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Research for REGI Committee - Building Blocks for a Future Cohesion Policy – First Reflections

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REGIONAL DEVELOPMENT

Research for REGI Committee - Building Blocks for a Future Cohesion Policy – First Reflections

STUDY

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Abstract

The reform of the EU budget and policy priorities in the post-2020 MFF comes at a difficult time for the EU with major internal and external challenges. The challenges for economic, social and territorial cohesion remain profound. However, there are also competing pressures on the EU budget, such as keeping net payers' contributions within acceptable limits and striking the right balance between overarching EU goals and new challenges. Once again, Cohesion Policy is under pressure to justify its value in relation to EU political objectives. This study discusses the main themes relating to post-2020 Cohesion Policy, the rationale and overall framework of the policy, current and future challenges, and the post-2020 delivery system.

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CONTENTS

LIST OF ABBREVIATIONS

AfD	*Alternative für Deutschland* (Alternative for Germany)
AMIF	Asylum, Migration and Integration Fund
Ano	*Akce nespokojených občanů* (Action of dissatisfied citizens)
CDU	*Christlich Demokratische Union Deutschlands* (Christian Democratic Union of Germany)
CEMR	Council of European Municipalities and Regions
CF	Cohesion Fund
CEF	Connecting Europe Facility
CoR	Committee of the Regions
CPMR	Conference of Peripheral and Maritime Regions
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises programme
CSR	Country-Specific Recommendations
EC	European Commission
EFSI	European Fund for Strategic Investments
EMU/GEMU	Economic and Monetary Union / Genuine Economic and Monetary Union
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
FN	*Front National* (National Front)

FPÖ	*Freiheitliche Partei Österreichs* (Freedom Party of Austria)
GAC	General Affairs Council
GDP	Gross Domestic Product
ICT	Information and Communication Technologies
IPCC	Intergovernmental Panel on Climate Change
MS	Member State
PiS	*Prawo i Sprawiedliwość* (Law and Justice)
PVV	*Partij voor de Vrijheid* (Party for Freedom)
REGI	Committee on Regional Development
RTDI	Research, Technological Development and Innovation
SCO	Simplified Cost Options
SME	Small and medium-Sized Enterprise
SPD	*Sozialdemokratische Partei Deutschlands* (Social Democratic Party of Germany)
SRSP	Structural Reform Service Programme

LIST OF TABLES

LIST OF MAPS

LIST OF FIGURES

EXECUTIVE SUMMARY

Aim and background to the study

This study discusses the essential themes expected to be part of the debate on the post-2020 Cohesion Policy. It covers the rationale and overall framework of the policy, current and future challenges, and the post-2020 delivery system. The context in which debates on the future are taking place is more challenging than previously, and the recent White Paper on the Future of Europe frames Cohesion Policy in negative terms. Advocacy of a continued strong role of Cohesion Policy has, however, started to emerge from EU, national and regional institutions.

Rationale for Cohesion Policy and overall framework

Achieving economic, social and territorial cohesion remains a major challenge and the negative impact of inequality has increasingly acquired a political dimension. While there are major territorial economic, social and political challenges facing the EU, the rationale for Cohesion Policy has increasingly been presented and justified in broader terms. Through thematic concentration, the ESIF programmes have been strongly orientated towards supporting the Europe 2020 strategy. However, there is significant variation across the EU in the progress towards achieving Europe 2020 targets: less developed regions are the farthest behind and innovation remains spatially concentrated. The alignment of Cohesion Policy with Europe 2020 raises questions about the balance between different policy goals, the need for a multilevel approach to Europe 2020 and EU economic governance, and the timetables of the two sets of policies.

Against the current uncertain outlook, there is no clear information on a successor to Europe 2020. The Commission has launched multi-annual sectoral strategies and the EU committed to the '2030 Agenda for Sustainable Development'. One of the Commission priorities for post-2020 reform is to strengthen economic governance, to ensure closer coordination of economic policies and achieve a genuine EMU. A key challenge will be establishing stabilisation mechanisms to deal with asymmetric shocks. A more immediate concern is the pursuit of structural reforms within the Member States. There are concerns, however, that the links between structural reforms through strengthened economic governance and Cohesion Policy are kept proportionate and relevant.

Current and future challenges for Cohesion Policy

Since the 2013 reform of the MFF, new challenges have emerged or intensified, including migration, climate change, geopolitical risks, the digital agenda and energy security. In some of these areas - economic growth, climate change/energy, digital Europe - Cohesion Policy plays a significant part, both financially and indirectly through ex ante conditionalities. In others, notably the management of migration, Cohesion Policy plays a more limited but equally significant role.

Trust in both the EU and national institutions is low. Just over one third of EU Citizens trust the Union (36 percent) according to the last Eurobarometer survey, a slightly higher proportion than those who trust their national parliaments (32 percent) and governments (31 percent). Forthcoming elections during the MFF timetable may present challenges for the continuation and shape of future EU integration. While there is support for the EU among most of the larger parties, and consensus on EU membership and integration across the political spectrum in many countries, the strength of anti-EU sentiment means that

Eurosceptic parties may record a sizeable vote and (in some cases) be part of coalition governments.

Brexit will have affect budgetary management of commitments for the 2014-20 period and the size and scope of the post-2020 MFF. The loss of UK budgetary contributions will mean either a lower EU budget overall or increased financing requirements for net payers after 2020. Clearing the effect of Brexit on all accounts may take until 2025. It will impact on the different EU spending headings (which would affect the overall Cohesion Policy budget) and on the distributional consequences for Member State eligibility, due to shifts in average GPD per capita levels. One area of Cohesion Policy where the UK may decide to continue involvement is European Territorial Cooperation.

Post-2020 delivery system

Synergies among the ESI Funds and with other EU instruments have improved in 2014-20, especially in research and innovation, but there is scope for further coherence if greater harmonisation of rules could be achieved. Cohesion Policy spending is relatively inflexible at the level of the MFF. Options for more flexibility include of an unallocated reserve at EU, national or programme levels, shorter programme periods or simplified reprogramming. An EU-level reserve within Cohesion Policy would seem to offer most potential.

Simplification measures were introduced as part of the 2013 reforms but have primarily helped beneficiaries rather than Managing Authorities. New simplification measures proposed by the High-Level Group for the post 2020 period relate to e-governance, simplified costs options, access to funding for SMEs, Financial Instruments, and gold-plating.

There is increasing recognition of the need for a more differentiated approach in the management and implementation of Cohesion Policy. However, this would need to be seen as fair by all Member States, and there are formidable challenges relating to the principles, methods and criteria for differentiation. A potential first step in the direction of more radical simplification or differentiation is the Commission proposal for performance-based budgeting for groups of operations as part of the negotiations on the Omnibus Regulation.

Conclusions

The reform of the EU budget and policy priorities in the post-2020 Multiannual Financial Framework comes at a difficult time for the EU with major internal and external challenges. As in previous reform debates, Cohesion Policy is under pressure to justify its added value in relation to EU political objectives. The latest data show that the challenges for economic, social and territorial cohesion remain profound. There is increasing evidence of Cohesion Policy effectiveness, but there are also competing pressures on the EU budget. While Cohesion Policy is already making a substantial contribution to wider EU policy priorities – both longer standing and more recent - one of the difficult debates for post-2020 is to clarify the priorities for Cohesion Policy and its relationship with other EU policies. Discussions will also focus on delivery, namely on how to achieve simplification, facilitate synergies and provide for increased flexibility.

1. INTRODUCTION

KEY FINDINGS

- This study discusses the **essential themes** expected to be part of the **debate on the post-2020 Cohesion Policy**. It covers the: rationale and overall framework; current and future challenges; and the post-2020 delivery system.
- The **context** in which debates on the future are taking place **is more challenging as ever** since the foundation of the European Communities.
- The **recent White Paper on the Future of Europe** by Commission President Jean-Claude Juncker **refers to Cohesion Policy in negative terms**.
- Challenges and priorities for the next MFF include: **greater flexibility and responsiveness**; **more effectiveness and efficiency**; **added value of spending**; **reform of own resources; more transparency**; and, possibly, **alignment of the MFF timetable** with Commission and European Parliament mandates.
- **Advocacy of a continued strong role of Cohesion Policy has started to emerge** from EU, national and regional institutions.

This study outlines and analyses the essential themes expected to be part of the debate on the post-2020 Cohesion Policy. It has been drafted to inform the pre-legislative work of the Committee on Regional Development (REGI) of the European Parliament (EP) in preparation for the debate about the post-2020 reforms and specifically the own initiative report on 'Building Blocks of a Future EU Cohesion Policy'. This section begins by setting out the context for the study, its objectives and structure.

1.1 Context

In previous reforms of the Multiannual Financial Framework (MFF), the EU policy and institutional context has often been described as challenging. However, the current context in which the EU, its institutions and policies operate, and the EU integration process are arguably more difficult than at any time since the foundation of the European Communities. As the recent White Paper on the Future of Europe, presented by Commission President Jean-Claude Juncker, noted (European Commission, 2017):

> *"many Europeans consider the Union as either too distant or too interfering in their day-to-day lives. Others question its added-value and ask how Europe improves their standard of living. And for too many, the EU fell short of their expectations as it struggled with its worst financial, economic and social crisis in post-war history."*

The White Paper posed five different scenarios, encompassing no change, a rationalisation or expansion of responsibilities, and asymmetric development of the EU. Each was presented as having implications for EU integration and the EU budget (see Table 1).

Table 1: Scenarios for the EU27 by 2025

Scenario	Impact on EU budget
1.Carrying on	Partly modernised to reflect the reform agenda agreed by the EU27
2.Nothing but the single market	Refocused to finance essential functions needed for the single market
3.Those who want more do more	Additional budgets are made available by some Member States for the areas where they decide to do more
4.Doing less more efficiently	Significantly redesigned to fit the new priorities agreed at the level of the EU27
5.Doing much more together	Significantly modernised and increased, backed up by own resources; a euro area fiscal stabilisation function is operational

Source: White Paper on the Future of Europe.

The EU's responsibility for economic, social and territorial cohesion was not mentioned in the White Paper, apart from a passing reference to the economic recovery being unevenly distributed. Scenario 4 (doing less more efficiently), on the other hand, included the proposition that (p.22): *"the EU27 stops acting or does less in domains where it is perceived as having more limited added value, or as being unable to deliver on promises. This includes areas such as regional development…"*

More detailed insights into European Commission thinking are provided by the Budget Focused on Results strategy (European Commission 2015a, 2016b) and the MFF Review (European Commission 2016b) which set out several challenges and priorities for MFF reform, including:

- **flexibility**: greater responsiveness of the EU budget to unforeseen circumstances;
- **effectiveness and efficiency**:
  - more use of conditionalities in influencing changes in national policy-making,
  - strengthening of linkages between ESIF and economic governance,
  - expanded use of financial instruments through EFSI and other instruments,
  - simplification, including programme requirements under shared management;
- **added value of spending**, aligning the EU budget with the EU's political aims, including a potential greater focus on areas such as defence and security, and completion of EMU;
- **own resources**, based on the recommendations of the High-Level Group on Own Resources;
- **transparency,** ensuring a greater visibility of the relevance of EU spending; and
- **duration of the MFF**, potentially aligning the MFF period with the mandates of the Commission and European Parliament.

The critical tone of the White Paper with respect to Cohesion Policy echoed the MFF Review published in September 2016 (European Commission 2016b). This refers to "delays in cohesion policy" which are contrasted unfavourably with "strong take up" of competitiveness programmes. However, **ESIF implementation performance was**

judged on the basis of certified expenditure while programmes such as Horizon 2020, EFSI, CEF and COSME were assessed on the basis of committed funding or project demand (Bachtler et al 2016).

Alternative options for the use of Cohesion Policy have come from some richer Member States. In 2015, the German Finance Minister proposed that Cohesion Policy spending and some parts of the agriculture budget should be used to support structural reforms in the Member States as determined through the European Semester process (Schäuble 2015). More recently, the Swedish Government has proposed a reprioritization of the budget, with reduced appropriations for agricultural support and Structural Funds in favour of more spending on security, migration, competitiveness, research and climate change adaptation; the proposals also implied that EU funding should be conditional on countries accepting migrant quotas (Swedish Government 2017).

Advocacy of a continued strong role for Cohesion Policy has started to come from the position papers of some EU, national and regional institutions. Following their meeting on 2 March 2016 in Warsaw, the Visegrad 4+4 stated in a joint paper (Visegrad Group 2017) that "*Cohesion Policy is the fundamental EU investment policy supporting growth and creating jobs, and thus should remain one of the key pillars of the EU budget after 2020".* They argued for maintenance of its key elements – a policy for all regions, including both ERDF and ESF – and the principles of result-orientation, flexibility, proportionality, integrated approach and simplicity. Similar support for a major budgetary commitment to Cohesion Policy and retention of its main principles has been given by the CoR (2017), CEMR (2016), and CPMR (2016) as well as national and regional government bodies from Bulgaria and Poland (APR 2016, PRB 2017).

1.2 Objectives and structure of the report

Against this background, the following study reviews the state of play of research and policy thinking under three main headings. First, it considers the **rationale for Cohesion Policy and its overall framework**, addressing the key question of the purpose of the policy, the strategic political and policy context, the relationship with economic governance and its potential contribution to structural reforms. An important issue is the balance between the policy's territorial 'cohesion' objectives and its role in delivering wider EU objectives and the potential for policy overload.

