



HIGH LEVEL GROUP REFLECTING ON FUTURE COHESION POLICY

REPORT OF FOURTH MEETING – 25 & 26 MARCH 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 fourth meeting of the HLG took place on 25 & 26 March 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 and by Commissioner Hahn, members of his Cabinet and representatives from the Directorates-General for Agriculture and Rural Development; Budget; Climate Action; Employment, Social Affairs and Equal Opportunities; Energy, Mobility and Transport; Enterprise and Industry; Environment; Maritime Affairs and Fisheries; Research; Regional Policy; and the Secretariat-General.

2. COMMISSIONER HAHN - WORK ON FUTURE COHESION POLICY

Commissioner Hahn opened the meeting by recalling the context in which it was taking place: the discussion in Council by Heads of State and Government on the Commission's proposal 'Europe 2020'. He underlined the importance of aligning Cohesion policy as far as possible to the 'Europe 2020' objectives as Cohesion policy offers the appropriate multi-level governance framework to deliver tailor-made solutions and ensure a coherent European approach.

The Commissioner outlined some of his views on key directions of future Cohesion policy:

- The need for a focused but flexible system in order to ensure a more strategic approach while at the same time allowing member states and regions to choose the most appropriate policy mix. This could perhaps be achieved through a Single Strategic Framework. Particular attention also needs to be paid to finding the right balance between audit and the simplification of administrative procedures. In this context, a joint task force on public

procurement has been set up with Commissioner Barnier with a view to simplifying procedures where possible and achieving a reduction in error rates.

- Cohesion policy should cover all regions. The main focus should be on poorer regions but the wealthier should not be excluded as Europe needs the potential of all its regions, especially in a time of economic recovery. A fairer, smoother transition mechanism is also required in order to ensure that Cohesion policy is closing the existing gaps in a sustainable manner.
- Reflection is needed on how to make territorial cohesion operational: firstly, in terms of how territorial cooperation can be reinforced and made more effective; and secondly, in terms of how different territories (urban, rural, local development areas) can play an enhanced role in delivering Cohesion policy.

Commissioner Hahn thanked the HLG members for their work to date and emphasised the ongoing importance of this Group in providing expert advice on concrete questions to support the work of the Commission in developing the main building blocks of post-2013 Cohesion policy.

3. EUROPEAN TERRITORIAL COOPERATION (ETC)

The Directorate-General for Regional Policy put forward a number of questions on how to better exploit the strategic potential of ETC and optimise programme delivery and architecture.

The main points made by the experts were as follows:

- More coordination and strategic focus are needed, both at general policy and individual programme level. Most experts consider that ETC should not be burdened with new additional goals and some consider that, while it should be included within an overall strategic approach, the specific objectives and intervention logic of ETC should not be subordinated to those of Europe 2020. The strategy framework should be established well in advance of programming and incorporate all objectives, including ETC.
- Most experts consider that the current three strands approach (transnational, cross-border, interregional) should be maintained. The new macro-regional strategy approach is in general welcomed and perceived as having value-added, especially the idea of aligning funding from different sources to improve impact; however, there is less support for the idea that it might in future replace the transnational approach as this would risk either excluding some Member States and regions or leading to the creation of artificial macro-regions.
- The macro-regional strategy approach should therefore be an instrument available where appropriate to provide a coordination framework for different policies and programmes operating in the macro-region. Experience and evaluation of the macro-regional strategies currently established (Baltic Sea) or being established (Danube Region) should be taken into account in the preparation of the future policy proposals.

- On the basis of the current Cohesion policy architecture, most experts pointed out difficulties in financing cross-border infrastructure through the ETC objective. However, there is consensus that the future overall Cohesion policy architecture (including ETC) should be designed with a view to better encourage and support such interventions.
- Some experts consider that the future cross-border strand should include a reinforced maritime dimension (e.g. incorporate sea-borders, more flexibility regarding distance) and take better account of the international dimension (the particular issues facing external cross-border cooperation).
- Many experts support and see a clear value-added for the interregional strand, but several pointed to a need to reinforce the links with the mainstream programmes from the outset, including in the Community Strategic Guidelines or their successor.
- Most experts consider that the financial weight of ETC should be kept stable within the overall Cohesion policy envelope, with some supporting an increased allocation. Some referred to the need for a critical funding mass at programme level to achieve impact. Several experts emphasised that, despite its small financial weight, ETC should not be lost sight of in the future negotiations, given the unique opportunities it offers. Views were divided on whether financing allocations should be made to programmes or by Member State. Some experts indicated that allocations for transnational cooperation could be made by programme.
- Many experts highlighted challenges with the implementation of the ETC objective including the need for simplification (in particular in the light of the smaller financial allocations for this objective) and the issue of organising control activities in a multi-national setting. In this context, some experts called for a more active Commission role in the implementation of ETC programmes, with ideas ranging from a more active role as an 'honest broker' or mediator, to providing common eligibility rules and greater guidance, to direct management.

Several experts undertook to send comments in writing subsequent to today's meeting. A further session will be dedicated to the question of ETC delivery during the next HLG meeting.

