Position Paper on Cohesion Policy Post 2020

As presented by the Department of Public Expenditure and Reform (Member State for Cohesion Policy in Ireland)

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Overview and Summary

1. Ireland highly values Cohesion policy as an important tool to stimulate economic growth, promote social cohesion and to reduce disparities between the regions of the EU. It is a concrete demonstration of European solidarity, ensuring the benefits of increased economic activity are more equally shared. Cohesion funding contributes to the objectives of greater social, economic and territorial cohesion, a cornerstone of the Treaties.

2. Whilst significant progress has been made, both in terms of reducing regional disparities and increasing economic growth, thus demonstrating the value of the ESIF programme in all Member States, it is important to continue to support and assist all regions and, in particular, the less developed regions of the EU. It should also be recognised that the fundamental political and economic developments in the EU, even since agreement of the 2014 – 2020 regulations, present us with new challenges which must now be reflected in the future policies for ESIF. These developments include, amongst others, (i) unprecedented economic, political and connectivity challenges which the departure of the UK will bring, (ii) the potentially significant impact on the EU Budget which the UK's departure will also have, (iii) significantly increased migration and the demands on Members States to assist and integrate new EU communities, (iv) the increasing challenge of communicating the benefits of EU membership more effectively to EU citizens, and (v) the need for Europe to be more innovative and competitive within the global economy.

3. Member States will be impacted to varying degrees by these and other emerging challenges. The diverse nature of the new challenges which have emerged, even in the short period since the beginning of the current round of funding, underscores the need for greater flexibility in ESIF regulations. Since each Member State faces different challenges, Cohesion policy must be sufficiently flexible to facilitate appropriate responses, within a greater number of overall priorities, and in a timely manner.

4. There is an urgent need to simplify the unnecessary regulatory complexity surrounding the management of ESI funding. This view has been reflected in the position papers of other Member States, the reflections paper on the Future of EU Finances and during discussions at

the Director General's meeting on Cohesion Policy on 26/27 September. It is important that such feedback is acted upon and that lessons are learnt from the 2014 – 2020 round of funds. The slow rate of drawdown throughout Member States demonstrates very clearly the practical difficulties in administering and accessing ESI funding. From the perspective of EU budget payments, it also creates significant difficulties in forecasting EU budget contributions on an annual basis. It has resulted in significant troughs and peaks in the EU budget, where the overall level of payments differs largely between years.

5. Ireland welcomes the *Report of High Level Group on Simplification for the post 2020 Cohesion Policy* and notes that it has been broadly welcomed and endorsed by all Member States. It contains a number of practical suggestions, which could be quickly implemented. Administration of funds must not be excessively bureaucratic. Efficient oversight or management of EU funds should be based upon existing national control and audit systems, which are long established and operating effectively. There is no additional benefit from duplicating these processes. Rather monitoring should take a more strategic approach and focus on the outcomes and impact of funding. It is also important that simplification measures introduced benefit those administering and managing the Funds and not just the beneficiaries.

6. There have been many positive reforms already made in the area of Cohesion Policy, including the introduction of ex-ante conditionalities, thematic concentration and the performance framework. These innovations are still "bedding down" and while work on real simplification should continue, no additional regulatory burdens should be imposed for the post 2020 period.

7. It is not the function of this paper to discuss the future Multi-annual Financial Framework (MFF), formal discussions on which will not take place until 2018. The paper focuses rather, on the strategy for ESI funding, regardless of the size of the budget which is agreed by the co-legislators.

Thematic Concentration

8. Ireland recognises the value of thematic concentration aligned to the EU strategic objectives in order to concentrate ESI funds in an effective manner. The Thematic Objectives should be reviewed in the post 2020 round to reflect emerging issues and the changing European landscape.

9. While recognising the value of thematic concentration, Ireland considers that there should be more flexibility in the allocation of funds across the thematic objectives (and associated investment priorities). For example, the stipulation that 80% of ERDF resources are allocated to four of the eleven thematic objectives is unnecessarily restrictive. Operational Programmes are informed by the detailed needs analysis required to be carried out by Member States and are discussed in detail and agreed with the European Commission, having regard to the Country Specific Recommendations and within the framework of EU 2020 Strategy. A "one size fits all" approach does not adequately reflect the very different infrastructural, societal or economic challenges faced by individual Member States. Moreover, there can be significant disparities between regions which fall under the same categorization (e.g. "more developed regions", "less developed regions", etc.).

10. The ability to re-programme more quickly, to reflect either emerging demands or unavoidable delays in projects (e.g. due to planning, procurement or environmental issues), or to support the findings of Country Specific Recommendations is also important. This is also related to the issue of simplification, which is dealt with below.

Simplification and Differentiation

11. There is an urgent need to simplify the unnecessary regulatory complexity surrounding the management of ESI funding. This view has been reflected in the position papers of other Member States, the reflections paper on the Future of EU Finances and during discussions at the Director General's meeting on Cohesion Policy on 26/27 September. It is important that the EU institutions are seen to respond to such constructive feedback. There is evidence to suggest that the administrative workload associated with EU funding is reducing the willingness of intermediate bodies and beneficiaries to take part in programmes. This is particularly relevant for Member States, such as Ireland, who receive relatively small allocations.