Second, the study reviews **current and future challenges for Cohesion Policy**. The question is what Cohesion Policy contributes (or could contribute) to emerging EU and global agendas e.g. the economic and financial crisis, migration crisis and the Paris Agreement on climate change. Risks from political uncertainties such as Brexit and national elections are also discussed.

Lastly, the study examines the **post-2020 Cohesion Policy delivery system**. Important questions are: whether coherence among the five ESI Funds and synergies between the ESI Funds and other EU instruments should be improved and how (in particular, what could be done through EU-level legislation); how Cohesion Policy instruments could be made more flexible and whether there are risks inherent in such an approach; and what are the main elements of the debate about differentiation in policy delivery and what would be the implications of such a new design.

The study has been produced entirely through desk research and relies heavily on previous research undertaken by the European Policies Research Centre on the post-2020 reform of Cohesion Policy (e.g. Bachtler et al 2016). The analysis makes use of research findings from these EPRC studies as well as relevant Cohesion Policy programming documents, ex-post and ex ante evaluations, existing recent material from literature, academic studies, websites, databases and other relevant sources such as EU institutions, Member State authorities and think tanks.

The structure of the study is based on above three headings: the rationale for Cohesion Policy and its overall framework; current and future challenges; and post-2020 Cohesion Policy delivery systems. A final section draws together the main issues to emerge.

2. RATIONALE FOR COHESION POLICY AND OVERALL FRAMEWORK

KEY FINDINGS

- **Achieving economic, social and territorial cohesion remains a major challenge**. Nevertheless, the **rationale for Cohesion Policy has increasingly been presented and justified in broader terms**.
- Through thematic concentration, **the ESIF programmes have been strongly orientated towards supporting the Europe 2020 strategy.** There is significant variation across the EU in progress towards achieving its targets: **less developed regions are the farthest behind and innovation remains spatially concentrated**.
- **The alignment of Cohesion Policy with Europe 2020 raises questions** about the balance between different policy goals, the need for a multilevel approach to Europe 2020 and EU economic governance, and the timetables of the two sets of policies.
- Against the current uncertain outlook, **there is no clear information on a successor to Europe 2020**. **The Commission has launched multi-annual sectoral strategies and the EU is committed to the '2030 Agenda for Sustainable Development'**.
- One of the Commission priorities for post-2020 reform is to **strengthen economic governance**, to ensure closer coordination of economic policies **and achieve a genuine EMU.** A key challenge will be establishing stabilisation mechanisms to deal with asymmetric shocks.
- A more immediate concern is the pursuit of **structural reforms within the Member States**. There are concerns, however, that the links between structural reforms through strengthened economic governance and Cohesion Policy are kept **proportionate and relevant**.

2.1 The Rationale and Added Value of Cohesion Policy

The rationale for Cohesion Policy is derived from Article 3 of the TEU and Article 174 of the TFEU. The underlying principle – that the EU has a responsibility to respond to territorial inequality – has been reinforced in decisions on the single market, economic and monetary union, and EU enlargement (and embodied in successive reforms of the Structural Funds) which recognised that European integration needs to be accompanied by measures for those less able to exploit integration or who are disadvantaged by it.

However, achieving economic, social and territorial cohesion remains a major challenge. The current state of cohesion in the EU continues to be dominated by the financial crisis of 2008-09 and the subsequent economic downturn. In eleven EU Member States (including Denmark, Finland, Greece, Italy, Portugal and Spain), GDP in 2015 remained lower than in 2007 (at constant prices) (see Map 1). Although most EU countries have seen positive economic growth since at least 2014, rates of growth and job creation remain muted (European Commission 2016c).

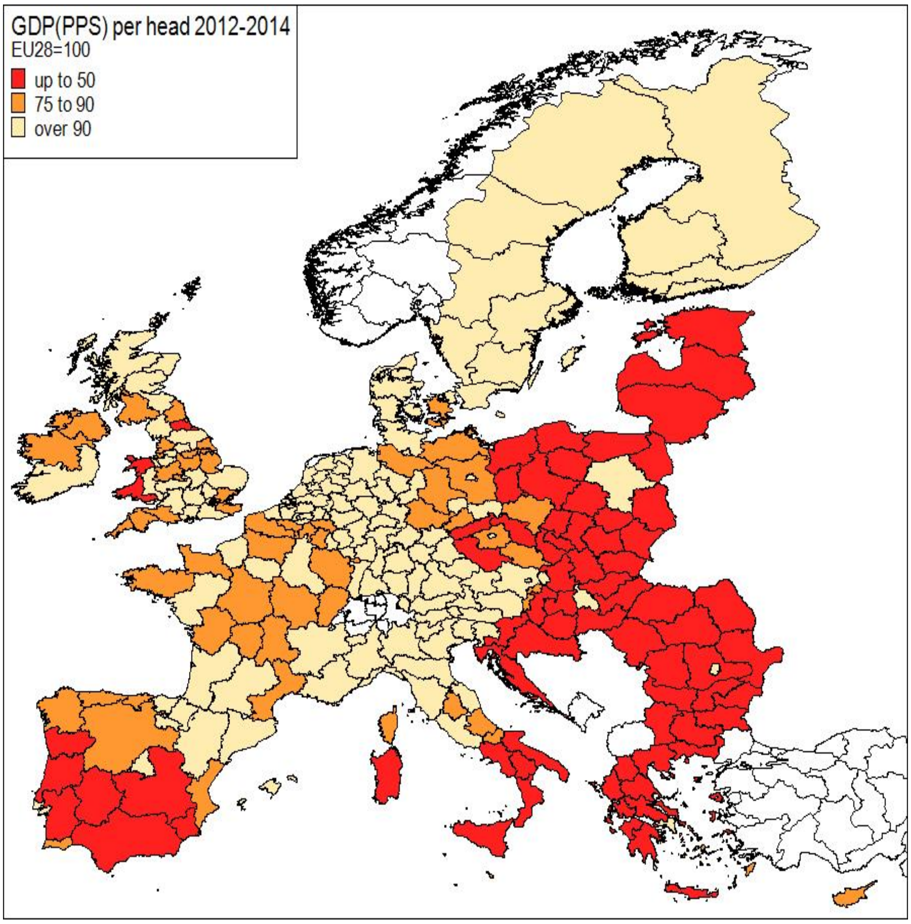
Eurostat data show there are considerable economic and social disparities between countries in Europe and also between regions within individual countries. Some countries (e.g. Austria, Belgium, Bulgaria, Germany, Hungary and Romania) have seen a fall in regional disparities in GDP per capita in 2012-14 compared to 2007-09, sometimes because leading regions have seen a worsening of their economic situation, leading to smaller regional differences. Other Member States (e.g. Italy, the Netherlands, Poland, Spain and the United Kingdom) have instead experienced an increase in regional disparities in GDP per capita in 2012-14 compared to 2007-09.

A major challenge for cohesion is related to unemployment, with strong increases in regional unemployment between 2008-10 and 2013-15 in Spain, Greece and southern Italy – in part because of weak national economic recovery from the economic crisis - but also in regions of other Member States, such as France and Finland. The regional economic situation is also challenging in many Central and Eastern European countries, which are continuing to see significant restructuring, with new service-sector and manufacturing activities emerging primarily in the main cities and in western areas with locational advantages. By comparison smaller urban areas, rural areas and eastern regions have slower or stagnant growth rates, with major obstacles to development, contributing to perceptions of limited economic and social advantage from EU membership.

The increased challenge for Cohesion Policy is evident if trends in regional disparities are related to eligibility for Structural Funds (see Map 1). The regional GDP data for 2012-14 show significant shifts in the eligibility status of EU regions based on a comparison of the eligibility at the start of the 2014-20 period and the equivalent based on the most recent data (Bachtler et al 2016). These shifts affect both richer and poorer countries.

- In population terms, some 55.7 million people are in regions whose relative GDP per head has declined to an extent that they would be in a region with a different eligibility status, were designation for 2014-20 to take place on the basis of 2012-14 averages.
- Many of these regions are in Spain, Portugal, Cyprus, Greece and France, and most (38.1 million) are in regions that would go down from More-Developed Region (MDR) to Transition Region (TR) status. A further 17.3 million are in regions that would move from TR to Less-Developed Region (LDR) status.
- A much smaller number (under nine million people) are in regions – including one each in Poland and the Czech Republic - that have experienced a sufficiently high increase in relative GDP per head that they would move from LDR to TR status (6.4 million) or from TR to MDR status (2.6 million).

Map 1: Eligibility status for Structural Funds based on 2012-14 GDP per head data



Source: Bachtler et al (2017a).

The negative impact of inequality on the EU has increasingly acquired a political dimension. **The combination of three recent crises – the financial crisis, the euro crisis and the migration crisis - has created a new political dynamic of opposition to the effects of globalisation and European integration.** In part, this is reflected in the rise of populist parties on the left and right that feature opposition to the EU, EU institutions or other aspects of the 'European project'. Initial research on the patterns of voting behaviour in the UK EU referendum identified inequality as an important (though not the only) factor, associated with the negative effects of integration and globalisation: those areas with lower median wages, low levels of skills, lack of opportunities and higher levels of poverty were significantly more likely to vote Leave (Bell and Machin 2016; Darvas and Wolff 2016; Goodwin and Heath 2016). There is also evidence from other EU countries that fears about globalisation influences are greatest among less educated, less affluent and older people, who have a greater propensity to support populist and anti-EU parties (De Vries and Hoffman 2016). Income inequality in the EU has also been found to undermine support for democracy and trust in politicians and parliaments (Schäfer 2012).

Thus, there are clearly major territorial economic, social and political challenges facing the EU. However, the rationale for Cohesion Policy has increasingly been presented and justified in broader terms (Bachtler et al 2008; European Commission 2011; Mendez et al 2011). The 2016 Strategic Plan of the European Commission's DG for Regional and Urban

Policy (DG Regio) identified seven areas of added value of Cohesion Policy (European Commission 2016d):

a) investment in all regions to **support the goals and headline of the Europe 2020 Strategy** for smart, sustainable and inclusive growth, supporting the delivery of EU priorities and the targeted provision of European public goods in areas such as research and innovation, information and communication technologies, small and medium-sized enterprise (SME) development and the low-carbon economy;

b) **concentration of resources on the poorest regions,** enhancing the potential for jobs and growth and supporting the development of the Single Market, with additional spillover effects from less-developed regions to the rest of Europe, via increased trade flows;

c) **innovative solutions to regional and local development** (often with spillovers to national policies) in research and development, climate change, energy, environment and transport, through the development of strategies, financial instruments, dedicated support platforms and exchange of experience, particularly across borders and in macro-regions;

d) **linkages between European, national and subnational actors** in pursuing EU goals, through shared management and partnership mechanisms;

e) concrete **support for structural reforms** through Country Specific Recommendations in the framework of the European Semester;

f) increased **efficiency and quality of public expenditure** through an enhanced use of financial instruments, encouraging synergies between ESI Funds and with other EU funding instruments, addressing the preconditions for effective expenditure through ex-ante conditionalities, and requiring result orientation and the application of performance frameworks; and

g) administrative and institutional capacity, **inducing institutional and administrative change**, promoting long-term planning, mobilising a wide range of partners, diffusing a culture of evaluation and monitoring of public policies, and reinforcing control and audit capacities.

2.2 Strategic Policy Frameworks

The current EU framework for Cohesion Policy is the Europe 2020 strategy (European Commission 2010), initially proposed by the Commission in March 2010, as a ten-year strategy for smart, sustainable and inclusive growth. The strategy is based on five EU headline targets relating to the employment rate, research and development, climate change and renewable energy, education and poverty and social exclusion. These are measured by headline indicators, with monitoring of progress through the European Semester. The headline targets and indicators shown in Table 2 indicate significant progress with respect to climate change (due mainly to a drop in demand associated with the crisis) and education, but little or no progress with respect to employment, poverty and social exclusion, and R&D investment.

Table 2: Europe 2020 indicators and progress

Headline indicator	Unit of measurement	2008	2015	Target
Employment				
Employment rate 20-64	% of population aged 20-64	70.3	70.1	75
R&D				
Investment in R&D	% of GDP	1.84	2.03	3
Climate change				
Greenhouse gas emissions	Index 1990=100	90.3	77.1[1]	80
Emissions in ESD sectors	Mill. tonnes CO_2 equivalent	2787	2521	2644
Share of renewables	%	11.0	16.0[1]	20.0
Energy efficiency	Mill. tonnes oil equivalent	1180	1082	1086
Education				
Early school leaving	% of population aged 18-24	14.7	11.0[2]	10
Tertiary education	% of population aged 30-24	31.1	38.9[2]	40
Poverty/social exclusion				
At risk of poverty/exclusion	Difference from 2008 ('000)	6384	1590	-

Notes: [1]2014 data. [2]2016 data.
Source: Eurostat Europe 2020 Scoreboard (accessed 3.3.17).

As would be expected, there is significant variation in the starting position and progress at national, regional and urban levels, with the crisis making it harder to reach the employment and poverty reduction targets in particular. Commission research has shown that less-developed regions are farthest removed from the 2020 targets, but cities in the Cohesion countries have moved much closer to the 2020 targets (closing the gap with non-Cohesion countries) than their towns, suburbs and rural areas, due strong economic performance in the capital cities and major urban areas (Dijkstra and Athanasoglou 2015). While there has been some progress towards the R&D investment target, innovation continues to be highly concentrated spatially, with no signs of spread to less developed regions.

