



**For a strong Cohesion policy post-2020
supporting EU capital cities and regions
and their citizens**

June 2017

The Capital Cities & Regions Network is the informal network of the capital cities and regions of the European Union's (EU) and the European Economic Area's (EEA) Member States. Since 2002, the Network has brought forward various statements at EU level to express its specific concerns especially in the field of EU Cohesion policy.

KEY POINTS

We, Capital Cities & Regions of the EU, are keen to contribute to:

- *the success of Cohesion policy today and in the future by concentrating on the delivery of results for our citizens;*
- *the simplification of Cohesion policy;*
- *an efficient implementation of Cohesion policy;*
- *improving the image of the European Union's action;*

Therefore we:

1. require a Cohesion policy for all EU regions and territories beyond 2020;
2. ask for a Cohesion policy with a budget that can match the challenges Europe faces;
3. support a cohesion policy with a strong urban and territorial dimension taking into account the role of functional urban and peri-urban areas;
4. want the Commission to consider a real common set of rules for all ESI-Funds;
5. strongly favor a significant reduction of administrative burden and over-regulation;
6. believe that grants and loans serve different purposes and it is up to cities and regions to decide which are appropriate for each circumstance;
7. stress the high importance of the European Territorial Cooperation;
8. urge the EU institutions to have the new regulations in place by mid-2019 at the latest.

A strong Cohesion policy for all

Capital Cities and Regions (CCRs) emphasize that Cohesion policy post-2020 must remain the European investment tool that ensures that all Member States, regions and cities – from less to more developed ones – are benefiting from European integration. Cohesion policy is the most visible EU-policy on the ground and therefore it is extremely relevant for the image of the EU. It has the potential to substantially contribute to overcoming the crisis of European integration and to counter anti-European tendencies in our societies.

Cohesion Policy, which is an essential element which goes hand in hand with the European single market, is also the only EU policy that duly takes into account the different regional contexts. Cohesion Policy must therefore benefit all regions and citizens. This includes capital cities and regions, where a large part of the EU citizens live and work and where, contrary to what the average GDP per capita might suggest, most challenges and opportunities coexist.

Through Cohesion Policy, European strategic approaches are linked to long-term development strategies at local and regional levels. EU objectives are implemented through concrete projects in the areas of research, innovation, education, sustainable growth, renewable energy, SME, accessibility, competitiveness, and job creation. This linkage between the EU, regional, and local levels is not only crucial for the effectiveness of European strategies, but it also strengthens the ownership of European policies on the ground by bringing them closer to our citizens. This is clearly the core European added value of Cohesion Policy.

For the same reason, CCRs also stress the high importance of the European Territorial Cooperation since it aims at creating prosperous and peaceful neighbourhoods and understanding among people. Therefore, CCRs believe that the share of the total budget of the Cohesion Policy should be preserved with a particular attention to European Territorial Cooperation (ETC). This has become even more valuable considering the increasingly tense atmosphere in Europe as well as on a global level. CCRs intend to maintain current levels of cooperation with our local and regional partners in the UK, and our partner of Greater London Authority in particular, and we hope ETC continues to be a useful tool in that respect.

Considering the high importance of capital cities and regions as lighthouses for innovation, high quality employment and smart and sustainable growth in the EU, CCRs believe it is necessary to take greater account of them in the future Cohesion Policy. They need to be strengthened in their role and in their ability to promote positive spill-over effects, also for the benefit of less developed areas within the EU and in the global context. The future share of EU funding should guarantee visible results of the Cohesion Policy in capital cities and regions.

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Capital cities and regions have to address complex challenges:

- On the one hand, we are at the core of an increasing global competition, providing best-practice solutions for turning research, innovation and creativity into products and new policy approaches and technologies which define smart cities and regions. We play a key role in providing services and facilities inter alia in the fields of economy and labor market, education, health, energy, environment, intermodal transport, security, tourism and the preservation of cultural heritage.

- On the other hand, capital cities and regions are often the first to be confronted to new regional and urban challenges as well as intra-regional disparities. CCR become laboratories to deal with the negative consequences of the economic and financial crisis, migration and demographic change, (youth) unemployment, social disparities and poverty, overpriced housing, traffic congestion and environmental pollution while confronted with decreasing financial resources.

We are convinced that this distinctive situation should not only be considered and recognised in the relative share of the allocation of cohesion funding for more developed and transition regions, but should also be reflected in a higher degree of flexibility and trust to be placed in our capacity to handle complex challenges on the ground.

A policy reflecting the territorial reality of CCR

The challenges and potentials described above often do not stop at one side of a street or a district border. CCRs are centres of large functional areas and the impacts of policies have to be considered beyond administrative boundaries, including peri-urban areas. The instruments of Cohesion Policy should strengthen synergies of the core cities with their surroundings regions in order to develop efficient functional areas and reinforce positive spill over effects.

Also, CCRs demand that cities and regions responsible for programming and implementing programmes must be granted sufficient flexibility to adapt EU priorities to their local/regional contexts in order to reach the common EU objectives. This should include the flexibility to react to upcoming challenges during a funding period without losing sight of the long- term perspectives. At the same time, the integrated approach and the development of innovative solutions should be possible within the priority axis dealing with urban issues in operational programmes.

In this context, CCRs highlight once again the important role of capital cities and regions in fostering innovation and in supporting the concept of smart specialisation. However, more room for experimentation for innovative funding in the realm of integrated urban development (including functional urban areas) is needed. Concerning the fostering of innovative solutions through the Urban Innovative Actions, first experiences have shown that this instrument should be reinforced and handled in a more flexible way to allow CCRs, regardless of their territorial organisation, to participate in innovative projects as long as the focus remains on urban challenges.

