



Baltic Sea States Subregional Co-operation
EU COHESION POLICY AFTER 2020

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EU Cohesion policy plays an important role for a harmonious regional development in the Baltic Sea Region. As a transnational network of decentralised regional and local authorities in the Baltic Sea Region BSSSC wants to contribute to the development of this policy after 2020 and including its transnational aspects. Therefore

- reiterating its Annual Conference resolution of 14-16 September 2016,
- reaffirming its support for the political declaration on “A strong renewed regional policy for all regions post 2020” signed by 337 regions, local authorities and interregional organisations and presented to the EU institutions during the Summit of Regions on 28 September 2016,
- acknowledging the remarkable results of cohesion policy shown by the ex post analysis of the ERDF and the Cohesion Fund 2007 – 2013 and highlighting the discrepancy between those results and the incessantly growing pressure on cohesion policy to become more efficient

BSSSC takes the following position:

1. Role of cohesion policy

BSSSC is convinced that cohesion policy’s prominent role among EU policies and also within the future Multiannual Financial Framework (MFF) must be maintained beyond 2020. In an increasingly volatile political environment the European Structural and Investment Funds (ESIF) provide stability, contribute to reduce development disparities between European regions, and strengthen economic, social and territorial cohesion in Europe. Cohesion policy is also an effective investment policy and contributes strongly to growth and jobs in the EU. The policy has benefitted the citizens of all EU Member States and supported them during difficult economic times. It is close to the citizens and has the potential to substantially contribute to overcoming the crisis of European integration and to counter anti-European tendencies in our societies.

Against this background, BSSSC is concerned about tendencies in the EU Commission to prefer directly managed instruments to instruments of shared management: Pressing challenges at European and global level can only be successfully tackled by European policies and initiatives if actors on the local and regional level are truly involved in their implementation. In cohesion policy – unlike in policy areas with directly managed sectoral funds - European strategic approaches are linked to long-term development strategies at regional level. EU-objectives are implemented through regional projects in the realm of research, innovation, sustainable regional growth, renewable energy, SME, accessibility, competitiveness, and job creation. This linkage between the EU and regional levels is not only crucial for the effectiveness of the European strategies, but also strengthens the ownership of European policies on

the ground by bringing them closer to the citizens. This is clearly the central European added value of cohesion policy.

BSSSC stresses the high importance of the European Territorial Cooperation for integration, a prosperous and peaceful neighbourhood and understanding among people, which seems even more valuable considering the increasingly tense atmosphere in Europe as well as on a global level.

In the context of regional development, urban areas and their special challenges and opportunities play an important role. BSSSC sees the support of urban development and of urban-rural linkages through integrated strategies as an important part of cohesion policy that should be maintained in future.

However, BSSSC emphasises that cohesion policy will only be able to fulfil its prominent role for supporting EU policies on the ground and deliver results if the over-regulation of the policy is finally abolished and the administrative burden is radically reduced.

2. Cohesion policy for growth and jobs in Europe: Adequate funding for all regions

BSSSC supports the strong connection between the core targets and priorities of the Europe 2020 strategy for smart, sustainable and inclusive growth and cohesion policy in the current funding period. Cohesion policy made the EU 2020 strategy tangible on the ground by giving regional and local actors the means to implement the EU2020 strategy in their regions and municipalities. This gave them ownership of the European policies driven by the EU2020 strategy. In this sense cohesion policy has become the most important European investment policy. Future cohesion policy should therefore stay firmly embedded into the leading EU-strategies.

Against this background, BSSSC insists that the current share of the budgetary allocation for cohesion policy should be at least maintained in the next funding period as it is the pre-condition for a credible and tangible delivery of EU policies on the ground.

In accordance with Article 174 of the EU-Treaty the regions most lagging behind should continue to receive most of cohesion policy funding in order to overcome their structural deficits in the medium and long run.

However, BSSSC believes that cohesion policy after 2020 must take greater account of those regions that contribute above average to growth in the EU and should be motivated to stay on board of the policy. They should be strengthened in their role as drivers of regional development and in their ability to promote positive spill-over effects, also for the benefit of less developed areas within the EU and in the global context. The relative share of funding currently allocated to more developed regions should therefore be increased after 2020.

Finally, BSSSC asks the EU-Commission to propose a solution to prevent the currently dramatic decrease in scale of cohesion policy interventions for regions that exceed the fixed GDP per capita thresholds.