Clearly, Cohesion Policy has been strongly oriented towards supporting the Europe 2020 strategy through the requirements for thematic concentration in the 2014-20 programmes. Research has shown significant alignment between the priorities set out in Partnership Agreements and Operational Programmes and the priorities of the Europe 2020 strategy (Altus 2016), with a shift in the thematic orientation of programmes, especially towards SME competitiveness and low carbon (European Commission 2015b, 2015c).

However, there have also been questions about the balance struck between the overarching goals of Cohesion Policy and the thematic focus of Europe 2020 (Piattoni and Polverari 2016), notably the tensions between cohesion and competitiveness objectives, the insufficient multilevel approach to the socio-economic governance of the EU and the Europe 2020 strategy (Budd 2013, 284; see also Begg et al 2014), and the mismatched timetable between the annual monitoring of European Semester recommendations and the multi-annual planning of Cohesion Policy (Zakrzewska 2015).

In its own assessment of the relationship between Cohesion Policy and Europe 2020, the European Parliament (2015) emphasised the importance of the EU concentrating on *"sustainable growth and development, as well as on decent jobs in order to gain long-term benefits from its investments".* It has also stressed the need for a territorial approach to the Europe 2020 strategy, especially with regard to the role of cities, and better coherence and synergies between all EU instruments, to achieve the goals of Europe 2020.

Looking forward, **there is at the time of writing no clear information on a successor to Europe 2020.** There is internal Commission debate as to the advisability and relevance of developing long-term strategies, and associated budget commitments, when the outlook for the EU is so uncertain, as strategic objectives may be quickly superseded. However, specific strategies are being developed or adopted within individual policy domains that have implications for budgetary decisions in the MFF, including the EU Global Strategy, focusing on enhanced defence, security, resilience and other external actions (Council of the EU 2016a), and the proposed EU Energy Strategy 2030 with enhanced targets for reduction in emissions, renewable energy and energy savings (European Commission 2014a).

At a broader level, the EU has made a commitment to implementing the '2030 Agenda for Sustainable Development' and its 17 Strategic Development Goals (SDGs), established by international agreement under the auspices of the United Nations. In November 2016, the Commission noted that the SDGs would be integrated into current Commission priorities, and stated that it would also "launch reflection work on further developing our longer term vision and the focus of sectoral policies after 2020, preparing for the long term implementation of the SDGs" (European Commission 2016e). Specifically, it noted:

> *The Commission will mainstream the Sustainable Development Goals into EU policies and initiatives, with sustainable development as an essential guiding principle for all its policies. Existing and new policies should take into account the three pillars of sustainable development, i.e. social, environmental and economic concerns. The Commission will to this effect ensure that its policies are sustainability-assured through its better regulation tools.*

In the accompanying Staff Working Document (European Commission 2016f), the Commission set out the correspondence between the Strategic Development Goals and current EU policies and instruments. **It is notable that Cohesion Policy is cited as contributing to all but one of the SDGs,** through its core mission of economic, social and territorial cohesion, individual thematic objectives, specific instruments, ex ante conditionalities, cross-cutting principles such as gender equality, and implementation methods such as the partnership principle.

Table 3: Agenda 2030 Strategic Development Goals and Cohesion Policy

Strategic Development Goals		Contribution of Cohesion Policy
1	End all poverty everywhere	TO9: Social inclusion and poverty
2	End hunger, food security, sustainable agriculture	EU funding instruments including ESIF
3	Ensure healthy lives & wellbeing	Core mission of economic, social & territorial cohesion. TO9: Social inclusion and poverty
4	Ensure inclusive education	TO10: Education and training
5	Achieve gender equality	Ex ante conditionality on gender equality
6	Ensure sustainable water management and sanitation	TO6: Environment and resource efficiency
7	Ensure access to energy	TO4: Low-carbon economy
8	Promote sustainable employment	TO3: SME competitiveness
9	Build resilient infrastructure and foster innovation	TO1: Strengthening RDTI TO2: Access to ICT
10	Reduce inequality	Core mission of economic, social & territorial cohesion. TO9: Social inclusion and poverty
11	Make cities and settlements safe, inclusive, resilient, sustainable	Urban dimension. Integrated projects in cities
12	Ensure sustainable consumption and production	Investment in environment, resource efficiency, RTDI, SMEs, low-carbon economy
13	Combat climate change & impacts	EU funding instruments including ESIF
14	Conserve marine resources	-
15	Protect territorial ecosystems	TO6: Environment and resource efficiency
16	Achieve inclusive societies	TO11: Enhancing institutional capacity
17	Strengthen implementation	Partnership principle

Note: SDGs and contributions of Cohesion Policy are abbreviated.
Source: European Commission (2016f).

2.3 Relationship with Economic Governance

The legislative framework for 2014-20 formalised the linkages between ESIF and the European Semester and economic governance, notably the requirement for Partnership Agreements and Operational Programmes to take account of country-specific recommendations (CSRs), and the introduction of macroeconomic conditionality (Article 23 CPR, "Measures linking effectiveness of ESI Funds to sound economic governance").

There appears to be a high degree of alignment between the policy areas targeted by the Semester and those addressed by the ESI Funds (Ciffolillli 2017). An informal Commission assessment of CSRs in 2014 found that out of a total of 157 CSRs, more than two-thirds were relevant for Cohesion Policy: 56 for ERDF and the Cohesion Fund; 78 for ESF; and 20 for both (European Commission 2015c). A more detailed breakdown is provided in Table 4, showing that the sector with the most CSRs being taken up in ESIF programmes relate to labour markets (CSRs taken up in 19 Member States) and education and skills (in 13 Member States) (Deffaa 2016). In Poland, for example, 45 percent of ERDF/CF and 65 percent of ESF are reported as addressing the priorities and challenges identified through the European Semester (European Commission 2016g).

There are, however, several problems with the relationship between Cohesion Policy programmes and CSRs.

- There is **a lack of consistency in the framing of CSRs** for different Member States and in different years as part of the European Semester process. Ciffolilli (2017) has noted significant variation in the content, scope and depth of policy recommendations, and half of recommendations are repeated partly or wholly over the period.
- **Member States are inconsistent in the way that they connect reforms in response to CSRs and interventions through Cohesion Policy**, both in the design of programmes and their implementation (European Commission 2015c).
- The **implementation of CSRs depends on the quality of public administration**, highlighting the importance of the reform and modernisation of institutional capacity through Cohesion Policy and wider institutional reform support through the Commission (European Commission 2015c).
- There is arguably **a missing 'territorial dimension' in the Semester process**, which needs to take account of regional and cohesion challenges in the formulation of CSRs and their application (Ciffolilli 2017).

One of the main Commission priorities for the post-2020 reform is to strengthen economic governance, in particular to ensure closer coordination of economic policies to improve the smooth functioning of economic and monetary union (European Commission 2015d, 2015h). Achievement of a genuine EMU (GEMU) is likely to be a long-term project; interim steps may involve enhanced macroeconomic conditionality or the imposition of financial suspensions for non-compliance with economic governance rules (although these have proven politically unpalatable to date). A key challenge for GEMU would be the need for some kind of stabilisation function to deal with asymmetric shocks, potentially leading to the down-grading of Cohesion Policy (Begg et al 2014).

More immediate questions concern the pursuit of structural reforms in Member States (discussed below). However, there are also important systemic challenges to address the issues noted above.

Table 4: Country-specific Recommendations taken up in ESIF programmes

	AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK	Total
Labour Market	1	1			1		1	1	1	1	1	1	1	1	1		1			1	1	1		1	1	1	19
Education and skills	1		1	1	1		1					1		1	1		1	1				1			1	1	13
Poverty and social inclusion			1	1								1										1			1		5
Health and long-term care			1	1							1						1					1			1		6
Public administration capacity				1							1	1		3			1								1		8
Transport														1						1	1				1		4
Research and innovation							1										1		1								3
Business environment and access to finance											1							1				1					3
Total	2	1	3	4	2	0	3	1	1	1	4	4	1	6	2	0	5	2	1	2	2	5	0	1	6	2	61

Source: Deffaa (2016).

One is the **territorialisation of economic governance,** i.e. how the Economic Semester process could incorporate a territorial dimension, to improve understanding of regional variation in economic, social or institutional development needs and challenges, and the calibration of reform proposals accordingly. Structural reforms relevant to Cohesion Policy could be explicitly identified to ensure that their relevance is clear.

Another is **the alignment of CSRs and Cohesion Policy.** For example, CSRs could be aligned with the programme periods for Cohesion Policy and introduced in tandem. They should be seen as mutually reinforcing, rather than ESIF being seen as a 'delivery vehicle' for CSRs and reforms. Cohesion Policy contributes to the achievement of CSRs but also often requires Member States to improve the policy environment (hence the importance of ex ante conditionalities). Specific CSRs relevant for Cohesion Policy could be associated with additional funding within ESIF allocations.

2.4 Potential Contribution to Structural Reforms

Part of the economic governance reform agenda for the short term involves promoting structural reforms in the Member States. Cohesion Policy is already active in this area through the use of ex ante conditionalities and the provision of financial and technical resources for structural reforms, including administrative capacity building. Initial research on the use of ex ante conditionalities (CSIL et al 2012, Hamza al 2016) showed that they were designed to cover three types of reform: the transposition of EU legislation into national law; the adoption of national or regional strategic frameworks; and the establishment of specific measures or administrative structures in order to guarantee the sound management of funds. In practice, the ex ante conditionalities were found to have encouraged the fulfilment of EU regulatory requirements faster than would otherwise have been the case, and to have reinforced the wider policy and institutional environment through reforms to policies and the creation of strategies. However, benefits and proportionality varied across Member States. The November 2016 GAC concluded that:

> *"while the fulfilment of ex-ante conditionalities sometimes requires significant time and resources to implement legislative changes or complex reforms, they have a positive effect on the overall investment environment, the strengthening of administrative capacity and good governance in many Member States"*

Looking forward, the Commission is considering a stronger relationship between Cohesion Policy and structural reforms with a view to enhancing their potential impact on Member State economic performance. Some Countries are also pressing for a stronger link. The German Finance Minister has said that: *"we should use the money that is currently spent for cohesion policy and parts of the agriculture budget to support structural reforms in Member States"* (Schäuble 2016). A Dutch contribution to the MFF review also advocated "*a more effective link between EU resources and economic policy coordination in the EU in order to align investments more closely with economic, employment and fiscal policy requirements"* (Eerste Kamer 2016).

Greater conditionality related to structural reforms has previously been suggested by the Commission (Mendez and Bachtler 2015). Examples include a mix of incentives (higher co-financing rate, increased advance payments, and flexibility in applying de-commitment) and/or sanctions (suspensions of commitments and payments) linked to structural reforms through the Semester. These have, though, been rejected by Member States on the grounds of infringement of subsidiarity, potential policy conflicts and administrative costs. The creation of the Structural Reform Service Programme (SRSP), agreed at an interinstitutional political level in February 2017, provides another mechanism through the provision of technical support in designing and implementing institutional, structural and administrative reforms (including factors such as administrative and institutional capacity).

There are concerns, especially among the larger recipients, that the links between structural reforms and Cohesion Policy are kept proportionate and relevant. The recent Visegrad 4+4 position paper (Visegrad Group 2017) stated a need for:

> *"fewer but well targeted, defined and communicated ex-ante conditionalities based on the key investment barriers most relevant for the growth and jobs agenda and with a clear system of assessing their fulfilment…..[and]….more consistency between ex-ante conditionalities and other measures lining the ESI Funds, including the relevant Country Specific Recommendations and avoiding a duplication with existing EU compliance regimes".*

2.5 Policy Overload?

In addition to its Treaty objectives, the 2013 reforms recast Cohesion Policy as the budgetary arm or 'delivery vehicle' of Europe 2020, earmarking resources for investments in prescribed thematic priorities, notable RTDI, ICT, SME competitiveness, low carbon and social inclusion. As noted above, Cohesion Policy also contributes to economic governance, through macroeconomic conditionalities, and to policy/institutional reform, through ex ante conditionalities. However, as Bachtler et al (2016) noted:

> *"the policy is in danger of being overloaded with numerous and contradictory objectives, diluting its Treaty focus on cohesion and reducing the importance of 'place' and 'territory' in the design and implementation of programmes. The growing top-down prescription of ever-more regulatory requirements also runs counter to the principle of subsidiarity and weakens the ability of countries and regions to address development needs and challenges in ways most appropriate to national and regional circumstances."*

The concern with **policy overload** in Cohesion Policy is long-standing. In the early 2000s, Tarschys (2003) warned of increasing 'goal congestion' in the policy, with too many ambitions that were inconsistent in terms of theoretical basis, timescale and desired outcomes. Others have criticised the ambiguities in the purpose of the policy and the potential conflicts in policy aims that are not being explicitly recognised (Bachtler and Gorzelak 2007, Begg 2010). Policymakers have also expressed concern at the overload of the policy with too many objectives (Slovenian Presidency of the EU 2008).

The issue of policy overload has three sets of implication for the implementation of the policy that are particularly pertinent to the post-2020 reform debate.

- **Regulatory overload.** The regulatory framework has become increasingly complex, in part because it is being used to ensure compliance with other EU policy requirements (e.g. State aid, public procurement, Natura 2000), achievement of EU thematic priorities, or support for EU institutional policy reforms (macroeconomic conditionalities, ex ante conditionalities). The European Parliament and the Committee of the Regions have repeatedly emphasised the importance of requirements, such as CSRs and ex ante conditionalities, being restricted to areas relevant for Cohesion Policy. More broadly, "it is important to avoid overloading cohesion policy with responsibilities which are not its concern and which merely increase bureaucracy” (CoR 2013b, European Parliament 2015a).

