



HIGH LEVEL GROUP REFLECTING ON FUTURE COHESION POLICY

REPORT OF FIFTH MEETING – 7 & 8 JUNE 2010

1. INTRODUCTION

On 23-24 April 2009, Ministers responsible for Cohesion policy met in Mariánské Lázně to discuss future policy directions and delivery systems. Danuta Hübner, then Commissioner for Regional Policy, also attended this meeting at which she presented a Reflection Paper on future Cohesion policy and announced the establishment of a High Level Group reflecting on future Cohesion Policy (HLG) to provide an informal platform for discussion between Commission services and Member States policy makers.

The fifth meeting of the HLG took place on 7 & 8 June 2010. It was chaired by Katarína Mathernová, Deputy Director-General at the Directorate-General for Regional Policy and was attended by national government experts from the 27 Member States, by members of Commission Hahn's Cabinet and representatives from the Directorates-General for Agriculture and Rural Development; Budget; Climate Action; Employment, Social Affairs and Equal Opportunities; Energy; Enterprise and Industry; Environment; Maritime Affairs and Fisheries; Research; Regional Policy; and the Secretariat-General. Dr Michael Schneider, State Secretary for Federal and European Affairs Plenipotentiary of Saxony-Anhalt to the German Federal Level, also attended one session of the meeting to present the Committee of the Regions' Outlook Opinion on future cohesion policy.

2. DELIVERY MECHANISMS FOR FUTURE COHESION POLICY

The Directorate-General for Regional Policy gave presentations on the triennial review of the Financial Regulation (COM (2010) 260 adopted on 28 May 2010) and on its own recently completed evaluation of the compliance assessment process for the 2007-2013 programming period. Drawing on both these sources and the discussions at the previous HLG meeting in March, the Directorate-General for Regional Policy then presented further potential options for discussion in regard to future arrangements in the area of assurance and financial management.

The main points made by the experts were as follows:

General

- There is appreciation of the efforts made to ensure early and informed discussion of these issues, and of the papers and presentations prepared for this and other HLG meetings.
- Experts identified a need to engage at national level in discussions on the triennial review of the Financial Regulation.
- Some experts are cautious about changes, pointing out that the main "simplification" is stability and that the current system does not require much improvement and requesting more evaluation of its effectiveness and efficiency before proposing significant changes. A few consider that some of the ideas presented would put additional burdens on Member States.
- Several experts would like more development of the idea of a higher or differentiated tolerable rate of error, in particular with regard to European Territorial Cooperation.

Management and control structure

- There was some support for the idea of switching to a two-layer control system (single payment and control authority, audit authority), whereby accountability would be stronger and the number of control layers cut.
- However, several experts considered that it would not be appropriate for all (e.g. larger Member States, European Territorial Cooperation) and some fear an increased risk of error if the certifying authority function is removed as it is the body which provides an independent assessment before the Commission pays.
- Experts reiterated that the decision on the number of responsible authorities should be left to Member States as the introduction of a two layers control framework could simplify delivery in some Member States but reduce the reliability of systems in others.

Financial flows

- Several experts supported the proposal that payments by the Commission should be made on the basis of expenditure incurred at the level of beneficiaries for which the payment and control authority has paid the corresponding EU contribution. These experts underlined that this is the system already in place in their Member States.
- Other experts were more cautious, highlighting that this could lead to decreased liquidity and insisting that any move to compulsory application of such an approach should be accompanied by increased advances to offset this. It was also felt that the suggested approach might increase the risk of decommitment.
- There were mixed views on excluding private contribution from total eligible expenditure. Some Member States apply this already, but one expert said that their Member State had been intending to include private contribution in the

future and other experts underlined the importance of private co-financing in times of crisis and pressure on public national co-financing.