4. FINANCIAL MANAGEMENT AND ASSURANCE

The Directorate-General for Regional Policy put forward a number of questions on the assurance model and financial management. In addition, the Directorate-General for Regional Policy gave a presentation on the state of play of the triennial modification of the Financial Regulation (Commission adoption of proposal is scheduled for May 2010).

The main points made by the experts were as follows:

General points

- This discussion on delivery was welcomed as it enabled focus on issues raised in the context of the 2009 simplification work with relevance for post-2013.
- The focus should be on achieving sound financial management; however, it should be recognised that this does not necessarily entail simpler management. State aid and public procurement rules are essential in order to ensure a level playing field, but can be complex and lead to higher error rates. The focus should be on simplifying what can be simplified and ensuring legal clarity and certainty.
- In this context, there was consensus that more needs to be done in order to clarify both to other institutions and to the general public that errors and irregularities are not equivalent to fraud and that a certain proportion of the error rate is attributable to other policies (e.g. public procurement, state aid).
- Most experts were not enthusiastic about more reporting and declarations because this is perceived as requiring more administrative effort on the part of Member States as well as not necessarily helping towards the achievement of a reduced error rate. Several experts warned against too radical a change to the current system as new procedures take time to be learned and applied.
- Some experts pointed out that it is somewhat early in the 2007-2013 period to judge how well the current system works and whether it will help to reduce the error rate. In this context, DG Regional Policy representatives informed the experts that an analysis of the compliance assessment exercise is currently being finalised and the results will be presented to the next HLG meeting on 7-8 June.

Financial flows

- There was support from some experts for more annuality (annual accounting, annual advances) but several experts pointed out potential difficulties with such an approach as Cohesion programmes and projects are set up on a multi-annual basis. Others referred to a significant burden on national administrations responsible for managing EU programmes set up on an annual basis. Some also felt that the system of financial flows as it is in 2007-2013 is quite good, and does not need revision.
- Some experts expressed concern that reimbursement on the basis of public contribution paid to beneficiaries may not suit all Member States, as national/regional co-financing arrangements are not centralised. Two experts would like a system of payments based on results.
- Most experts agree that the main challenge presented by the current de-commitment rules is at the beginning of the programme period and some would welcome extra advances, a further year for the whole programming period (N+3), de-commitment applied at national rather than programme

level, or a payment schedule which corresponds more closely with the real dynamic of implementation.

Assurance

- Some experts indicated that annual management declarations at a central political level for Cohesion policy would be problematic in their national system (no one empowered to sign) or would not be helpful in a context where the designated signatories are not in fact in a position to take full responsibility for the content of the declaration.
- Some experts consider that national authorities could not complete the work necessary to provide reasonable assurance in relation to the transactions of a certain financial year within 3 months from the end of that year.
- There were mixed views on whether the number of responsible authorities could be reduced from three to two (retention of Managing Authority and Audit Authority) and it would seem that this would depend on the particular situation in each Member State. Experts underlined that the decision on the number of responsible authorities should be left to Member States.
- Several experts remarked that minimum standards for first level controls could be beneficial, and recalled in this context the importance of enhanced cooperation between the various audit institutions in order to help ensure more certainty.
- Most experts agreed that the compliance assessment exercise was useful, although it was rather onerous in some cases. It was pointed out that the added value of the compliance assessment lies in the additional stability and certainty it provides for Member States during the programming period.
- Some experts consider that partial closure would (continue to) be useful in the future; however, that it should not be obligatory.

Proportionality and differentiation

- Most experts thought that differentiation based on not only the size of the Community contribution but also on other characteristics (such as the reliability of systems) is a promising avenue for simplification and reduction of administrative cost.
- There were mixed views on whether the tolerable rate of error should be higher than the current 2 % (either for the whole policy or for particular 'high risk' areas). Some experts consider that a higher error rate is necessary in order to take account of the complexity of Cohesion policy and the other policies to which the error rate is currently also attributable, while others consider that the focus should be on further simplification and/or separating out the errors attributable to other policies.
- There was some support for the idea of reliance on national accreditation in place of compliance assessment for countries/regions/sectors which have demonstrated solid systems in 2007-2013 through consistently low error rates, where there will be no significant change in the systems for post-2014.

However, it was also pointed out that this could constitute a step backwards to the former approach [Article 5 of Commission Regulation (EC) 438/2001] which had resulted in different formats.

- Some experts asked for further clarification and assessment of the current application of simplified costs.

5. NEXT STEPS

The next meeting of the HLG will take place on 7 & 8 June and will focus on the future delivery system. There will be sessions on:

- Eligibility rules;
- Delivery modes for European Territorial Cooperation;
- Presentation by DG Regional Policy comparing the current Cohesion policy system with more developed Commission proposals for a revised system taking account of the forthcoming Commission proposal for the triennial review of the Financial Regulation; and
- Presentation by DG Regional Policy on the analysis of the added value of the compliance assessment currently being undertaken by DG REGIO.