- **System overload**. Over the past decade, there is growing evidence of the institutional capacity becoming overloaded (Ferry 2005, Spikal 2015). One of the most important messages of the debate on simplification is the need to address the increasing complexity and the growing system overload (especially in financial control and audit) which is undermining confidence in the policy (Davies 2015, EPRC 2016).

- **Accountability overload.** Research by Daamen-Koedijk (2015a, 2015b) has identified a hierarchy of (escalating) demands for accountability, from the European Parliament to the European Commission, from the Commission to Managing Authorities, and from Managing Authorities to programme stakeholders, that are – in some cases – beyond the capacity for the target authorities to manage. Quoting Bovens (2008), she notes that accountability is undermined where performance obligations are excessive, contradictory, and conducive to goal displacement or subversive behaviour.

3. CURRENT AND FUTURE CHALLENGES FOR COHESION POLICY

KEY FINDINGS

- Since 2013, **old economic and social challenges have exacerbated and new challenges have emerged**: migration, security, energy security and terrorism.
- **Cohesion Policy supports investments to tackle the enduring effects of the economic crisis, climate change and energy security, and an increasingly digitalised world. It also supports measures for the migration/refugee emergency.** In some of these areas - economic growth, climate change/energy, digital Europe - Cohesion Policy plays a significant part, both financially and indirectly through ex ante conditionalities. In others - migrant emergency – Cohesion Policy plays a more limited but equally significant role.
- **Trust in both the EU and national institutions is low**. Just over one third of EU Citizens trust the Union (36 percent) according to the last Eurobarometer survey, a slightly higher proportion than those who trust their national parliaments (32 percent) and governments (31 percent).
- **Forthcoming elections during the MFF timetable may present challenges for the continuation and shape of EU integration**. While there is support for the EU among most of the larger parties, the strength of anti-EU sentiment means that **Eurosceptic parties may record a sizeable vote**.
- **Brexit will impact on the financial commitments for the 2014-20 period and post-2020 MFF.** For the post-2020, it will mean either a lower EU budget overall or increased financing requirements for net payers. There will also be impacts on the different EU spending headings (and thus on the overall Cohesion Policy budget) and **distributional consequences for Member State eligibility**, due to shifts in average levels of GPD per head.
- **The UK may decide to continue involvement in European Territorial Cooperation programmes**.

3.1 Contribution to Evolving Policy Agendas

The 2014-20 ESIF regulatory and strategic frameworks were defined in 2013, when the economic crisis had already displayed its impact. **The regulations anchored the spending of future ESIF programmes firmly in the Europe 2020 strategy.** The aim was to deliver a more inclusive but, crucially, also more resilient growth, paying due attention to the environment and the need for self-reliance in the provision of energy. Since then, the old challenges of growth and competitiveness have exacerbated; the social impact of the economic crisis has become more visible, requiring action; and Europe has been confronted by new challenges: the flow of migrants and asylum seekers; instability in the Eastern border, and its repercussions on the energy market; the threat of terrorism; and the wider need to adapt to a changed institutional and geopolitical picture.

The following sections consider the contribution and limits of Cohesion Policy (see Table 5) in relation to five current and future EU priorities: tackling the enduring effects of the economic crisis; providing responses to the migration and refugee emergency; dealing with climate change and energy security; responding to the challenges of an increasingly digitalised world; and, the new defence and security threats of the new world order.

3.1.1 Financial and economic crisis

The effects of the economic crisis started in 2008 have profoundly altered the socio-economic situation of regions and countries, affecting especially the least developed (and thus main recipients of Cohesion Policy). As discussed above, the crisis has exacerbated regional disparities and, particularly, led to a deterioration of the relative situation of regions in the South and Eastern peripheries. **The role of Cohesion Policy in counteracting the effect of the crisis has been variable, but important**. In Southern European countries, Cohesion Policy has been deemed to have played the very important role of **'protecting' public investments from budget cuts and supported regions dealing with constrained fiscal capacity** (Bubbico and Catalina Rubianes 2015). This support to investment has been particularly crucial in the short term for Greece, Italy and Portugal which, due to their scarce fiscal margins, were not in a position to implement substantial fiscal stimulus programmes, like other Member States immediately after 2008 (Bubbico and Catalina Rubianes 2015). According to the European Commission, during 2011–2013 Cohesion Policy expenditure represented almost two-thirds of total public investments in Portugal and about 23 per cent of total public investments in Greece (European Commission 2014b).

In Central and Eastern Europe, the ability of Cohesion Policy to counteract the negative effects of the crisis was hampered by the fiscal deterioration in these countries, which negatively affected their ability to raise sufficient domestic co-financing and seriously damaged their absorption capacity (Pálné Kovács 2016). On the whole, however, 'the crisis has shown how Cohesion policy continues to be an important financial resource for public investments, compensating for cuts in domestic capital spending and providing relief against joblessness' (Piattoni and Polverari 2016).

In the shorter term, the **2007-13 ESIF programmes were revised to provide short-term relief from the crisis.** ESF programmes, in particular, were altered to increase the provision of labour market measures and support vulnerable groups (Metis and wiiw 2012). According to an evaluation carried out in 2012, *"ESF co-funded programmes showed distinct and clear results in mitigating the crisis, including detailed operational actions to allow the available resources to be used more efficiently".* The evaluation argued that the re-programming provided much needed rapid support, including via measures specifically focused on sectors that were being particularly affected by the economic crisis (manufacturing, construction and textiles) and that this was particularly the case in Member States with Convergence regions and significant ESF allocations (although there were difficulties in the less experienced Member States, Metis and wiiw 2012).

ERDF programmes were also revised, often to provide more targeted support to SMEs, to introduce more opportunities for advanced payments for beneficiaries, and even to reduce the administrative requirements for beneficiaries (Kah 2010). A negative feature of this quick response to the crisis may be that, via reprogramming, spending was shifted towards shorter-term goals, in contrast to the policy's long-term vocation (Polverari 2016a).

3.1.2 Migration and refugee crisis

Tackling the migrant and refugee emergency has become one of the core priorities of the Union, leading to a progressive thematic and geographical expansion of EU migration policies (Lavenex 2016). According to Eurostat, in 2014, there were an estimated 1.9 million immigrants to the EU-28 from non-member countries.[1] Recent years also witnessed a sharp increase in the number of asylum seekers: from 431,000 in 2013, to 627,000 in 2014 and almost 1.3 million in 2015, mostly due to influxes from Syria, Afghanistan and Iraq.[2] The territorial and economic impact of these migration flows has been highly diversified across Europe, affecting particularly first parts of the EU entry in Greece, Malta and Italy and the destination countries. Germany, Italy, Austria, France and the UK which together account for over 80% of all first-time applicants in the EU. It has been calculated that the initial costs are equivalent to almost a third of the EU budget: if "additional spending related to the refugee crisis will amount to 0.3% of GDP for Europe as a whole" it will represent "about 0.5% for the countries that are the most welcoming to refugees" (Bordignon et al 2016, 83-84).

In September 2015, the Council adopted an emergency relocation scheme, additional to the European relocation scheme of the previous July.[3] The Commission also outlined its plan to tackle the refugee crisis (European Commission 2015e) with a range of short-term and longer-term priority actions, mobilising new funds (an additional EUR 75 million emergency allocation, which added to the c. EUR 7 billion already allocated for the 2014-20 period), and strengthening the presence of European forces in the Mediterranean Sea.

The Communication recognised the **important role to be played by the Structural Funds and the fact that they could be mobilised to support management of migration**. This included integration measures (predominantly through ESF: e.g. language learning, educational measures for children, social inclusion measures, labour market integration for migrants and refugees); and infrastructure, such as housing, social, health, education and childcare infrastructure, regeneration measures in urban areas with high proportion of migrants, refugees and asylum seekers, as well as reception centres (with ERDF) (European Commission, 2015e and 2015f).

A recent briefing note to the European Parliament, found that seven countries (Austria, Finland, France, Hungary, Luxembourg, Spain and Sweden) have one OP that includes investments for migrants and refugee-related issues, and in Germany eight out of nine ESF Land-level programmes cover these themes also. Italy and Greece also utilise the ESIF programmes to support a range of diverse measures aimed at migrants and asylum seekers (European Parliament 2016). While it is too early to assess outcomes, there are clear challenges ahead. **Many of the measures for the integration of migrants and refugees are implemented at the local levels, which may present governance challenges** for programmes with limited delegation to urban authorities. **Further, the resources available for these measures through the ESI Funds remain limited** and "a delicate balance needs to be struck to ensure that new measures to support migrants do not come at the expense of the needs of other marginalised groups, the political and social consequences of which could be devastating" (European Parliament 2016).

[1] http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration_and_migrant_population_statistics.

[2] http://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum_statistics.

[3] https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20170208_factsheet_on_relocation_and_resettlement_en.pdf.

Notwithstanding the existence of dedicated EU instruments for the migration emergency - such as the 2014-2020 Asylum, Migration and Integration Fund (AMIF), and its predecessors, the Refugee, Integration and Return Funds - the importance of the role played by Cohesion Policy in this area should not be underplayed. It has to be considered in the context of the difficulties faced by EU institutions in reaching wider agreement on more systemic and substantial responses to the migrant crisis (Giovannini et al 2016), and in achieving consensus on a revision of the Dublin regulations[4] and relocation quotas, or additional financial support to the most exposed countries (Bordignon et al 2016).

3.1.3 Climate change

Over the past four decades, climate change has become a key priority on the international policy agenda. The EU has been at the forefront of climate change mitigation efforts since its first CO_2 reduction plan in the early 1990s.[5] Backed by scientific evidence – such as the periodic reports of the Intergovernmental Panel on Climate Change (IPCC) - and by favourable public opinion[6] (European Commission 2015g), the Commission has progressively strengthened its a carbon emission reduction agenda, including through the Europe 2020 strategy, and support for the Paris Agreement. Against this background, and against awareness of the spatially differentiated impact of climate change (European Commission 2008), the 2014-20 regulations can be seen as a turning point. They make the **ESI Funds the main financial vehicle for realising Europe 2020's ambitious spending target** for the EU budget of using 20 percent **for climate-related actions**. Planned financial allocations under the ESIF 2014-20, suggest that this commitment is being taken seriously. Under the theme of "Low-Carbon Economy" the ESI Funds invest in a range of investment priorities to support the shift towards a low-carbon economy in all sectors. The funds support measures to improve air quality, prevent and control pollution (e.g. in cities and towns); measures supporting the adaptation to climate change, and to prevent and manage climate related risks (land erosion, fires, flooding, storms and drought); civil protection and disaster management systems and infrastructures; risk prevention and management of non-climate related natural risks (i.e. earthquakes) and risks linked to human activities (e.g. technological accidents); civil protection and disaster management systems and infrastructures. They can also support awareness-raising activities in relation to the above risks.

An ESIF total contribution of c. EUR 44.9 billion for the entire period is intended to leverage a total investment of EUR 64.2 billion. Most of the funding comes from the ERDF (70.3 percent), followed by the Cohesion Fund (17.9 percent). Poland (EUR 9.6 billion), Spain (EUR 4 billion), Romania (EUR 3.9 billion), Italy (EUR 3.8 billion), followed by Germany and Hungary (EUR 2.9 billion), are the countries that invest more prominently in these fields, which are also an important spending area for territorial cooperation programmes (c. EUR 584 million).[7] Overall, more than one quarter of ESIF resources were allocated to support climate action, with ten Member States allocating more than one third of their ESIF resources to this field (Sand Jespersen et al 2016). This is being provided under Thematic Objectives 4 (Supporting the shift towards a low-carbon

[4] The regulation that foresees that, as a general rule, the responsibility for examining an application for asylum lies with the country of first entry in Europe.

[5] https://ec.europa.eu/clima/policies/eccp_en .

[6] According to the latest Eurobarometer report on climate action, dated November 2015, more than 90 percent of Europeans consider climate change as a serious problem, with 69 percent considering it a very serious problem. Almost half of all Europeans (47 percent) think that climate change is one of the world's most serious problems. There is overwhelming consensus among EU citizens that tackling climate change requires a collective global effort and that governments should provide support for improving energy efficiency and set targets to increase the amount of renewable energy used by 2030.

[7] https://cohesiondata.ec.europa.eu/themes/4 .

economy in all sectors); 6.5 percent for T05 (Promoting climate change adaptation, risk prevention and management); 42.4 percent for T06 (Preserving and protecting the environment and promoting resource efficiency); and 9.7 percent for T07 (Promoting sustainable transport and removing bottlenecks in key networks and infrastructures) (Sand Jespersen et al 2016, p.11).

At least **three main elements have contributed to the significant increase in funding for climate-related measures in the 2014-20 regulations**: the earmarking imposed by **thematic concentration** (three out of eleven thematic objectives relate to this goal – see Table 5); **a proactive approach by the Commission** in the negotiation of programmes; and **the provision of ex ante conditionalities** in this field, requiring domestic authorities to show that their legislation is in line with EU environmental laws and objectives (Lenschow and Baudner 2016).

