

CEMR written contribution to Committee of the Regions opinion

EU budget and place-based policies: proposals for new design and delivery mechanisms in the MFF post-2027

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The Council of European Municipalities and Regions (CEMR) is the first and broadest European association of Local and Regional Governments. We are the only organisation that encompasses 60 national associations of Local and Regional Governments spanning 41 European countries. Through them, we bring together more than 110,000 governments across all tiers of governance – local, intermediate, and regional. Additionally, as the European section of the global organisation United Cities and Local Governments (UCLG), we champion European Local and Regional Governments on the world stage.

CEMR is following with a particular attention all the developments related to the future of Cohesion Policy and the next multiannual financial framework. Indeed, local and regional governments are both important beneficiaries of EU Cohesion Policy funds, and in some countries, they are the Managing Authorities¹.

As a general remark, municipalities, cities and regions are essential service providers and major drivers for public investments in Europe. They are the competent authorities for a number of areas over which the European institutions can adopt regulations, for instance: infrastructure construction and maintenance, transport and mobility, education, water and sanitation, waste management, care, social inclusion, environment, climate adaptation and mitigation, local/regional economic development, etc.

We estimate that 70% of EU regulation require a local or regional government action to be implemented. In this context it would be only natural that subnational governments benefit from a dedicated attention from EU policies and funds. However, the first information about the next Commission and future long-term EU budget is not only empty as regards a specific focus on local and regional governments, but even more worrying is the **disappearance of the Treaty objective for Territorial Cohesion** (Article 174 Treaty on the Functioning of the EU).

In this context the upcoming CoR opinion report on place-based policies in the future EU long term budget is of utmost importance and CEMR is keen to contribute to the CoR work, based on [CEMR Position Paper on Future of Cohesion Policy](#) which includes the following key asks:

- Maintaining an ambitious budgetary allocation of at least one-third of the EU's budget. Cohesion Policy is the DNA of European projects, adequate financial resources are essential for an effective territorial, social and economic cohesion.

¹ See CEMR overview of the implementation of ESIF 2021-2027 for a complete overview of Managing Authorities in all EU Member States:

https://www.ccre.org/img/uploads/piecesjointe/filename/230621_984_EISF_web.pdf

- Strengthening Cohesion principles such as partnership, multi-level governance, integrated and place-based development. The core principles must be embedded into other EU policies, such as the EU semester. Cohesion policy is and should remain a long-term policy.
- Reducing at minimum administrative burdens such as multiple changes in regulations over the previous (2014-2020) and ongoing (2021-2027) periods, as well as the creation of new funds.
- Providing a simpler framework with fewer different initiatives and funds, greater local flexibility, and a single set of rules for beneficiaries.
- Introducing a mandatory thematic concentration and earmark dedicated to local and regional governments for improved local and regional public services and reinforced investments

1. Which principles could help achieve synergies and, where appropriate, consolidate existing funds, programmes and instruments in the next MFF? When should two or more funds addressing the same policy area remain separate while working together?

The European Commission seem to be preparing for a radical change on Cohesion Policy, with the idea of a single instrument for Investment and Reforms. In view of the composition of next Commission's Directorate Generals and attribution of Commissioner's portfolio, it will be important to ensure a strong position of the Cohesion policy and avoid its dilution and ensure the Treaty objective of Territorial Cohesion remains a political priority.

But EU funds are always invested *somewhere*, i.e. in a municipality, city, region, etc. They have direct impact on population, places and local and regional administrations. This is why it is essential that **place-based and integrated territorial approach should be reflected in all EU funds and policies** that end up being implemented in European municipalities, cities and regions.

In its position CEMR calls for a radical simplification of Cohesion Policy, with a **single set of rules for beneficiaries**. Local and Regional governments are de facto adopting an integrated approach, i.e. addressing altogether the social, economic, environmental and territorial dimensions of local or regional development. The Lead fund methodology could be a relevant solution. The idea of a single new instrument for investment and reform could also be a possible move towards this simplification, however, to ensure it would effectively contribute to the Treaty objectives of economic, social and territorial cohesion, it needs to include essential safeguards:

- **Place-based and integrated territorial approach** should be the core principle of this new fund. The investment priorities must be defined bottom-up with the local and regional governments in charge of their implementation, and closest to the citizens. In a context of increasing defiance of citizens towards the EU institutions, we cannot overlook the critical role of local and regional elected representatives for the local/regional economic and social development.
- **Partnership Principle** must be ensured throughout EU funds and policies. The code of conduct on Partnership should be updated and integrated directly in a Common Provision Regulation to ensure its binding nature. This would also ensure timely implementation: there is no point of a code on Partnership once all funds are already programmed (as happened in the past). The experience of Recovery and Resilience Facility (RRF) showed that if there is not a proper

framework and mandatory requirements to involve local and regional governments it simply does not happen².

- **Local and regional governments should be clearly identified as beneficiaries and implementing partners** of the funds. The Financial Regulation could foresee specific simplified rules for specific stakeholders, and local and regional governments are specific in their unique nature of subnational government, essential public service providers and major drivers of public investments.
- The instruments/funds dotation should be up to the ambition and challenges: today, Cohesion policy represents a third of EU budget, and is the only policy that contributes to social, economic and territorial convergence, giving reality to the European project. The creation of a new instrument **cannot be a way to dissimulate an important reduction of EU's commitment to this treaty objective.**

As a rule, we strongly recommend avoiding the creation of new funds during the programming period, the future instrument should be flexible enough to allow financing new priorities, based on local and regional needs.