More flexibility in instruments and procedures

CCRs emphasise that flexibility and confidence in cities and regions is also needed regarding the instruments and procedures by which Cohesion policy is implemented:

- We welcome the financial tools at our disposal, which have made a huge impact in many of our cities and regions. However, we are best placed to decide the right balance between these and grants and therefore oppose any obligatory use and fixed rates for financial instruments.

- Although the CCRs welcome the idea of strengthening their overall investment capacity, the European Fund for Strategic Investments (EFSI) cannot be considered as an alternative to ESI-Funds, since it is territorially blind and a mere technical tool to boost investment.
- Whereas the instruments for an integrated urban and territorial development (ITI, CLLD, JAP) provide helpful support for urban and urban-rural integrated actions, they should remain optional as they do not necessarily match the setting and traditions of all cities and regions alike. Also, in the future, the introduction of innovative instruments needs to be accompanied by measures reducing the risks of errors resulting from the novelty of those instruments.
- Finally, the various existing actions and instruments for integrated urban development should be streamlined to generate a real leverage effect on urban territories including their linkages to surrounding areas. These initiatives include Urban Innovative Actions, URBACT as well as the Urban Agenda and its partnerships. Results and recommendations from these partnerships should provide input into the proposals for the future Cohesion Policy.

Cutting through red tape

CCRs acknowledge that many beneficiaries consider the support from ESI-Funds as too complicated, risky and not worth the effort. Thus, Cohesion Policy is not making use of its full potential to promote European integration. CCRs are convinced that Cohesion Policy will only be able to fulfil its prominent role for supporting EU policies on the ground and deliver results, if the over-regulation of the policy is abolished and the administrative burden is radically reduced.

Indeed, the implementation of ESI-Funds requires urgent simplification. The threshold of a reasonable effort of management and control in the implementation of operational programmes has already been passed for many project operators as well as for the administrations involved. The ever-growing complexity of programme execution has severely increased the likelihood and frequency of “errors” with negative financial and political consequences. In combination with the perceived arbitrariness of audit findings, an atmosphere of insecurity, fear and distrust paralyses creativity and innovation at the level of regional and national administrations and beneficiaries. Complexity and costs of the managing and control system of ESI-Funds are further enhanced.

All this contributes to diminishing the positive effects of ESI-Funds which, due to the high visibility of this policy on the ground, is likely to harm the reputation of the European Union as a whole. In this regard, we hope the conclusions of the HLG on simplification will provide meaningful recommendations.

A ground breaking change of implementation

CCRs therefore call on the EU institutions to safeguard Cohesion Policy and its significant European value by proceeding to a comprehensive revision and reduction of the requirements imposed on ESI-Funds management and control systems by the European level. We insist on programme planning and implementation based on multilevel governance and true partnership, in line with the European Code of Conduct on Partnership and honouring the principles of subsidiarity, trust and confidence. CCRs also believe ex-ante conditionalities should be directly linked with the competences of the managing authorities of the programmes.

Concerning the state aid regime, CCRs demand a further simplification of rules for the implementation of ESIF. State aid causes a severe part of administrative burden for management and beneficiaries in Cohesion policy. CCRs therefore call on the EU Commission to introduce a block exemption from state aid regime for all ESI-Funds, especially where funds are implemented through calls for projects allowing competition between beneficiaries. Moreover, provided the actual system of categories of regions is maintained after 2020, the funding transfers from a category of regions to other categories of regions within a member state should not be detrimental to CCRs' envelopes.

Fostering synergies of EU-Funds

The unequal treatment of directly managed instruments and funds like the EFSI or Horizon 2020 on the one hand, and the ESI-Funds on the other hand in state aid, also hampers synergies between EU funding. Further synergies between the ESI-Funds and directly managed EU Funds like Horizon 2020 (including Smart Cities and Communities) should be created to allow member states and regions to use their full potential by combining them in a smart way.

CCRs also call on the EU to better integrate and harmonize the different ESI-Funds in the next funding period. Options to consider are a real common set of rules for all ESI-Funds, or even the creation of one single fund for territorial development which brings together the objectives and the means of all ESI-Funds.

Enforcing a single audit approach and considering differentiation

CCR furthermore urge the adoption of a consistent single audit approach in order to avoid the duplication of audits, to exclude contradictions between control bodies, and to reduce the cost of auditing. Audits should focus mainly on results instead of compliance, while budgetary sanctions must be applied only in case of fraud or corruption.

Overall, CCRs believe that the principle of proportionality and the ability to deliver results should be better taken into account in the context of implementation and control of ESI-Funds. CCRs consider that the core criteria for a differentiation of the requirements for management and control systems beyond 2020 should include the scale and proportion of EU-funding programmes, their risk exposure, the quality of governance or the performance in using EU-funding, and the level of co-financing.

This approach could lead to a certain degree of differentiation in terms of administrative implementation of the programmes based on the best suited European, national or regional legal framework.

Finally, CCR call on the responsible EU institutions to have the new regulations ready by mid-2019 to enable member states and regions to start well prepared into the next funding period.



MAYOR OF LONDON



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This position is supported by:

- The Land Berlin
- The Land Brandenburg
- The Bratislava Region
- The Brussels Capital Region
- The City of Budapest
- Helsinki-Uusimaa Region
- Ile-de-France (Paris Region)
- The Mayor of London
- The City of Prague
- The City of Riga
- The City of Vienna
- The City of Warsaw