Whether the ambitions will be realised is still to be seen. The European Court of Auditors, in a recent Special Report, raised that there is *"**a serious risk that the 20 % target will not be met without more effort** to tackle climate change".* The Court also noted that while the ERDF and Cohesion Fund have become better-focused on climate action, the European Social Fund and areas of agriculture, rural development and fisheries did not show any significant shift and had not exploited all the opportunities for financing climate-related action (European Court of Auditors 2016). Further, a recent report for the European Commission underlined the importance of careful monitoring of the actual actions implemented "to ensure that aspirations for climate action are pursued", and that the climate change mitigation results anticipated, for example the reduction in GHG emissions from transport infrastructure or from the adoption of Green Public Procurement, are realised (Sand Jespersen et al 2016, p. 16, 53, 61).

3.1.4 Energy security

Part of the wider theme of 'climate change' is energy efficiency and security. In 2014, the European Commission adopted a framework strategy for a resilient Energy Union, which acknowledged the important role of EU Cohesion Policy in taking forward the priorities of reducing the Union's energy dependency, promoting a free flow of energy across borders, boosting energy efficiency, as well as supporting the transition to a green (low-carbon) economy (European Commission 2014a). In this new policy framework for climate and energy, ambitious targets were set for the Union by 2030, namely: cutting greenhouse gas emissions by 40 percent compared to 1990 levels, a share of renewable energy consumption of at least 27 percent, and at least 27 percent energy savings compared with the business-as-usual scenario.[8]

The 2014-20 ESIF programmes support different types of measures for energy security and efficiency such as: a range of different types of energy infrastructure (storage and transmission, gas, wind, solar, biomass and other renewable energies, e.g. geothermal, marine, hydroelectric energy); energy efficiency renovation of public infrastructure (e.g. schools and other public buildings, street lighting) and housing; energy distribution systems (e.g. smart grids and ICT monitoring systems); district heating measures, as well as studies and measures for energy efficiency (e.g. energy audits and schemes, sustainable urban transport).

These measures correspond to an intended investment of c. EUR 64.2 billion in low-carbon measures (c. EUR 45 billion of EU contribution, mostly from the ERDF,

8 https://ec.europa.eu/energy/en/topics/energy-strategy/2030-energy-strategy.

more than double than in 2007-13).[9] Further c. EUR 71.5 billion (EUR 58.5 of which from the EU, split between Cohesion Fund, 55.9 percent, and ERDF, 44.1 percent) are allocated to Network infrastructure in transport and energy.[10] These investments, and the associated private sector leverage that they are expected to generate, are an important complement to the EU's main instrument for energy infrastructure investment, the Connecting Europe Facility (CEF). During the 2014-20 period, the CEF is projected as investing c. EUR 5.85 billion in trans-European energy infrastructure, TEN-E (European Commission 2014c). Taken together, these measures are intended to support the EU in reducing energy imports, diversifying its energy provision, tackling energy poverty, cutting emissions, and, also, creating business opportunities and thus growth and jobs in this sector (European Commission 2014c).

In addition to the resources deployed, the importance of Cohesion Policy in this area derives also from the provision of dedicated ex ante conditionalities, namely the **requirement that National Energy Efficiency and National Renewable Energy Action Plans are in place in each Member State**, providing the framework for a close alignment between the investments of Cohesion Policy and those realised with domestic funding (see Table 5).

3.1.5 Digital agenda

The ESI Funds are involved in realising the European Digital Agenda, one of the flagship initiatives of the Europe 2020 strategy, whose aim is to boost "Europe's economy by delivering sustainable economic and social benefits from a digital single market" (European Commission 2014e). **The ERDF (and the EAFRD to a lesser extent) invest in a range of ICT related interventions, including through the regional and national Strategies for Smart Specialisation**. The 2014-20 CPR required as an **ex ante conditionality** the existence of *"strategic policy framework for digital growth to stimulate demand for affordable, good quality and interoperable ICT-enabled private and public services and increased uptake by citizens, including vulnerable groups, businesses and public administrations, including crossborder initiatives",* which has also contributed to strengthening this area of investment.

Already in 2007-13, the ERDF and Cohesion Fund provided important financial support to ICT measures, c. EUR 14.5 billion for ICT investments in broadband infrastructure, ICT applications and services to citizens (e.g. in the tourism and Public Administration fields), and SMEs; with particularly significant amounts in Poland, Greece and Spain (CoR 2013a). In line with the alignment of 2014-20 ESIF programmes with the Europe 2020 agenda, the 2014-20 ESIF programmes encourage more investment in these areas, both in terms of scope (more types of investments supported) and funding.

The 2014-20 generation of ESIF programmes provide support to:

- e-Government services and applications (e-Procurement, ICT measures supporting the reform of public administration, cyber-security, trust and privacy measures, e-Justice and e-Democracy);
- e-access to public sector information (open data e-Culture, digital libraries, e-Content and e-Tourism);

[9] https://cohesiondata.ec.europa.eu/themes/4.
[10] https://cohesiondata.ec.europa.eu/themes/5.

- e-Inclusion, e-Accessibility, e-Learning and e-Education services and applications, digital literacy; ICT solutions for healthy active ageing and e-Health services and applications (e-Care, ambient assisted living);
- ICT services and applications for SMEs (e.g. e-Commerce, e-Business and networked business processes), living labs, web entrepreneurs and ICT start-ups

The **support for the digital agenda thus cuts across traditional fields of intervention**, ranging from the competitiveness of the economic fabric, to social inclusion and social services, to the strengthening of the operational capabilities of public administrations. EU support for the digital agenda is planned at c. EUR 14.2 billion, potentially leveraging a total investment of c. EUR 20.7 billion. Most investments in this area are supported by the ERDF (91.6 percent) with the EAFRD providing an additional 8.4 percent of total ESIF investments, Poland, Italy, Spain and France are the countries investing most in this field, with investments in the range of EUR 3.7 billion, EUR 3.2 billion, EUR 3 billion and EUR 2.3 billion respectively.[11]

Past research has shown that the Structural Funds, through their investments in broadband infrastructure, have played an important role in ensuring that lagging regions would not be disadvantaged further (Bachtler et al 2013). Nevertheless, **there remain challenges ahead. For example, the digital skills gap and the availability of high speed broadband in more remote/rural areas** continue to be an issue (European Commission 2014e).

3.1.6 Defence and security

The Union is currently facing both external and domestic security challenges. Geopolitical developments and the recent decision of the UK to leave the Union raise important questions about the future of the EU and its institutional architecture. **External pressures have demanded renewed emphasis on border security**, both to limit the flow of migrants, and to prevent the possible entry or repatriation of terrorists, e.g. from Syria and Iraq. Against the backdrop of the recent terrorist attacks in France (January and November 2015) and Belgium (March 2016), EU leaders introduced new, contested border management measures (Bossong and Carrapico 2016) and reinforced previously agreed cyber-security efforts (High Representative of the European Union for Foreign Affairs and Security Policies 2013), with the Council formally adopting new rules on this issue in May 2016.[12]

Defence and security are policy areas that have typically not been the focus of direct action through Cohesion Policy, and have **traditionally been a domestic rather than EU responsibility.** Even so, Cohesion Policy, through its investments in ICT and through its regional policy dialogues with third countries, including Russia (European Commission 2014d), has played a minor role in supporting external, defence and cyber security policies, albeit a minor one. The EU-Russia dialogues, in particular, have complemented the cooperation activities implemented on the Eastern border by the Eastern Partnership: an investment programme which recognises that the prosperity and stability of the EU also depend on "the level and forms of democracy in its neighbourhood" (Cheneval et al 2015, quoted in Ágh and Kovács 2016). The 2014-20 European Territorial Cooperation Programmes, however, do not include security measures, even though security represents "a considerable challenge at cross-border level […] The exclusive competence

[11] https://cohesiondata.ec.europa.eu/themes/2 .

[12] http://www.consilium.europa.eu/en/press/press-releases/2016/05/17-wide-cybersecurity-rule-adopted/ .

of Member States in these matters, and regulations mainly dedicated to development issues, make it difficult to address such issues cross-border at the moment" (Levarlet et al 2016).

Table 5 below, provides an overview of the Europe 2020 targets, Cohesion policy ex ante conditionalities, as well as the most relevant Thematic Objectives applicable to each of the themes discussed in the preceding sections.

Table 5: EU Challenges, Europe 2020 targets and thematic objectives for Cohesion Policy

Theme / Europe 2020 target	Cohesion Policy Thematic Objectives	Cohesion Policy thematic ex ante conditionalities
Financial and economic crisis		
75% of the 20-64 year-olds to be employed 3% of the EU's GDP to be invested in R&D	**1.** Strengthening research, technological development and innovation. **3.** Enhancing the competitiveness of small and medium-sized enterprises (SMEs). **8.** Promoting sustainable and quality employment and supporting labour mobility.	**1.1** National or regional smart specialisation strategy **1.2** Multi-annual R&I infrastructure plan **3.1** Specific actions for entrepreneurship **8.1** Active labour market policies **8.2** Self-employment, entrepreneurship and business creation **8.3** Modernisation of labour market institutions **8.5** Workers' adaptation **8.6** Youth employment
Migration and refugee crisis		
At least 20 million fewer people in or at risk of poverty and social exclusion	**9.** Promoting social inclusion, combating poverty and any discrimination.	**9.1** National strategic framework for poverty reduction **10.1** Early school leaving
Climate change and energy security		
Greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990	**4.** Supporting the shift towards a low-carbon economy in all sectors. **5.** Promoting climate change adaptation, risk	**4.1** Energy end use efficiency **4.2.** High-efficiency co-generation of heat and power

Theme / Europe 2020 target	Cohesion Policy Thematic Objectives	Cohesion Policy thematic ex ante conditionalities
20% of energy from renewables 20% increase in energy efficiency	prevention and management. **6.** Preserving and protecting the environment and promoting resource efficiency **7.** Promoting sustainable transport and removing bottlenecks in key network infrastructures.	**4.3.** Renewable energy sources **5.1.** Risk prevention and risk management **6.1.** Water sector **6.2.** Waste sector **7.2.** Railways **7.3.** Other modes of transport **7.4.** Smart energy systems
Digital agenda		
	2. Enhancing access to, and use and quality of, information and communication technologies (ICT) (Broadband target). **11.** Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.	**2.1.** Digital growth **2.2.** Next Generation Network Infrastructure **7.4.** Smart energy systems **11.** Strategic framework for administrative efficiency
Defence and security		
-	**-**	**-**

Source: European Commission (2010) and Common Provisions Regulations, Annex XI.

3.2 Political Uncertainties

The main political uncertainties surrounding the MFF debate flow from the issues discussed in the previous section. In particular, there are important implications of the scenarios set out in the White Paper on the Future of Europe, especially those involving asymmetric development of the EU or a rationalisation of EU responsibilities and policy functions. The stability of the Eurozone is a critical challenge; while trends in economic growth, unemployment and business are better than expected, there are major questions concerning the management of massive public debt in Greece and the huge losses of banks in Italy. The geopolitical environment is more uncertain, with respect to the economic, trade and security policies of the new US Administration (Brexit is discussed in Section 3.3 below).

The latest Eurobarometer survey of public opinion (November 2016) indicates that **migration and terrorism are perceived by far as the most important issues facing the EU**, rated as being of greatest concern by 45 and 32 percent of respondents respectively - although the salience of both issues has declined since Spring 2016 (European Commission 2016h). The economic situation is regarded as the third most important EU issue (20 percent) as well as the state of national public finances (17 percent) and unemployment (16 percent). Issues perceived as less important include the EU's influence in the world (ten percent), crime (eight percent) and energy supply (three percent).

Trust in both EU and national institutions is low. The Eurobarometer survey found that, overall, 36 percent of Europeans trust the European Union, only slightly more than the proportion who trust their national parliament (32 percent) and their national government (31 percent). Although levels of trust are rising, they are doing so from a low base and are well below the levels of the early/mid 2000s. The overall image of the EU is also recovering slightly, but the proportion of respondents with a positive image of the EU is still low at 35 percent; one in four people surveyed have a negative image of the EU. Nevertheless, optimism about the future of the European Union predominates in 21 Member States; it is evenly divided in Sweden: and pessimism is the majority view in six countries (Czech Republic, Austria, Italy, France, United Kingdom, Cyprus and Greece).

These opinions may influence voting behaviour during the MFF timetable. Table 6 presents the cycle of national general and presidential elections, as well as the next European Parliament elections that are going to take place during the MFF timetable. The table also indicates **possible implications of national elections for the EU,** demonstrating the degree to which there are party platforms or manifestos advocating:

- referenda or policies to leave the Eurozone, Schengen or the EU as a whole (for example, PVV[13] in the Netherlands, FN[14] in France, AfD[15] in Germany, Five-Star Movement in Italy, Left Party in Sweden) or separate Eurozones for northern and southern Europe (FPÖ[16] in Austria); and
- scepticism of the EU and/or opposition to further EU integration (for instance, Ano[17] in the Czech Republic, Peoples Party in Denmark, True Finns in Finland), strengthening powers of the Member States (PiS[18] in Poland) or renegotiation of membership (Swedish Democrats).

While there is support for the EU among most of the larger parties, and consensus on EU membership and integration across the political spectrum in many countries, the growing strength of anti-EU sentiment means that Eurosceptic parties may record a sizeable vote, additional seats in national parliaments and (in some cases) be part of coalition governments.

[13] *Partij voor de Vrijheid* (Party for Freedom).
[14] *Front National* (National Front).
[15] *Alternative für Deutschland* (Alternative for Germany).
[16] *Freiheitliche Partei Österreichs* (Freedom Party of Austria).
[17] *Akce nespokojených občanů* (Action of Dissatisfied Citizens).
[18] *Prawo i Sprawiedliwość* (Law and Justice).