Ex-ante assessment of management and control systems

- Member State experts agreed that the compliance assessment was useful, confirming the findings of the Directorate-General for Regional Policy's recent evaluation. Although many experts said that they found it onerous at the time, several now pointed to value-added in terms of providing clarity, leading to improvements in the design of systems in key area and therefore reducing risk of significant weaknesses being identified later.
- There was agreement that the next programming period should take account of the work undertaken in and experience of 2007-2013. Many experts said that the compliance assessment procedure should be retained but that compliance assessments carried out for 2007-2013 should not be repeated for 2014-2020 unless there were significant changes, and that the compliance assessment's status should be strengthened, so as to provide even more certainty against future problems.
- Experts generally agreed that there should be a differentiated approach (no review required if limited volume of Community contribution, no significant changes to the system, positive evidence on the functioning of the systems and reliability of the audit in 2007-2013). However, several experts asked for more information on this point, citing limited eligibility for application of proportionality in the control of operational programmes in the current period (Article 74 of Council Regulation (EC) 1083/2006) as the basis for their concern.
- It was noted by several experts that the benefits of differentiation will depend on the concrete criteria to be used and on the extent to which regulations for the post 2013 period introduce significant changes to management and control systems.

Certification and annual assurance

- There was a certain amount of caution regarding the idea of a single annual management declaration on the reliability of management and control systems and the legality and regularity of expenditure. Some Member State experts considered that the proposed timetables would be difficult to follow and that this type of system would not be suited to multi-annual programmes.
- Questions were raised by a number of experts as to whether changes in this area would be necessary and beneficial. It was noted that stability of delivery arrangements is important and changes should be introduced primarily when it is certain that they contribute visibly to the simplification of delivery.
- A few experts expressed concerns that complexity and costs could increase with the introduction of an annual clearance of accounts noting that annual clearance of agricultural expenditure in 2007-2013 has turned out to be resource intensive.
- The Directorate-General for Regional Policy explained that the advantages of the suggested system would be to link the annual assurance from the national

authorities more explicitly with the expenditure of the financial year covered by the annual activity report and budget discharge process.

Clearance and closure

- Most Member State experts support the principle of partial closure: it can reduce the retention period for supporting documents and period in which an operation can be audited, thus potentially reducing error rates associated with the loss of audit trail and introducing more certainty as the period of jeopardy for audits and corrections would be reduced.
- However, Member State experts were concerned about the loss of flexibility for replacing expenditure and the risk of net financial corrections and several insisted that partial closure should remain voluntary. In this context, more details were requested for the next meeting on the ideas proposed.

Eligibility

- The suggestions put forward in the area of eligibility were welcomed by most experts. Several experts noted specifically that measures suggested by DG Regional Policy in the area of eligibility can hold great potential for simplification.
- Many experts favour an approach whereby national rules are applied where possible, complemented by a set of common rules for key issues such as VAT and overheads, ideally covering several policy areas (cohesion policy, rural development, fisheries instruments and RTD framework programmes).
- Experts generally supported greater harmonisation of rules between policy areas, but did not want this to lead to stricter conditions for Cohesion Policy.
- Further areas identified for standardisation and / or simplification include a review of rules on revenue-generating projects, as well as rules on durability of operations and application of flat rates for technical assistance.
- There was general support for the idea of establishing some rates for simplified costs at EU level without necessarily requiring the development of underlying methodologies at national level. The experts also supported the notion of explicit acceptance of unit costs established for other EU instruments. Some experts said that that the Commission should play a greater role in checking and validating Member State methodologies for simplified costs.
- However, there was a certain degree of scepticism as to the likelihood of achieving a common approach along these lines. Some experts also doubted the feasibility of limiting control of compliance with other EU policies to requirements with the greatest impact on the objectives of the EU, though most of the experts believed that in case of success this would simplify delivery and control to a great extent
- Several Member State experts said that they would welcome further in depth discussion of ideas relating to future eligibility rules.

3. COMMITTEE OF THE REGIONS' OUTLOOK OPINION ON FUTURE COHESION POLICY

Dr Michael Schneider, State Secretary for Federal and European Affairs Plenipotentiary of Saxony-Anhalt to the German Federal Level and Chairman of the Committee of the Regions' Commission on Territorial Cohesion 'COTER' until March 2010, presented the Committee of the Regions' Outlook Opinion on future cohesion policy, which was adopted unanimously on 14th April 2010. The Committee of the Regions is the first European Institution to have prepared an official position on cohesion policy post-2013:

http://coropinions.cor.europa.eu/CORopinionDocument.aspx?identifier=cdr\coter-v\dossiers\coter-v-001\cdr210-2009_fin_ac.doc&language=EN

The opinion was prepared on the basis of meetings with stakeholders and has been presented to and discussed with Commissioner Hahn and with the REGI Committee of the European Parliament. There is general support amongst these and other stakeholders for the ideas set out in the opinion, including the importance of cohesion policy in delivering European priorities and the need for its future design to ensure that the potential of all regions to contribute is exploited:

- Cohesion policy is the only EU policy linking Europe 2020 goals with regional and local authorities;
- Cohesion policy should therefore support all regions with the main share for those lagging behind and transitional support for regions no longer eligible for the Convergence objective; and
- European Territorial Cooperation has a high EU added value and should remain as an objective.