3. Reliability

BSSSC emphasises that even in the case of a future flexibilisation of the EU budget, programmes and measures under cohesion policy need to stay reliably financed in the medium- and long-term. Re-allocation within the EU budget or new political initiatives must not be financed at the expense of running programmes. Since cohesion policy aims to support structural reinforcement of all regions and to improve the conditions for dynamic and sustainable processes of regional development - all of them requiring long

term perspectives - reliability of the funding is crucial for the success of the policy. For similar reasons, the duration of a programming period should also in future not be shorter than 7 years.

4. Strengthening European Territorial Cooperation

BSSSC stresses, that European Territorial Cooperation (ETC) in the next funding period needs to be systematically strengthened and well-resourced.

By bringing together actors from different Member States, third countries and regions, cross-border, transnational and interregional cooperation delivers an essential contribution and a clear added value to the Baltic Sea Region and the whole of Europe: European-wide exchange of expertise, and jointly elaborating new approaches to optimising public administration and private-sector development are important elements for deepening the integration of Europe.

Participating in cross-border, transnational and interregional cooperation provides first hand experience of the European idea to people on the ground. In this context, small-scale, people-to-people projects, help in a very direct and effective way to build-up and maintain trust between people and regions in neighbouring states. Funding for this kind of projects should therefore be continued.

BSSSC emphasizes that transnational cooperation has been particularly important in the Baltic Sea Region and that this comprehensive policy of territorial cooperation should be further strengthened. A more complex approach of European Territorial Cooperation should go beyond the growth and jobs orientation which rightly governs the core of cohesion policy and put a stronger focus on fostering good neighbourhood, trust and understanding between nations and people in Europe and in particular between its youths. This paradigm shift needs to be adequately resourced.

Additionally, the former model should be reinstated where cooperation along the external EU border is funded within the cohesion policy framework and under cohesion policy rules.

5. Support of macro-regional strategies

BSSSC highlights the fact that macro-regional strategies gather stakeholders and actors from all sectors and levels of governance relevant for regional development in the respective macro-regions. They offer the opportunity for tailor-made strategies suitable to tackle the specific challenges and potentials of the respective macro-regions. Furthermore, macro-regional strategies help improving and strengthening cooperation structures, thus contributing to regional and European integration.

BSSSC therefore stresses that macro-regional strategies depend on good access to European funding opportunities. Better coherence between strategies and programmes is essential e.g. for the success of the EU Baltic Sea Strategy. That also means that flagships of the strategies must get easier access also to the large-scale EU-funding programmes.

BSSSC deems it necessary to introduce to the EU-regulations mechanisms which facilitate transnational cooperation between different operational programmes funded by the European Structural and Investment Funds (ESIF). Therefore BSSSC welcomes the work of the networks of managing authorities of European Social Fund (ESF) and - recently established - of European Regional Development Fund (ERDF) in the Baltic Sea Region. Using the mainstream ESIF-programmes for transnational cooperation presents a largely untapped potential to improve cooperation in macro-regions in general and in the Baltic Sea Region in particular. Therefore legal and administrative barriers which hinder the additional use of

mainstream ESIF-programmes for transnational cooperation should be reduced and incentives and support mechanisms for this type of voluntary cooperation should be introduced.

BSSSC underlines that macro-regional strategies offer useful instruments to improve relations between EU Member States and neighbouring countries and thereby support European Neighbourhood Policy. The BSSSC again regrets the non-involvement of Norway and Russia in the EUSBSR and calls for the resumption of the dialogue between the EU and Russia on topics of common interest.

6. Strategic and result oriented programming and implementation

BSSSC is convinced that in future EU cohesion policy needs to focus further on a strategically and result orientated approach.

As a precondition, regional actors responsible for programming and implementation of programs must be granted all the confidence and flexibility they need to adapt the EU-priorities to their diverse regional environments and their strategies suitable for their specific area to reach the common EU objectives. Against that background, the current approach of thematic concentration, while in principle seen positive, tends to be too narrow in its focussing on uniform concentration limits and should be improved in order to allow for better taking into account the specific development challenges faced by the individual program areas. At the same time more flexibility for changing regional approaches throughout a 7+3-year programming period is required. In the context of flexibility, BSSSC supports a funding portfolio for cohesion policy that includes grants and repayable assistance as well as financial instruments or a combination thereof. The decision, which kind of instrument is appropriate should, however, be taken by the regional level according to the specific circumstances on the ground. Consequently, BSSSC opposes minimum thresholds for financial instruments imposed by the EU-regulations.