Table 6: Member State elections, 2017-2020, and possible EU implications

MS	Election	Date	Possible implications for the EU
BG	General	26 March 2017	Competing parties are pro-EU.
FR	Presidential + General	6 May 2017 18 June 2017	FN wants to negotiate a new model for the EU, and then call a referendum on EU membership.
DE	Federal	24 September 2017	SPD[19] pushes for budgetary integration (Eurobonds). CDU[20] argues for stronger integration of immigration policy. AfD is for amendment of Schengen, a referendum on Euro, and leaving EU in case of status quo.
CZ	General	October 2017	Ano is against deeper integration, with uncertain position regarding joining the Euro. Ruling party CSSD strongly supports Eurozone membership. Contributed to the Visegrad Group, whose latest statement argues for stronger power for national parliaments and no differentiated integration.
SI	Presidential	December 2017	None - presidential powers irrelevant to EU issues.
AT	General	2018 (at the latest)	Pro-EU coalition in power – FPO advocates for the creation of two separate Eurozones (North/South)
CZ	Presidential	2018	None - presidential powers irrelevant to EU issues.
CY	Presidential	2018	EU future is not a source of divide between competing parties.
FI	Presidential	28 January 2018	Limited presidential power. Parties of the governing coalition have divided views on EU integration and membership
HU	General	Spring 2018	Ruling parties in favour of focus on EU defence. Contributed to the Visegrad group's opinion: stronger power for national parliaments and not differentiated integration.
IE	Presidential	2018	None - presidential powers irrelevant to EU issues.

19 *Sozialdemokratische Partei Deutschlands* (Social Democratic Party of Germany).
20 *Christlich Demokratische Union Deutschlands* (Christian Democratic Union of Germany).

MS	Election	Date	Possible implications for the EU
IT	General	2018 (23 May at the latest)	Five Star Movement and Northern League markedly Eurosceptic: Norther League mainly on immigration grounds, Five Star Movement mainly on economic grounds and calling for a referendum on the Euro. Pro-EU Democratic Party currently in government in deep crisis following Constitutional Referendum of December 2016. Political scene very fluid overall.
LT	General	2018 (6 October at the latest)	Consensus on EU membership including in the Eurosceptic coalition. Parties' EU agenda for post-2020 is unknown.
LU	General	2018	Pro-EU consensus in Parliament. Minority party against further integration.
MT	General	2018	No political divide expected on EU-related issues – Parties' EU agenda for post-2020 is unknown.
SI	General	2018	Pro-EU consensus of the ruling coalition – Parties' EU agenda for post-2020 is unknown.
SE	General	2018 (9 September at the latest)	Pro-EU coalition. A fifth of Parliament in favour of leaving the EU (Left Party) or renegotiating membership (Sweden Democrats). Parties' EU agenda for post-2020 is unknown.
BE	Federal	2019	Pro-EU consensus. Vlaams Belang against EU Membership.
HR	Presidential	2019	Low political representation of Euroscepticism. Parties' EU agenda for post-2020 is unknown.
DK	General	2019 (17 June at the latest)	Growing opposition against the EU. Recent refusal of deeper integration in 2016 (relating to Justice and Home affairs pillar). Recent expansion of the pro-EU coalition to Eurosceptic parties. Parties' EU agenda for post-2020 is unknown.
EE	General	2019	Pro-EU coalition. Parties' EU agenda for post-2020 is unknown.
EU	European Parliament	2019	Possible strengthening of Eurosceptic parties.

MS	Election	Date	Possible implications for the EU
FI	General	April 2019	Pro-EU coalition in favour of stronger integration. Recent integration of the Finns Party – in favour of stronger national control. Parties' EU agenda for post-2020 is unknown.
EL	General	2019	Parties' EU agenda for post-2020 is unknown.
LT	Presidential	2019	None - presidential powers irrelevant to EU issues.
PL	General	2019	PiS (ruling party) is in favour of reform towards strengthened powers for Member States across policy areas, including through new treaty. PO[21] (opposition) identifies itself as pro-EU.
PT	General	2019	Pro-EU coalition supported by EU-critical parties. Parties' EU agenda for post-2020 is unknown.
RO	Presidential	2019	Pro-EU consensus – EU future is not a source of political divide.
SK	Presidential	2019	Contributed to the Visegrad Group: stronger power for national parliaments and no differentiated integration.
RO	General	2020	Pro-EU government and sentiment. Parties' EU agenda for post-2020 is unknown – but EU future is not a source of political divide.
SK	General	2020	Current majority for the consolidation of the Eurozone, Schengen and internal market. Contributed to the Visegrad Group: stronger power for national parliaments and no differentiated integration.
ES	General election	2020	Pro-EU ruling party in favour of an intergovernmental approach. Low level of trust in the EU, but not translated into political balance between parties.

Source: national government, political party websites and national press.

[21] *Platforma Obywatelska* (Civic Platform).

3.3 Implications of the EU Referendum in the United Kingdom

The implications of Brexit for Cohesion Policy begin with the transitional budgetary and regulatory issues relating to the 2014-20 period. These relate most immediately to the **impact of Brexit on the financing of commitments for the 2014-20 period**. If the UK withdraws from the EU in 2019, less than half of the total allocations for ERDF, ESF and CF may have been paid out (see Table 7); by 2020, the payment rate is still likely to be under 60%. There are questions as to UK liability for project commitments made by the date of UK withdrawal, as well as for payment claims still to be submitted and payments for project commitments made after withdrawal up to the end of 2020. Avoiding a deficit in planned spending will require a deal to be reached with the UK on its financial liabilities for Cohesion Policy, as well as other budget commitments, pension liabilities and contingent liabilities, potentially totalling some EUR 60 billion (Barker 2017). This is likely to be contested by the UK, and the final 'exit settlement' will depend on the wider outcome of the Article 50 negotiations.

Table 7: Forecast payments for Structural and Cohesion Funds

Fund	2019	2020
European Regional Development Fund	43.4%	59.9%
European Social Fund	43.2%	59.2%
Cohesion Fund	37.7%	52.7%

Source: European Commission.

In addition, there are regulatory issues concerning Cohesion Policy projects funded in the UK. An unknown question is whether EU rules, relating (for example) to reporting, monitoring, evaluation and, particularly, financial control and audit will continue apply after the UK withdraws. This also applies to projects funded in the 2007-13 period for which financial control and audit rules may still apply depending on the economic life of assisted assets.

Looking forward to the next MFF, **the post-2020 impact of Brexit will mean either a lower overall EU budget (and loss of receipts for current beneficiaries) or increased financing requirements for net payers**. A 2016 study by the Centre for European Policy Studies suggested that the impact of Brexit on the EU budget would not be major and could be easily absorbed, based on analysis of different scenarios of the future UK-EU relationship and using the 2014 EU budget as a reference case (Núñez Ferrer and Rinaldi 2016). This assumed that the UK would continue to make payments either to secure preferential access to the single market or, if the UK leaves the single market, via tariffs imposed in line with WTO rules. In both cases, the UK would be contributing revenue to the EU budget. More recent research by Notre Europe is less sanguine, forecasting difficult budgetary debates between net payers and net beneficiaries, but also noting that there is an opportunity for ambitious reform of both the expenditure and income sides of the EU budget along the lines of the Monti report (Haas and Rubio 2017).

A further question is the impact of Brexit on different EU spending headings. The critical issue here is whether a standard reduction would be applied to all headings of the EU budget after Brexit, or based on the 'share' of the UK's net contribution to each heading; if the latter, Cohesion Policy and the CAP would be disproportionately affected. There are also distributional consequences for Member State eligibility for Cohesion Policy from Brexit due to shifts in average GDP per head levels (Bachtler et al 2016).

One area of Cohesion Policy where the UK may decide to continue involvement is European Territorial Cooperation (INTERREG). The UK Government has already signalled its willingness to participate in some EU programmes after Brexit, and is currently consulting "with stakeholders to review all EU funding schemes in the round, to ensure any ongoing funding commitments best serve the UK's national interests" (HM Government 2017).

This includes a review of the added value of INTERREG programmes. The UK is currently involved in nine programmes with ten Member States in north-west Europe and two further programmes involving Gibraltar with six southern European Member States (see Table 8).

These have a major political value for the Devolved Administrations of the UK. This applies in particular to cross-border cooperation in the case of Northern Ireland, where the UK has already indicated that it wants to avoid a hard border and maintain cooperation, but also Wales' cooperation with Ireland and Scotland's transnational cooperation with the Nordic countries (Soares 2016; de Mars et al 2016; WG, 2017). This may also be relevant for south-east England, depending on future border control arrangements with France.

EU27 partners also have significant concerns about future UK participation in INTERREG, as McMaster (2017) has noted. For the cross-border programmes, most notably involving France and Ireland, the complete cessation of UK involvement would effectively end the programmes. This is of particular concern in Ireland, which has three cross-border programmes with the UK, some of which have high political and symbolic added value for Ireland (notably PEACE[22]) and considerable economic value. Many cross-border projects are reliant on EU funding for their survival and are credited with having a transformative effect on border regions in particular (House of Lords 2016). The UK contributes a large proportion of funding to the Northern Periphery and Arctic, and North Sea Programmes. For the 2007-13 Northern Periphery Programme, UK budget allocations by Scotland and Northern Ireland comprised the largest of all the participating Member States and made up almost 30 percent of the participant country contributions. UK withdrawal from INTERREG would mean that the spatial configuration of some programmes would need to be rethought.

There are also implications for projects. Since 2000, there have been almost 600 INTERREG projects with UK partners under cross-border programmes, over 500 projects under transnational programmes, and over 300 projects under networking programmes (McMaster 2017). Some UK partners are widely-respected as leaders in their field, with sound administrative arrangements and a record of achieving results. However, this is not universal: within some programmes, the UK emphasis on cutting budgets or reorienting projects to suit domestic priorities has not always been welcomed, and there have been questions about 'weak commitment' to INTERREG (McLeod 2016).

[22] The PEACE programme, currently in its fourth period of implementation, support peace and reconciliation in the Border Region of Ireland and Northern Ireland. It was initially created in 1995 as a EU response to the paramilitary ceasefires of 1994. For more information, see http://www.seupb.eu/2014-2020Programmes/PEACEIV_Programme/PEACEIV_Overview.aspx .

Table 8: UK involvement in INTERREG Programmes 2014-2020

INTERREG Strand	Programme	Total Budget (EURm)	Partner Countries	Coverage in the UK
INTERREG A	Two Seas	EUR 257	France-Belgium-The Netherlands-United Kingdom	South West, South East and East of England
INTERREG A	Manche/Channel	EUR 223	France, UK	South West, South East and East of England
INTERREG A	Ireland, Northern Ireland, Scotland (IE, NI, Sco)	EUR 240	Ireland, UK	Northern Ireland and Western Scotland
INTERREG A	Peace	EUR 229	Ireland, UK	Northern Ireland
INTERREG A	Ireland, Wales (IE/Wales)	EUR 79	Ireland, UK	Wales
INTERREG B	Atlantic Area	EUR 140	Spain, France, Portugal, UK	Western England and Wales, Northern Ireland and Scotland
INTERREG B	North Sea Region	EUR 167	Denmark, Germany, France, Netherlands, Norway, Sweden, UK	East Coast of the UK
INTERREG B	North West Europe (NWE)	EUR 396	Germany, France, Netherlands, UK	Whole of UK
INTERREG B	Northern Periphery and Arctic (NPA) (formerly Norther periphery Programme – NPP)	EUR 50	Ireland, Iceland, Faroe Islands, Greenland, Norway, Sweden, Finland, UK	North East and South West of Scotland
INTERREG B	Mediterranean	EUR 265	Croatia, Cyprus, France, Greece, Italy, Malta, Portugal, Slovenia, Spain, United Kingdom	Gibraltar
INTERREG B	South West Europe	EUR 107	Spain, France, Portugal, UK	Gibraltar
INTERREG C	Europe	EUR 359	28 member states of the EU, Norway and Switzerland	Whole of UK

Source: DG Regio.