12. Where real simplification measures are introduced with the potential to reduce the administrative burden associated with ESIF, there may be potential to return to the N+2 rule and so avoid the lengthy gaps between programme implementation and drawdown which have been experienced in the current round. For example, with regard to designation, where the cascade members proposed are the same as those which administered previous, successful, rounds of funding then it should not be necessary to re-designate.

13. Ireland welcomes the report of the *High Level Group (HLG) on Simplification for the post 2020 Cohesion policy* and considers that its recommendations should be implemented in full for the post 2020 period, and sooner, if possible to do so. Whilst simplification will benefit all Member States and all levels of the cascade, Ireland considers that there is, in addition to this, a need for differentiation (as recommended by the HLG). The very significant difference in both the overall amount and rate of funding, and in the maturity of institutional and administrative structures in the Member States, should be reflected in oversight arrangements. Different approaches can be based on objective and transparent criteria, e.g. where the Member State in question has a strong track record in the previous round of funding, with a very minimal level of financial corrections, and where a high rate of co-financing is being provided. In such cases, as recommended by the HLG on Simplification, EU funds should be delivered via existing national administrative mechanisms, relying on Member State audit work, which must be carried out in line with international standards for public sector auditing. Reporting to the EU should confirm expenditure and focus on outcomes or impact, but the micro-management of individual projects should happen at the appropriate level within Member States.

14. Ireland, in common with several other Member States experienced considerable difficulty and delay in the introduction of the e Cohesion ICT system, a regulatory requirement for the 2014 – 2020 round of funding. This, along with the complex process surrounding designation, were the two main barriers to implementation for Ireland. There must be an appreciation of the complexity of introducing a single ICT system in a situation where implementation of

programmes is delegated to hundreds of smaller, regionally based organisations. Each organisation may in turn use differing ICT solutions, which were procured at different times, and are at different stages of their product life cycle. There should not be any further onerous requirements in relation to common ICT systems. Once the format of reporting is agreed with the Commission it should be a matter for the Member State and the regions at a national level to have appropriate systems in place to produce the report(s) in the format and to the standard required. Alternatively, the Commission may wish to consider introducing an EU wide system which meets any new requirements to be introduced.

15. The move towards simplified cost options is to be welcomed, as it demonstrates a successful initiative which responds to calls to simplify requirements. This initiative should be extended so that it can be used more widely. This would be in line with a focus on performance and results over administration of funding.

Improving co-ordination across Funds and across EU institutions

16. A major component of the 2014-2020 round of ESI Funding, is the requirement for coordination, complementarity and synergies across the Funds. This is to be welcomed and should be continued and, where possible, improved for future rounds. It is important that these synergies can be leveraged and are not impeded by incompatible, complex and excessively onerous regulations. For example, the application, monitoring and reporting requirement should be common and complementary. This is particularly important for beneficiaries. Similarly, where one EU institution has carried out an audit on a project, this should suffice for another (unless particular concerns of potential irregularities are being examined.)

17. Given the increasing pressure on the EU Budget, co-ordination and complementarity across funds should be maximised to increase the impact of the funding available, e.g. training on diversification and targeting new markets might be combined with grants and / or Financial Instruments to assist with resulting capital investment. This should be possible not only through multi-fund programmes but through cooperation between separate funds and/or programmes. This can only be achieved if there is full harmonisation of rules and consistency in State Aid requirements. The harmonisation of Fund rules has been discussed in both the Reflections Paper on EU Finances and the 7th Cohesion Report.

Financial Instruments

18. While it has not been possible to use Financial Instruments (FIs) in Ireland's ESIF Programmes to date, Ireland recognises the potential for use of such instruments alongside more traditional grant funding. Ireland is examining possibilities to introduce FIs in the current round and will continue to look at this for the post 2020 period. However, in common with other Member States, Ireland considers that there should not be any mandatory percentage of ESIF set aside or ring-fenced for Financial Instruments. In this way, demand for an initial pilot offering to the market can dictate the size and timing of further offerings. This will avoid a situation where substantial amounts of ESIF funding are set aside for Financial Instruments, but are not being drawn down.

19. There has been somewhat mixed reaction to Financial Instruments, and limited demand (drawdown) for these products in some Member States. In order to make financial instruments more attractive and easier to implement in the post 2020 period, it is important

that the reporting requirements and administrative burden associated with them is reduced as much as possible. Further research on the benefits of FIs and how they might be best used in an ESIF context, would also be useful and would enable the Commission and Member States to clearly identify and address the issues which are dampening demand.

