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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Strengthening the key assets of cohesion policy: how to improve the shared management of cohesion funds in line with the principle of subsidiarity in the future? - <i>Policy debate</i>

At the meeting of the **General Affairs Council** dedicated to Cohesion Policy of next 28 November, on the basis of the Presidency paper set out in annex to this note, Ministers in charge of Cohesion Policy are invited to discuss the topic “Strengthening the key assets of cohesion policy: how to improve the shared management of cohesion funds in line with the principle of subsidiarity in the future?”

Background paper**for the General Affairs Council dedicated to Cohesion Policy****“Strengthening the key assets of cohesion policy: how to improve the shared management of cohesion funds in line with the principle of subsidiarity in the future?”**

The EU’s Cohesion Policy is provided by the Treaty as “vital for the full development and enduring success of the Union”, and it has proved to be a crucial driver of economic growth, convergence, competitiveness, and integration.

Cohesion Policy has been grounded in the principles of partnership, subsidiarity, multi-level governance and shared management, which allows Member States and regions to participate actively in the policy implementation, while reinforcing accountability at various governance levels.

Shared management empowers Member States and regions by giving them a voice in the planning and programming of EU policies, not just in their management and implementation, and therefore, it reinforces their sense of ownership over projects and fosters community involvement. This regional inclusive approach enables tailored responses to specific local challenges and priorities, allowing EU actions to be more directly relevant to the communities it serves.

During the discussions on the future of Cohesion Policy, many Member States and the EU institutions have repeatedly affirmed the need to retain shared management mode as a core element. The Committee of the Regions¹ strongly advocates in its opinion on the matter that the shared-management model, multi-level governance and the partnership principle remain the guiding principles of Cohesion Policy post-2027, while also emphasising that the involvement of local and regional stakeholders is essential for the Policy's effectiveness. Cohesion Policy, as highlighted by the report of the High-Level Group on the Future of Cohesion Policy², is unique within the EU due to its place-based approach, which actively involves a diverse range of stakeholders, aligning it with the partnership principle. This participatory method is essential for addressing territorial needs, recognizing opportunities, and enhancing the success of European cohesion projects.

Additionally, the European Economic and Social Committee (EESC)³ highlighted that national and EU funds implemented under shared management require clear and simple rules in a single regulation. The EESC concludes that simplification efforts are particularly relevant in ensuring that the shared management framework is feasible for regions with limited administrative capacity.

Recently, the creation of the Recovery and Resilience Facility (RRF) brought an element of comparison with Cohesion Policy due to the parallel implementation and overlapping areas of support. The RRF illustrates an alternative delivery model albeit without the same degree of regional involvement as cohesion policy funds. Unlike cohesion policy funds, the RRF does not require multi-level governance or robust participation from subnational authorities, as the European Court of Auditors describes in its 2023 analysis⁴.

¹ “The future of Cohesion Policy post-2027”, Opinion of the European Committee of the Regions, adopted at 29 November 2023.

² “Forging a sustainable future together: Cohesion for a competitive and inclusive Europe”, Report of the High-Level Group on the Future of the Cohesion Policy, February 2024.

³ “The Recovery and Resilience Facility and cohesion policy: towards cohesion policy 2.0”, Opinion of the European Economic and Social Committee, adopted at 20 September 2023.

⁴ Review 01/2023: EU financing through cohesion policy and the Recovery and Resilience Facility: A comparative analysis.

Additionally, the so-called performance-based approach of the RRF is a further element for reflection on the future of Cohesion Policy. Nevertheless, performance elements have always been present in Cohesion Policy, especially since its renewal towards result-orientation following the Barca-report⁵. While the Partnership Agreements set out the long-term strategic orientation of the funds, the programmes address relevant country-specific recommendations, as well as national or regional strategies, assess the fulfilment of horizontal and thematic enabling conditions, as well as define common and aggregable indicators, ensuring the monitoring of the Policy's results at EU level in a transparent way. Furthermore, the Policy has extensively made use of the requirement of evaluations, and also building on their outcome, of simplified reimbursement methods, such as simplified cost options and financing not linked to costs.

As the EU prepares for a discussion on the structure of future budget, including Cohesion Policy, the significance of shared management mode in the implementation of the Policy is also being addressed. According to the Political Guidelines for the next European Commission, outlined by the president-elect of the European Commission, the new long-term budget should be “simpler in the way it works - with fewer programmes and a plan for each country linking key reforms with investment”. This could, however, entail a shift from the current shared management to a more centralised mode of management of EU instruments, including Cohesion Policy funds, leading to a restructuring of the different areas of shared management (programming, management and control), with potentially significant implications for subsidiarity, ownership and partnership.

The Hungarian Presidency argues that preserving the current features of the shared management of EU's Cohesion Policy also means preserving the core values of the Policy. Therefore, we should also look at how these can be strengthened post 2027, so that Cohesion Policy remains an effective tool for promoting development, empowering local actors and building a stronger, more competitive and a more integrated Europe.

⁵ An Agenda For A Reformed Cohesion Policy: A place-based approach to meeting European Union challenges and expectations. Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, by Fabrizio Barca, April 2009.

Considering the points mentioned above, the Presidency invites Ministers to discuss the following question:

How to improve the shared management of cohesion funds in line with the principle of subsidiarity in the future?