BSSSC stresses the importance of innovation as a key element for tackling global challenges from hunger to climate change and for the well-being of Europeans and people all over the world. The concept of smart specialisation has proven to be successful in fostering innovation by strengthening the competitive advantages and development potentials of regions. It also serves as a good framework for combining different EU instruments and delivering results for cohesion policy. BSSSC therefore encourages the continuation of smart specialisation in the next funding period. Furthermore, BSSSC is convinced that the introduction of a budget dedicated to more risky pilot or experimental measures would help to additionally trigger innovation by means of cohesion policy. Creating a risk-reduced room for failure of measures would work as an incentive for investment in new and innovative strategies and projects.

BSSSC highlights the fact that in order to use EU-funding as efficiently as possible it is crucial to further improve synergies between the different European Structural and Investment Funds (ESIF) as well as between the ESIF and directly managed EU Funds like Horizon 2020, CEF and Erasmus+. The existing differences in framework, logic, and rules for those Funds prevent member states and regions from using the potential to combine them in a smart way.

BSSSC is convinced that programming for the new financing period needs to be designed as a clearly and conclusively structured, lean and partnership-based process between European Commission, Member States and regions. The individual responsibility of Member States and regions within the framework of European strategic guidelines should be strengthened with due regard to the principle of subsidiarity. The final result of this negotiation process should be an agreement on strategic objectives rather than an operational programme containing the description of detailed measures and technical procedures for the use of the EU-Fund concerned. The implementation of those agreements should be

accompanied by the EU Commission through a merely strategic dialog with the region based on the principle of true partnership. Potentially needed changes shall also only be discussed on a strategic, not on a technical and detailed level.

7. Cutting red-tape: Over-regulation and the burdens of management and control

BSSSC emphasizes that implementation of the European Structural and Investment Funds (ESIF) has become subject to severe over-regulation. The threshold of a reasonable effort of management and control in the implementation of operational programmes has already been passed for both project operators and the administrations involved.

The system of subordinate legislative acts and – only in theory - non-binding guidance notes of the Commission has led to an ever growing complexity of programme execution and severely increased the likelihood and frequency of “errors.” As a result, fear of errors and of negative financial and political consequences is the guiding element for many actors responsible for cohesion policy in regions. This is reinforced by the experience that audit authorities show little understanding of the diverse sets for decision-making at regional and national level in the EU and therefore little acceptance towards divers “right” ways of implementing EU funds on the ground. The resulting atmosphere of insecurity, fear and distrust paralyzes creativity and innovativeness at the level of regional and national administrations and beneficiaries. It intensifies the perception that even more guidance not only on EU, but also on regional and national level, is needed to protect the involved actors from errors and financial consequences (“armour plating” to be distinguished from “gold plating”). Complexity and costs of the managing and control system of ESIF are further enhanced.

In addition, the actual system has caused massive delays in the operational start of programmes. As a consequence, there is a danger that programme implementation, from one financing period to the next, is delayed ever further, which tends to discredit the entire policy. All this contributes to diminishing the positive effects of the ESIF, which due to the high visibility of this policy on the ground is likely to harm the reputation of the European Union as a whole.

BSSSC is therefore convinced that it is of utmost importance to proceed to a comprehensive and radical revision and reduction of the requirements imposed on the ESIF management and control systems by the European level to safeguard cohesion policy and its significant European added value. It insists that the approach to programme planning and implementation needs to be fundamentally changed based on the principle of subsidiarity. That should comprise the option for member states and regions to decide that the administrative implementation of their programmes – with the exception of ETC-programmes - should be governed by national law.

Concerning state aid regime, BSSSC demands a further simplification of rules for the implementation of ESIF. State aid causes a severe part of administrative burden for management and beneficiaries in cohesion policy, which is particularly disproportionate in ETC projects. Furthermore, the unequal treatment of directly managed funds like the European Fund for Strategic Investment or Horizon 2020, and the ESIF in state aid is one of the main factors that hamper synergies in EU-funding. BSSSC therefore calls on the EU Commission to introduce a block exemption from state aid regime for all ESIF, but at least for the ETC.

BSSSC furthermore deems it imperative to adopt a consistent single audit approach in order to avoid the duplication of audits, to exclude contradictions between control organs, and to reduce the cost of auditing. Audits conducted by the European institutions should be restricted to combating fraud and corruption.

Overall, BSSSC believes that the principle of proportionality and the ability to deliver results should be better taken into account in the context of implementation and control of the ESIF. As core criteria for a differentiation of the requirements for management and control systems beyond 2020 BSSSC considers in particular the financial volume of programmes, their risk exposure, the quality of administrative management, and the level of co-financing.

Finally, BSSSC urges the responsible EU-institutions to have the new regulations ready by mid-2019 to enable member states and regions to start well prepared into the next funding period.