Performance Framework

20. Ireland is generally supportive of the performance framework in terms of the need to demonstrate successful interventions and value for money. However, in relation to the ESF, the requirement to report performance against targets must be balanced against onerous requirements to collect personal data on very vulnerable EU citizens. This is particularly the case where data is highly sensitive and difficult to collect e.g. probationary measures for the rehabilitation of young offenders. Moreover, whilst completion rates or employment activation is more readily captured other social and personal benefits, vital to an inclusive society, are less quantifiable. These issues should be reflected in a more realistic and practical performance framework post 2020.

Communicating Europe

21. Events of the past year highlight the need to redouble our efforts to effectively communicate the benefits of EU Membership to the European Citizens. For example, it is important that the EU is credited with part-funding projects, so that individuals can see the direct and positive impact for them. This is a challenge which may warrant particular attention from the Commission at a central level, developing a strategy which more effectively utilises social media.

Programme Security

22. In recent years ad hoc funding from ESIF has been made available to address a diverse range of emerging issues. This approach can threaten the stability of ESIF Programmes which are developed and delivered over long periods and require significant analysis and research to support their design (e.g. needs analysis). While the allocation of the EU Budget across the various headings is a matter for MFF negotiations and is not dealt with here, cohesion funds should be used to achieve cohesion objectives as set out in the Treaty on the Functioning of the European Union. Adding further non-core objectives runs the risk of diluting the overall impact of the Policy.

Brexit

23. The decision of the United Kingdom to leave the EU poses a unique set of challenges for Ireland. The Irish Government's priorities in the Brexit negotiations are to: minimise the impact on trade and the economy; protect the Northern Ireland peace process; maintain the Common Travel Area; and influence the future of the European Union. The UK's Article 50 letter, the European Council's negotiating guidelines and the European Parliament's resolution on negotiations with the UK all show that all parties want to find a way forward on these issues together.

24. Cohesion Policy has the potential to play a key part in strengthening and reinforcing the Union's capacity to deal with the challenges that lie ahead. It is worth considering how Cohesion Policy could better help the EU27 work together to increase cross border

cooperation and trade, particularly for Member States that have significant economic links with the United Kingdom.

Strengthening European Territorial Co-operation

25. Under the European Territorial Cooperation (ETC) heading, Ireland takes part in a number of cross-border and transnational cooperation programmes. Ireland participates in two cross-border programmes with Northern Ireland, namely the PEACE and INTERREG, with the latter also including part of the West of Scotland. The programmes are managed by the Special EU Programmes Body (SEUPB), one of the North South bodies established under the Good Friday Agreement. The programmes are important drivers of regional development in a cross-border context. Support for the two programmes from the European Regional Development Fund is a key element of the European Union's continuing commitment to the process of peace building and reconciliation in the region over the last quarter of a century.

26. Ireland also participates in the Ireland Wales INTERREG Programme. This programme is currently managed by the Welsh European Funding Office (WEFO) in cooperation with the Southern & Eastern Regional Assembly in Ireland. The Irish Government remains committed to the successful implementation of the current PEACE and INTERREG programmes and to successor programme post-2020.

27. In addition to the cross-border programmes, Ireland takes part in three transnational programmes, each involving multiple Member States. These are the Atlantic Area, North West Europe and Northern Periphery & Arctic programmes.

28. Ireland believes that European Territorial Cooperation funding should remain a significant feature of EU Cohesion policy post-2020. The continued participation of Ireland in these programmes post-2020 will enable closer cooperation with other European regions.

29. Ireland welcomes the Commission's paper on 'Boosting growth and cohesion in the EU border regions' and the potential that the creation of a 'Border Focal Point' may offer.

Conclusion

30. There can be no doubt that the next round of Cohesion Policy will be formulated in a time of significant challenges for Europe. Where relevant and feasible, these challenges must be reflected in the new Policy and the regulatory framework for the next funding round. Recognising that the challenges to be faced will impact different Member States (and Regions) in different ways, an element of flexibility, while respecting programme and legislative security, will be required to ensure the continued success of Cohesion Policy.

31. No Member State should be disproportionately disadvantaged by the impact of the UK's decision to leave the EU. It is important, in that context, that the EU use all tools available, including cohesion policy, to demonstrate practical solidarity and support for all regions that are especially affected by externally imposed challenges including Brexit.

32. As already noted, there is an urgent need to simplify the unnecessary regulatory complexity surrounding the management of ESI funding. This should be strongly reflected in the draft sectoral regulations to be published in 2018. In particular, the implementation of the recommendations of the High Level Group on Simplification regarding differentiation would

go a long way towards alleviating the administrative burden on Member States. Simplification is particularly important in the administration of Financial Instruments to ensure that they are an attractive and viable alternative to traditional grant funds.

33. Overall, there have been many positive reforms already made in the area of Cohesion Policy, including the introduction of ex-ante conditionalities, thematic concentration and the performance framework. These innovations are still “bedding down” and may require some small adjustments to improve the overall administration of funding; however, more time is required before a fuller assessment of their overall impact can be made. For that reason, Ireland recommends that no additional regulatory burdens should be imposed for the post 2020 period.