necessary means to attain its objectives and carry through its policies. This means giving Cohesion policy the weight it deserves in the next MFF. Together we will make sure that cohesion remains well-resourced, social, innovative, locally-focused, and citizens-oriented.

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