4. POST-2020 COHESION POLICY DELIVERY SYSTEMS

KEY FINDINGS

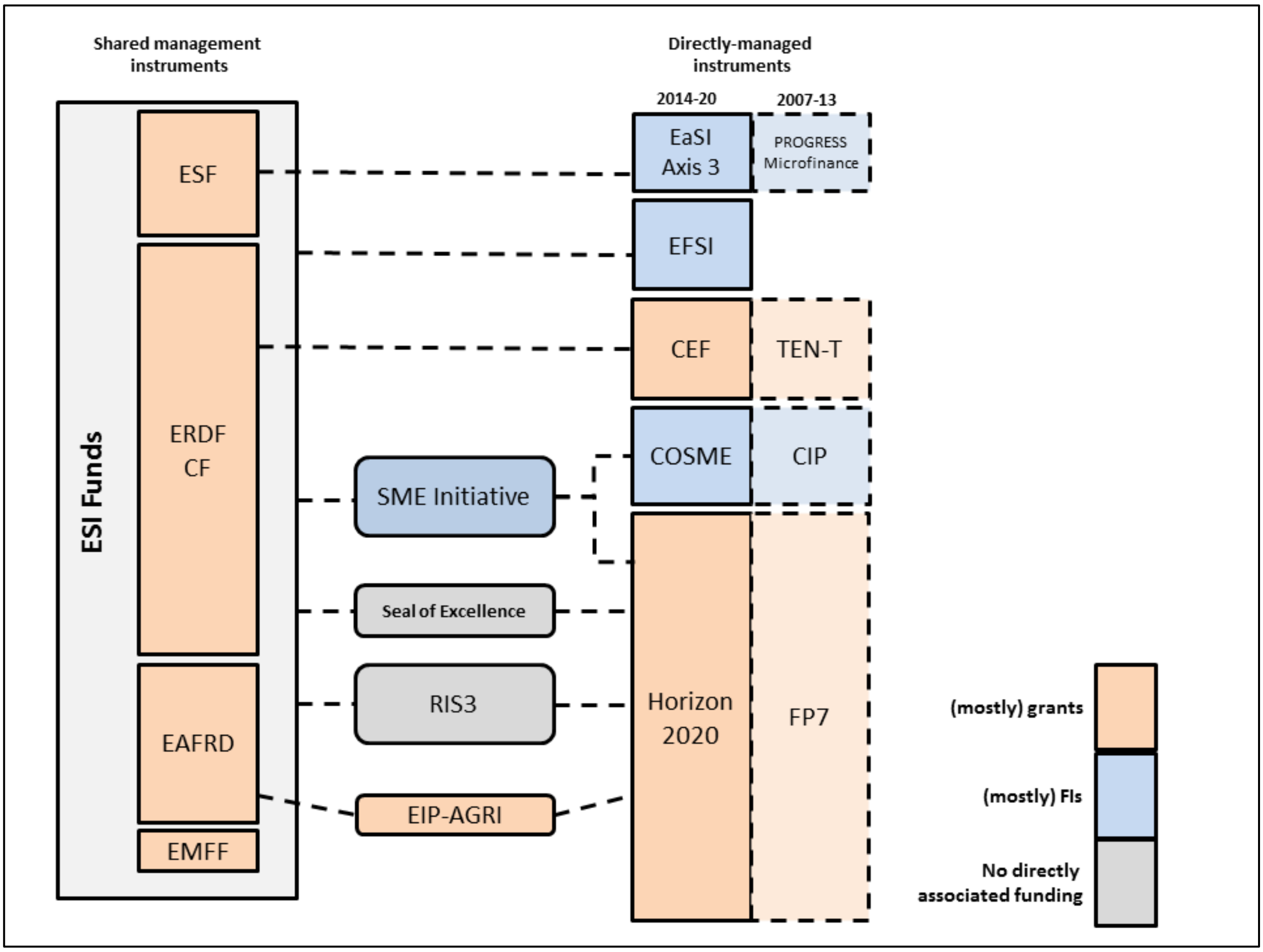
- Synergies among the ESI Funds and with other EU instruments have improved in 2014-20, especially in research and innovation, but **there is scope for further coherence and synergies** if greater harmonisation of rules could be achieved.
- Cohesion Policy spending is relatively inflexible at the level of the MFF. Options for more flexibility include an unallocated reserve at EU, national or programme levels, shorter programme periods or simplified reprogramming. **An EU-level reserve within Cohesion Policy would seem to offer most potential.**
- Simplification measures were introduced as part of the 2013 reforms but have primarily helped beneficiaries rather than Managing Authorities. New simplification measures proposed by the High-Level Group for the post-2020 period relate t**o e-governance, simplified cost options, easier access to funding for SMEs, Financial Instruments, and gold-plating.**
- There is increasing recognition of **the need for a more differentiated approach to the management and implementation of Cohesion Policy**. However, this would need to be seen as fair by all Member State and secure agreement on formidable challenges relating to the principles, methods and criteria for differentiation.
- A first step in the direction of more radical simplification or differentiation is the Commission **proposal for performance-based budgeting for groups of operations** as part of the negotiations on the Omnibus Regulation.

4.1 Synergies among the ESF Funds and Other EU Instruments

EU Cohesion Policy intersects with a range of other policies implemented by the Member States, domestic and European. This applies particularly to policies in the fields of: industrial development, SME growth and economic competitiveness; research and innovation; energy and reduction of carbon emissions; support for disadvantaged groups (active labour market policies); transport infrastructure; digital agenda; urban regeneration and development; economic diversification and development of rural and coastal areas; and social inclusion and poverty reduction. At a European level, there are significant overlaps with funding streams such as Horizon 2020, COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises programme), the Connecting Europe Facility (CEF) and the European Fund for Strategic Investments (EFSI) (see Figure 1).

The European Commission, the Council and the European Parliament have promoted synergies between Cohesion Policy and other EU policies. However, exploiting synergies is constrained by a number of factors, including: differences in legal frameworks; the requirement to comply with EU regulatory policies (State aids, public procurement); and domestic administrative capacities necessary to manage joint programming and implementation arrangements.

Figure 1: Relationships between ESIF and directly-managed EU instruments



Source: Ferry et al (2016).

Research for the REGI Committee on the synergies between ESIF and the centrally-managed EU instruments in 2014-20 has found that coordination varies across countries, instruments and the policy cycle. It is currently strongest among the ESIF themselves, followed by other EU instruments, and then national funds (Ferry et al 2016). In particular, **the strategic coherence requirements are widely regarded as a beneficial element of the CPR** and programming framework (Kah et al 2015). However, not all Member State authorities have exploited the opportunity of multi-Fund OPs, and programme authorities remain cautious on the actual impact of the strategic coherence framework beyond the programme design stage, as the rules for the various ESI Funds continue to present important inconsistencies (Bachtler et al 2016). The shared management model of the multi-sectoral ESI Funds is regarded as complex, and is not well suited to a fruitful interaction with other EU-funded programmes, particularly directly-managed instruments: "The highly sectoralised policy-making system, especially inside the Commission, has important constraining, framing and resource distributing effects on the pursuit of synergies" with the cross-sectoral, multi-dimensional and multi-level Cohesion policy (Ferry et al 2016, p. 46).

Member State co-ordination efforts tend to be concentrated on the strategic planning phase more than implementation, and this may jeopardise the positive effects of the complementarity established during programming (Ferry et al 2016). However, there appears to be a shift towards more synergistic working in the design and implementation of initiatives under specific themes and objectives (Ferry et al 2016).

One area where the integration between the ESI Funds and other EU policies appears to be successful is of research and innovation, encouraged by Smart Specialisation Strategies. ESIF managing authorities are strongly motivated to pursue synergies between ESIF, Horizon 2020 and domestic funding, albeit constrained by the complexity of rules in certain fields, particularly rules on public procurement, and financial accounting and control (Polverari 2016b, ECA 2016, Council of the EU 2016c).

A range of potential changes could improve coherence and synergies between ESI Funds and other EU instruments, and among the five ESI Funds, encompassing the regulatory context, governance, strategic frameworks and implementation procedures (see Table 9).

Table 9: Improving synergies between the ESI Funds and other EU instruments

Conclusions	Recommendations
Regulatory context	
Regulatory reforms introduced for 2014-20 have addressed the issue of synergies but substantial challenges remain (e.g. in the areas of financial regulations and State aid rules).	Harmonising regulations governing the involvement of State aid in different instruments. Harmonising regulations concerned with the exchange of information / reporting requirements for different instruments. Strengthening regulations that facilitate joint funding operations. In the financial regulation, common rules and definitions to enhance interactions between instruments.
Governance	
Governance arrangements to pursue synergies, changes have been somewhat limited. EU-level initiatives, including the S3 Platform have been established and Member State networks are in operation but compartmentalised or 'silo' based implementation approaches remain evident at DG and Member State levels.	Strengthened coordination among DGs in the pursuit of synergies. 'Soft governance' options should be explored further.
Strategic frameworks	
The strengthened strategic alignment of ESIF with other EU-funded instruments under the Europe 2020 strategy is one of the key advances for the pursuit of synergies in 2014-20, reflected in references to synergies in ESIF PAs and OPs and in the use of the strategic programming process to identify and pursue synergies.	More consistency is needed in the description of synergies in strategic documents. Programmes should include a clear account of how synergies will be pursued.
Implementation	
Implementation arrangements affecting synergies include: familiarity with different instruments and funds among implementers; availability of up-to-date information on the progress of instruments; and ad hoc contact between actors. The formal linkages structures, synchronised implementation, and capacity-building also matter.	The potential of developing joint work programmes or joint calls between ESIF and other EU-funded instrument should be considered.

Source: Ferry et al (2016).

Similar recommendations were made at the Netherlands EU Presidency conference in June 2016, where six main options for exploiting synergies in 2014-20 and in the subsequent period were identified (Bachtler 2016):

- at programming stage, in strategic frameworks and programme documents;
- via structural or organisational initiatives, at project level;
- through strategic combination of parallel projects or project sequencing; and
- by aligning cost models (unit costs, flat rates, lump sums) or via Financial Instruments.

A fundamental enabling issue is the need for **harmonisation and simplification of rules attached to different policies (ESIF and other EU investment programmes) and the applicable EU regulatory policies**, especially with regards to State aids and public procurement. Also, there is a need for better coordination and communication between relevant Commission services – and, equally, within national and subnational administrations - to bridge the 'culture gap' between regional development and sectoral policies to fostering collective action between ESIF and other EU policies.

4.2 Flexibility in Cohesion Policy

The Commission has signalled the need post-2020 to strike "the right balance between medium term predictability and the flexibility to respond to unforeseen circumstances", potentially through reserves that can be rapidly mobilised within and across the Union's main programmes" (European Commission 2016b).

Cohesion Policy spending is relatively inflexible at the level of the MFF, given that funding is allocated to Member States at the start of an MFF period and implemented through programmes approved by the European Commission after extensive negotiation. The financial and economic crises and now the migration crisis have raised valid questions on whether and how Cohesion Policy could respond swiftly to changing needs.

There are several options for introducing more flexibility (Bachtler et al 2016). One would be **the creation of an unallocated reserve at EU, national** or programme levels that would be available for responses to unexpected challenges (see Table 10). Creating the reserve at EU level would maximise flexibility but at the expense of a funding allocation of significant scale; there are also issues of subsidiarity. National and programme-level allocations would allow flexibility to be adapted to national or regional circumstances, but at the expense of using the reserve where it is most needed across the EU.

Other possibilities would involve a shorter programme period, potentially aligned with a shorter MFF period; a variant would be a break-point allowing review and adjustment of programme priorities, allocations and targets, although this was generally unsuccessful when it was applied to Objective 2 in the 1994-99 period (with two sub-periods, 1994-96 and 1997-99) which created additional work for marginal change. Further options would provide **more flexibility at programming stage** in the breadth of priorities or the **scope to switch funding between priorities** without a formal OP amendment procedure. This could, though, undermine the current focus on thematic concentration and strategic coherence.

Experience shows that flexibility and the scope or obligation to reallocate funding during a programme period, at national or regional levels, have not always worked well. During the 2000-06 period, national and regional authorities were encouraged to reallocate spending in line with the outcome of mid-term evaluations, but this varied greatly across the EU (Bachtler and Ferry 2013).

In the late 2000s, programmes were given the flexibility to change funding priorities, and in several countries, the measures played a significant major role in responding to the economic crisis, especially through the acceleration of spending or the creation of special instruments and initiatives (Bachtler and Mendez 2010). However, it was striking how many countries or regions were reluctant to change programme strategies, either on the grounds that they preferred to retain a focus on longer term development goals or because of the administrative workload involved. This will be more challenging with the increased performance focus and the negotiation of outcomes based on the intervention logic; the Commission could seek to maintain this principle in any re-programming but this would inevitably entail a certain degree of administrative complexity. Consequently, it might be necessary for 'simplified reprogramming' to be restricted to local, regional, sectoral or national crisis conditions.

Overall, therefore, the evidence would suggest that the most favourable options would be twofold:

- **creation a new reserve within Cohesion Policy at EU level** – potentially using the model of Community Initiatives - which is likely to have the greatest flexibility and potential added value as well as having most potential oversight by the Council and European Parliament; and/or
- **simplification of re-programming** in the case of circumstances that were: (a) unforeseen; and (b) have a significant potential economic or social impact, and are likely to affect the originally specified objectives and planned outcomes.

Table 10: Options for greater flexibility in Cohesion Policy

Option	Strengths	Weaknesses	Assessment
Programme reserve	Flexibility to adapt to local circumstances. More scope to manage programme allocations.	Pressure to spend. Possible politicisation. Limited EU added value.	1994-99 (Objective 2). 2007-13 (crisis): limited use of scope for reprogramming.
National reserve	Flexibility to adapt to national circumstances. More scope to manage national allocations.	Loss of scope at EU level to react to challenges. Possible politicisation. Less EU added value.	2000-06 (Performance Reserve): limited influence in many Member States.
EU-level reserve	EU-wide flexibility to react to unforeseen challenges.	MS preference for pre-allocated funding. Greater role for Commission. Need for agreed criteria on use.	1989-1999 (Community Initiatives): some positive experience.

Source: Bachtler et al (2016).

4.3 Simplification

Simplification is another area where the Commission (2016b, 15) has signalled the need for new thinking after 2020: *"A fresh look will have to be given to the requirements for programmes under shared management given the delays which occurred once again in their implementation".* A range of simplification options is already being considered by the High-Level Group on Simplification, set up in 2015, and the European Parliament (2015, 2016) has repeatedly emphasised its concern on these issues, noting the need for simplification to encompass Managing Authorities as well as beneficiaries.