The benefits of combining different funds in integrated projects should be stressed. Although in principle, the integrated approach is supported by the EU, it is often the case that such practices are hindered³ at national level as they present challenges for the managing and audit authorities. To achieve synergies, the possibilities to use grants from different EU funds (or from different specific objectives of the same programme/fund) should be fostered by EU cohesion regulations and EC's guidelines for national authorities.

The choices on Commission architecture are also important to ensure consistency of EU policies and funds and align with the "Do no harm to Cohesion" principle. The only way to ensure a consistent and integrated approach to territorial, urban and rural development is to have a Vice-President of the European Commission overseeing territorial cohesion and support to local and regional governments.

2. What criteria could address the consolidation of integrated territorial development programmes? What are the drawbacks of having fewer but more multipurpose instruments?

Integrated territorial development programmes should be the focus of the future EU instrument(s), and the local and regional governments – who adopt an integrated territorial approach by nature - should be the entry point. This is why in CEMR position paper we called for **a specific earmark of funds to local and regional governments** as main services providers and major drivers of public investments, in addition to the urban development earmark, which should be kept in the next MFF. Alternatively, the earmark could be for public services or services of general interest and local and regional structural investments. This is essential in a context where the Cohesion Policy already opened to fund large

² Implementation of the Recovery and Resilience Facility at Local and Regional Level - Results of the CoR-CEMR targeted consultation, April 2024:

https://www.ccre.org/img/uploads/piecesjointe/filename/RRF_Implementation_consultation_2024.pdf

³ In some member states, cities as beneficiaries breakdown a single project in two or more administratively separated applications to use grants from different specific objectives of the programme on a single/integrated investment, causing redundancies and additional workload on both sides, the cities themselves as well as state bodies.

companies with the STEP regulation. This trend of directing EU public funds towards large companies, **without any strategic integrated economic, social, environmental and territorial planning must end**, and local and regional governments back in a position to decide how to develop industries, competitiveness and attractivity in their territories.

Such approach must be validated with changes in the programming processes. Where integrated, place-based programmes are developed, the needs of cities and regions should be clearly assessed and considered by managing authorities in the early stages of programming, allowing for an appropriate scope of actions to be supported by EU funds.⁴ In this sense, **the current policy objective 5 that is most suitable to support an integrated and place-based approach**, should be strengthened. Funds, programmed under policy objective 5, must clearly contribute to thematic concentration and other requirements, allowing for a larger share of allocated funds.

For integrated territorial development programmes, it is crucial that a more prominent role is given to local or regional authorities. The multi-level governance approach should be mandatory, and some responsibilities should be delegated from the national level downwards, at least for the selection of projects. This increases the ownership of integrated territorial development programmes, while the inclusion of local and regional stakeholders in the formal processes of implementation of the cohesion programmes provides for important multiplicative effects (building trust between levels of government, better awareness on EU goals, rules, restrictions, better coordination between local stakeholders etc.).

The traceability of EU funds at the territorial level should be ensured and clearly visible for beneficiaries and the citizens. This is not the case with the Recovery and Resilience Fund which has been integrated into national programmes and policies without clearly communicating to citizens that the funds originate from the EU budget. In contrast, Cohesion Policy funds are subject to strict communication requirements. The EU Cohesion open data platform should provide maps and territorial overview of where EU funds are invested.

3. Which mechanism and form of financial management already established under the MFF and specifically under the Financial Regulation (such as lead fund or finance not linked to costs) could help reduce the administrative burden on LRAs? What are the limits and constraints for LRAs resulting from moving to alternative, less bureaucratic, more results-oriented programmes and forms of financial management?

Performance or result-based financing can be a way to improve efficiency and to reduce significantly administrative burden if there is a **sufficient pre-financing for beneficiaries** to start the projects. Municipalities don't have the sufficient resources to advance funding on their own resources, long reporting, certification and therefore reimbursement periods can cause liquidity issues at the municipal level.

On the other hand, result-based financing may also present a disadvantage for beneficiaries. Goals and co-financing are set at the beginning of the programme period and, as recent experiences with the energy crisis and higher inflation rates showed, costs can change drastically in a short period. It seems most reasonable to use financing not linked to costs (with possibilities to adjust the financing in accordance with market prices increases) when there is a large number of similar beneficiaries (like

⁴ Often times national governments' projects are given priority in the programming process, leaving only a smaller share of funds to be programmed based on the needs of cities and their territorial strategies, which in turn causes that the actions supported by EU funds do not always mirror the needs, identified in the strategies.

cities) that implement the same types of actions. In cases of integrated projects, that are place-specific and might tackle various social, environmental, economic issues, financing based on real costs should be kept.

The Territorial Just Transition Plans introduced with the Just Transition Fund is an interesting modality, ensuring involvement of all the local, intermediary and regional governments involved in a specific territorial strategy.

Territorial Integrated Investment methodologies should be maintained as an implementation methods of EU funds, building on years of experience with ITI, CLLD and national methodologies. This approach allowed combining different EU funds together. This is in line with territorial specificities e.g. combining ERDF and ESF+ with EAFRD in rural areas or with EMFAF in coastal areas, together with JTF in territories targeted, etc.

4. Under what conditions could LRAs agree that programmes should be managed at national or EU level?

Shared management is an important feature of Cohesion Policy, it builds on decades of practice and experience of Managing Authorities to implement the funds. Over the year Managing Authorities and stakeholders/beneficiaries learned to work together in line with the Partnership principle.

A possibility could be to have a single national plan for investment and reforms (on the model of the Partnership Agreement) that includes **several territorial integrated plans** (cities' level, NUTS 2 or NUTS 3 level, at the discretion of Member States) that should be designed **together with the local and regional governments**.