Member State experts welcomed the opinion and said that many elements reflect their own views. Interventions focused in particular on indicators – an issue also discussed extensively with stakeholders in the Committee of the Regions during the preparation of the opinion. Some consider that indicators beyond GDP should be used to help determine eligibility or the nature of interventions. While most experts consider that GDP is the most pertinent indicator for determining allocation of resources, some consider that there may also be scope for using other indicators to give a more complete picture of a region's development and the likely sustainability of that development.

4. EUROPEAN TERRITORIAL COOPERATION (ETC)

Further to the discussions at the High Level Group meeting on 25th and 26th March 2010, the Directorate-General for Regional Policy put forward a number of questions on how to optimise ETC architecture and programme delivery.

The main points made by the experts were as follows:

- There is general support for the ETC objective as an important and integral part of cohesion policy and a strong view that it should continue to be a main pillar of cohesion policy in the future. Member State experts prefer an approach of

evolution rather than revolution and consider that the 3-strand system (transnational, cross-border and interregional cooperation) and current programme areas should be maintained. However, a number of changes / measures should be implemented in order to ensure more focus on tangible results and smoother implementation in the future.

- There was agreement that there should be specific regulatory provisions on territorial cooperation. Some Member State experts favoured a separate regulation but there was more support for integrating a specific chapter in the general regulation.
- There was agreement that there are difficulties with the external cross-border cooperation because it takes place under a separate policy (European Neighbourhood Policy) and therefore different rules are applied depending on the programme in which the beneficiary is participating. Experts called for more alignment in future, with several of the opinion that all external cooperation should be carried out under cohesion policy.
- Several Member State experts agreed that it would be more logical and in the spirit of territorial cooperation to make allocations by programme rather than by Member State. However, a few insisted that cross-border programme funding should continue to be allocated by Member State, and some of these would also prefer Member State allocations to apply to transnational programmes as well.
- Several Member State experts pointed to the need to ensure better capitalisation of the work of the ETC programmes through strengthened links to the Convergence and Competitiveness programmes and other European policies. Some suggested that returning to a zoned approach for INTERREG C strand might help in this regard. There was also a suggestion that ESPON could be developed from its current role as a research institute to an agency or external observatory with the aim of helping to facilitate the use of cohesion policy and achieve its goals.
- Member State experts emphasised that ETC should be duly taken into account in the overall simplification exercise. ETC is affected by the same issues as mainstream programmes, and in addition faces further challenges because of its multi-regional and multi-national nature. One specific example presented concerned the issue of dealing with recoveries in the absence of clear rules as to how responsibility of the respective programme partners is determined. The point was also made that a number of problems are due to issues at Member State level which cannot be easily resolved (e.g. exchange rates, different budget years), making simplification at EU level all the more important.
- In this context, several Member State experts suggested that the EU-level and / or the Commission should play a stronger role in the future. This could include the establishment of EU-wide eligibility rules, more standardised procedures, more guidance, joint notification procedures for state aids, a more active role for the Commission in implementation, and decision-making powers for the Commission in cases where a neutral arbitration is required.

- With specific regard to controls, several experts called for the establishment of EU-wide rules for controls and dealing with financial corrections, with most considering that such rules should be applied by national audit authorities although some considered that the Commission should play a direct role here. In this context, several experts also referred to the need for more proportionality in the application of controls, in particular where financing amounts are less than the Convergence and Competitiveness programmes.
- Several experts said that more account should be taken of the specificity of ETC as regards financing: in view of the financial volume of ETC programmes there should be a larger percentage of technical assistance available to these programmes and in view of the pre-financing needs of small beneficiaries, higher advances should be available. Many experts also said that the application of the automatic de-commitment rule for ETC should be reconsidered: some would favour N+3 and a de-commitment rule applied from the date of programme approval.

5. NEXT STEPS

The next meeting of the HLG will take place in September.