The 2013 reform introduced several measures to simplify aspects of administration. Some of these have been beneficial, particularly in relation to simplified costs, flat rates, reporting requirements and e-cohesion (Davies 2015). However, many of the measures introduced are considered to be mainly of benefit to the workload of beneficiaries. Most Managing Authorities and Intermediate Bodies perceive that the regulations and accompanying acts and guidelines have become more complex and that the administrative workload and cost in managing the funds has increased. Further, the introduction of simplification measures has sometimes been accompanied by new or modified administrative requirements resulting in an overall increased administrative workload (Davies 2015).

Despite the simplification measures introduced in 2013, therefore, **specific concerns related to administrative complexity remain** (Davies 2015, EPRC 2016). These include the harmonisation of rules between Funds, the application of proportionality, and the implementation of new instruments (Joint Action Plans, Integrated Territorial Investments and Community-led Local Development). Preparatory work by Managing Authorities or Intermediate Bodies for additional Simplified Cost Options (SCOs) is onerous, and difficulties remain with regard to legal uncertainty, interpretation of regulations, SCO use in relation to public procurement rules and the treatment of SCOs at audit. The introduction of flat rates for revenue generating projects excludes important areas of support such as ICT, business support and low carbon schemes. The lack of legal certainty is a further key issue. The multiplicity of texts is regarded as confusing, exacerbated by (at times) divergent messages from different Commission services. There is uncertainty over the status, interpretation and application of Commission guidance, and whether it should it be treated as advice, as 'soft law', as 'best practice' or as a form of regulation. The designation of Managing Authorities and Certifying Authorities has been particularly complex and time-consuming.

As already mentioned, State aids and public procurement rules contribute to the complexity of ESIF programme implementation. However, there are limits to the degree of simplification that can be introduced in these areas via reform of the ESIF regulations, since these rules are of general applicability and derive from other EU policy domains (competition and internal market).

Within the scope of ESIF, **signposts for future simplification are provided by the proposals** to date. The recent Omnibus Regulation proposal[23] adopts some of the recommendations formulated by the High-Level Group, but, it will take time for such regulatory innovations to be approved and enter into force. Among **the proposals from the High-Level Group** (2016), the key issues are (see Table 11):

[23] European Commission (2016) *Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council*, Brussels 14.09.2016, COM(2016) 605 final, 2016/0282 (COD).

- extending the range of simplified costs options available to allow more beneficiaries to utilise estimates, such as flat rates or fixed prices for certain categories of costs, for example by abolishing the upper limit for lump sum payments, and simplifying setting up requirements for joint action plans (including a reduction of the minimum amount of investment);
- adoption of the 'once only principle' by which documents can be produced by beneficiaries in electronic format and thereafter kept on secure servers by the administrations, making all documents available directly to the auditors;
- alignment of the administrative burden for beneficiaries of FIs as much as possible with market practice;
- simple set-up procedures for FIs proposed by promotional banks or financial institutions whose mandate is to promote economic development; and
- measures to facilitate the combination of the ESIF with other EU Funds, especially EFSI.

Table 11: Recommendations by the HLG on simplification post-2020

	Post-2020 recommendations
e-governance	Common platform or system across the ESI Funds in the Member States. Partnership approach to e-Governance across all ESI Funds. Extension of use technical assistance, across all Funds, for training purposes, in order to widen the use of online systems, including for potential beneficiaries.
Simplified Cost Options	Introduction of SCOs based on results - if the results are achieved then costs should be accepted. More Commission support to programme authorities. Extension of "upfront" approval of simplified costs schemes established by MAs (as already in place for the European Social Fund). Fast track approval of schemes developed by programme authorities.
Easier access to EU funding for SMEs	Dedicated procedures that take into account the special needs and constraints of SMEs when managing, applying, auditing and reporting for ESI Funds. More systematic application of the "Think Small First" principle to the design and implementation of project cycle for SMEs; active involvement of stakeholders. Further harmonisation of rules between the funds. Learning from good practices in EU level instruments for SMEs.
Increased uptake of financial instruments	Easier processes for MAs for the setting up of FIs. Reduction of administrative burden for entrepreneurs. Creation of expert group of financial instrument practitioners to organise specific seminars for auditors to improve their understanding of financial instruments before the first audits for the period are carried out. Capacity building on the use of FIs in 2014-20 and more harmonisation of the rules between ESI Funds and other EU funds.
Gold-Plating	Better defined audit thresholds to avoid multiple and disproportional controls on the same operation. Extension of the proportional control with single audit principle: Multiple controls based on amounts and risks. Shift audit emphasis on preventive, ex-ante and proportional audit. Database of Q&A on most problematic areas and summary of main findings from audit missions shared among the Member States. Clear definition of "contracting authority" to safeguard proportionality and ensure that heavy public procurement processes are not imposed on those organisations that do not fit in the definition of public authority. Further capacity building and training for public authorities on the new public procurement rules. Easier reporting by beneficiaries via IT systems. For ESF projects, maximisation of the use of national administrative data. Good practice examples of efficient application procedures for beneficiaries.

Source: High-Level Group on Simplification.

The challenge for Cohesion Policy is illustrated by the recent **REGI Committee study on gold-plating** (Böhme et al 2017) which presents the dilemma as to how administrative complexity can be addressed. One option would be tighter rules, which in this case address the source of gold-plating, but the alternative would be more flexibility and trust. The latter would represent a different approach, and opens up a path involving all actors contributing to reducing administrative burdens, particularly through capacity building and open dialogue to achieve a better balance between compliance and performance.

4.4 Differentiation

Concern over the administrative costs and complexity of Cohesion Policy has led to increasing recognition of the need for a more differentiated approach to the management and implementation of Cohesion Policy. This will be a key issue in the post-2020 reform of the policy. As Commissioner Creţu (2016) noted at the Bratislava:

> *"We need to recognise, for example, that institutional and administrative structures and capacities differ across Member States, and this should be reflected in the delivery system. We could for example think of a system with significant fewer Commission controls where administrations can prove that they are reliable and strong audit authorities are in place. We may even think of relying only on national rules in these cases."*

This was reinforced by the conclusions of General Affairs Council in November 2016 (Council of the EU 2016b) which included a commitment to simplification in general but beyond that also a 'careful exploration' of "the **introduction of differentiation into the implementation of the ESI Funds programmes based on objective criteria** and positive incentives for programmes". The arguments for differentiated rules and management systems are not universally accepted, and debates under the Slovak Presidency emphasised that governance reforms must be fair to all Member States as well as ensuring that the Commission is able to discharge its responsibility with respect to the budget (SK PRES 2016a, 2016b). However, without significant change, some Member States with smaller allocations may decide not to participate in post-2020 Cohesion Policy.

The basic requirements for a differentiated system have been outlined in research by EPRC (Bachtler et al 2016, 2017) and comprise three elements. First, there is the question of the **minimum requirements of any system to ensure compliance with the principles of Cohesion Policy**, notably: coherence with Cohesion Policy objectives and wider EU economic and industrial policies; assurance on the regularity of spending; evidence on the performance of EU funding and the results achieved; and a commitment to the principle of partnership.

The second question concerns the **architecture of a differentiated system**. This might be founded on national strategies for territorial/regional development and cohesion elaborated by Member States (in accordance with key pre-conditions) which could be implemented through national rules and administrative arrangements. A key question is the accountability mechanisms put in place, most of all for audit to ensure that financial control is genuinely simplified.

Lastly, there is a question of **which Member States a differentiated approach would apply to**. The options could include scale of funding (allocations, co-financing), funding in relation to investment of GDP, performance in using EU funding (absorption, error rate, outputs/results), and quality of governance. Each would need to be judged on the basis of rationality, transparency, applicability and regularity (Bachtler et al 2017).

4.5 Performance-Based Budgeting

It is notable that Commission references to differentiation have not mentioned a different *system* but inclusion of provisions for differentiation (as with proportionality) within the common rules. A first indication of Commission thinking is a fiche prepared as part of the negotiations on the **Omnibus Regulation**, which **makes provision for 'performance-based budgeting' for groups of operations** – the first time that such an approach would be used in Cohesion Policy.[24]

Essentially, performance budgeting means *"a form of budgeting that relates funds allocated to measurable results"'* (OECD 2008). Approaches included:

- 'presentational performance budgeting', where performance information is presented as background without an intention to link it directly to decision-making;
- 'performance-informed budgeting', where resources are indirectly related to proposed future performance or past performance (a mechanism similar to the current Cohesion Policy's thematic concentration);
- and, 'direct performance budgeting', where resources are allocated based on results achieved (OECD 2008).

Most European countries introduced some type of performance-budgeting initiative in the 1990s and early 2000s, taking different approaches to and adapting them to their own national capacities, cultures and priorities. Examples of the 'direct' type are rare (Curristine 2005).

The **benefits of adopting performance budgeting** include: more emphasis on results; more and better information on government goals and priorities, and transparency on how different programmes are contributing to achieving these goals; stronger public accountability; more emphasis on planning, and provides information on what is working and what is not; efficiency gains, better informed budget allocation decisions, stronger administrative efficiency. **There are also disadvantages with the adoption of performance budgeting without adequate customisation**. They include (mis)use of performance budgeting to justify automatic decisions on allocative choices, in place of political decision-making; the risk of not taking adequately into account the misalignment between political and economic/policy cycles; the veneration of indicators, turning them into goals rather than means (Moynihan and Beazley 2016; Schick 2014).

This Commission fiche fits with two EU-level initiatives on recent initiatives on performance budgeting. The first is the establishment of an Inter-Institutional Working Group on Performance Based Budgeting, arising from a European Parliament resolution of July 2013, in agreement with the European Court of Auditors. Second, the 'EU Budget Focused on Results' initiative, introduced by the Commission in September 2015, has involved stakeholders, beneficiaries in the Member States and other stakeholders in debate about the application of performance-based budgeting to EU policies.

The above-noted Commission fiche, circulated to Member States as a draft working paper in January 2017, foresees the introduction of performance budgeting related to Article 67(1) CPR. The provision foresees the possibility of financing groups of projects based on the achievement of results measured through performance indicators agreed at the outset. This new financing option, based on the achievement of certain objectives defined ex ante, is intended to reduce the administrative burden for beneficiaries and administrations (Managing Authorities and Intermediate Bodies) by limiting controls to the verification of the results achieved, and would

[24] *Financing options based on fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes. Fiche*, Brussels, 27 January 2017. Articles 265 point 26 Commission proposal Omnibus regulation [COM(2016) 605], Common Provisions Regulation Article 67(1)(e).

shift the emphasis of controls and audits from the verification of inputs to that of results achieved.

There are limits on to the introduction of performance budgeting in Cohesion Policy, linked to the shared management approach and to the multi-annual character of the policy. Further, the practical desirability of this approach would have to be considered against the challenges that it would entail, such as the availability of administrative and analytical capacities necessary to operate such a performance-driven approach (often underestimated) avoiding the risk of ‘perverse performance management’, where data are manipulated to ensure that targets are met. Nevertheless, it does provide some indication of Commission thinking and may provide the basis for a more radical simplification or differentiation of Cohesion Policy after 2020.

5. CONCLUSIONS

The reform of the EU budget and policy priorities in the post-2020 Multiannual Financial Framework comes at a difficult time for the EU with major internal and external challenges. Brexit will alter the dynamics of the negotiation process as well as the shape of the budget, certainly with respect to revenue and possible for expenditure also. An early question for the Article 50 negotiations is the scale of EU budgetary liabilities accepted by the United Kingdom and its willingness to continue participating in some EU programmes.

The context for the MFF debate is framed by the White Paper on the Future of Europe, the Mid-Term Review of the MFF and the Budget Focused on Results process. The Commission has set out its objectives of deriving more flexibility, greater effectiveness and efficiency and more added value from EU spending, and potentially also to restructure the approach to own resources and the duration of the MFF.

As in previous reform debates, Cohesion Policy is under pressure to justify its added value in relation to EU political objectives. The latest data show that the challenges for economic, social and territorial cohesion remain profound, with wide disparities across and within countries, especially with respect to unemployment. Cohesion policymakers have emphasised that there is increasing evidence for the effectiveness of Cohesion Policy, strengthened by the emphasis of the 2013 reforms on performance and results. Further, they highlight the contribution of Cohesion Policy to Europe 2020, economic governance and structural reforms through thematic concentration, macroeconomic conditionality and ex ante conditionalities.

However, there are competing pressures on the EU budget. Policy areas regarded as important for the EU include economic growth, managing migration, climate change, energy security, the digital agenda, defence and security. While Cohesion Policy is already making a substantial contribution to these policy fields – and could be active in any successor to Europe 2020, such as the Strategic Development Goals of Agenda 2030 – there are valid concerns as to whether this is the most efficient way for the EU to respond to new policy challenges. Cohesion Policy is already managing difficult policy tensions and, arguably, suffering from policy overload. One of the difficult debates for post-2020 is to clarify the priorities for Cohesion Policy and its relationship with other EU policies.

Lastly, there are questions concerning the post-2020 delivery system. Simplification is regarded as the most important task, building on the work of the High-Level Group to reduce or harmonise regulatory obligations. A more fundamental reappraisal of shared management is also underway, beginning with a possible use of performance-based budgeting for groups of operations in the remaining years of the 2014-20 period and potentially greater differentiation of approach to implementation for Member States with smaller allocations after 2020. As part of the reassessment of implementation, there may be scope for greater exploitation of synergies between ESI Funds and with other EU instruments. Finally, in line with wider EU objectives, there is a need to consider how best to incorporate more flexibility into the management of Cohesion Policy to allow greater responsiveness to unforeseen developments.

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