The delivery of recovery and cohesion funding: a Baltic perspective

Background document for the CPMR Policy Brief on Cohesion Policy with the Baltic Sea Commission

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In view of the policy brief organized by the CPMR Baltic Sea Commission on the Cohesion Policy package 2021-2027 and the EU Recovery instrument on 9 March 2022, the CPMR General Secretariat has drafted this background note to present the main elements of interest for the BSC members in relation to the work we are carrying out.


1.1 THE COHESION POLICY PACKAGE

The programming period 2021-2027 is underway. After a lengthy legislative process which the CPMR General Secretariat has been closely monitoring and influencing, the Cohesion policy package came into force on July 1st 2021. Cohesion policy implementation is facing more significant delays in comparison to previous programming periods. At the time of writing only 13 partnership agreements have been sent to the European Commission and only the Greek one has been approved.

Exchanging with BSC members regions on the implementation of the new cohesion policy package is of great relevance for the CPMR General Secretariat. It is an essential step in view of developing messages to be conveyed to relevant decision-makers at EU level. In this respect, the main items for discussion during the meeting are:

- **Drafting of partnership agreements and implementation of the partnership principle.** Delivering a full and consistent application of the partnership principle by Member States remains a challenge. The CPMR has developed proposals towards this goal which will be discussed during the seminar.

- **Impact of programming delays and potential flexibility measures to accelerate implementation.** The CPMR has assessed the potential implications of programming delays and
is looking into options to speed up implementation in the future. The seminar aims, inter alia, to discuss these issues.

- **Relevant provisions for NSPAs.** The territorial dimension of cohesion policy is also reflected in dedicated provisions under its funds (ERDF, ETC, JTF) which are designed to address the challenges of territories with specific geographical handicaps. NSPAs are targeted in specific provisions such as: Article 8 of the ERDF regulation on the need to consider territorial specificities. In the course of the seminar, it would be of interest to discuss if and how geographical specificities are addressed in partnership agreements.

- **The implementation of the Just Transition Fund (JTF).** The CPMR has looked into the implementation of the JTF. Among other findings, the diverse approach among Member States on the governance of the Fund, confirms the strong degree of discretion left in the hands of national governments. Finland and Sweden are among those Member States that have expanded the list of NUTS-3 beneficiaries (FI from 7 to 14 territories and SE from 2 to 4 eligible territories.)

- **The interplay between cohesion and recovery funds.** *(See section 2.2.2)*

### 1.2 THE FUTURE OF COHESION POLICY

We are only at the very beginning of the current programming period but already some trends and documents from the European Commission (e.g., the 8th cohesion report) allow us to envisage certain directions and trends on how the future of cohesion policy might look like.

#### 1.2.1 THE 8TH COHESION REPORT

The 8th cohesion report zooms in on the regional disparities across the EU. The CPMR has produced an assessment of the document, in particular focusing on the main elements which are relevant in view of the debate on the future of cohesion policy. It is noteworthy that the report emphasises the importance of the multi-level governance and the partnership principle and the need to deliver more coordination between cohesion policy and the Recovery and Resilience Facility. These two points are not purely rhetorical looking at the centralization and fragmentation trends (see next point) affecting cohesion policy in this moment. Interestingly, the report asks whether cohesion policy should take a role in responding to shocks or maintain its focus on long-term investment. One of the most salient ideas put forward by the report is to mainstream cohesion in other policies. The report is however disappointing in that it pays little attention – if not at all – to territories with geographical handicaps. Only the situation of the areas affected by depopulation and rural areas at large is discussed in detail in the report.

#### 1.2.2 THE BREAK-UP OF EU COHESION AND STRUCTURAL POLICY

The centrifugal trend affecting the EU cohesion and structural policy with the appearance of multiple funds under different frameworks and strategies has negative effects on the policy itself. In the short run, it creates additional bureaucracy for managing authorities as well as overlaps and duplications between the funds. In the medium term, this fragmentation is likely to harm core principles of cohesion policy such as the multi-level governance and the place-based approach. The fragmentation and multiplication of funds appear to reinforce an existing trend towards centralization of certain management aspects at national level. Ultimately, the current situation may heavily affect the design and budget of cohesion policy funds in the post-27 scenario. At a broader level, the multiplication of funds calls into question the efficiency of EU action to stimulate investment at territorial level.  


1.2.3 COHESION POLICY AND THE IMPLEMENTATION OF THE RECOVERY AND RESILIENCE PLANS

The EU Recovery Instrument, with its massive budget and territorial cohesion among its objectives, raises questions as to how it may influence the implementation of cohesion policy 2021-2027. In fact, one of the causes of the current delays on the implementation of cohesion policy is the priority Member States have given to the drafting of the recovery plans, rather than the cohesion programmes. Having seen a lack of complementarity and cooperation between both instruments in some Member States’ recovery plans, the parallel implementation might also result in a competition for projects between NGEU and Cohesion Policy.

The European Commission has made no secret of the fact that it is assessing which aspects of the RRF may be incorporated in other spending programmes, including those under shared management. The problem with the RRF is that its structure and mode of working are very different from cohesion policy being essentially top-down, spatially blind, and fully performance-based. In the long term, the budget and territorial focus of cohesion policy could also be undermined. The case for preserving a strong and place-based cohesion policy in the context of the post-27 MFF could be critically harmed by slow rollout of programmes during the 21-27 period.

2. Building up the regional approach to the Next Generation EU and the EU Economic Governance

2.1 NEXT GENERATION EU

The RRF is in full swing. After the approval of the plans by the European Commission, Member States received 13% of pre-financing and some member states have already received further disbursements after having achieved milestones and reforms. The survey put in place by the CPMR General Secretariat on the role of CPMR member regions have had on the drafting of the recovery and resilience funds gave us an insightful perspective. Among the key findings: the general lack of satisfaction among CPMR members regarding their overall involvement in the definition of the national Recovery and Resilience plan puts into question the rationale to conduct a consultation at national level established in the RRF Regulation.

It was of utmost interest to also look at the territorial dimension and the main investments stated in the national recovery plans. The territorial dimension of the plans varies considerably among Member States and across the policy sectors of interest for the CPMR. The focus on territorial cohesion was not systematically considered in all plans despite being one of the Facility’s six investment priorities. The Recovery and Resilience Facility prominently targets green and digital transition both policies to become the focal point of a large majority of measures. It is difficult to ascertain in several plans the share of funding which will be allocated to place-based measures.

In short, Baltic Member States significantly focus their recovery plans on digital and climate adaptation measures. In relation to the northernmost regions of Finland and Sweden, these are very little considered in the respective national recovery and resilience plans. When considered, it is linked with support to enhance digital connectivity across territories.

2.2 THE FUTURE OF THE EU ECONOMIC GOVERNANCE

The EU Economic Governance framework, so-called “European Semester”, has grown in importance over the years to oversee areas under the remit of regional authorities. The focus of Cohesion Policy programmes, the design of Regional and Resilience Plans, the implementation of structural reforms,
financing of the EU Green Deal: these are all examples of issues covered by the EU economic governance framework.

The implementation of the Recovery and Resilience Plans has shown light on lack of involvement or regional authorities in the European Semester. On the current debate on the review of the EU fiscal rules, the CPMR is decided to push for a stronger territorial dimension of the EU Economic Governance. In short, the CPMR believes that the new EU Economic Governance framework should fully involve regional authorities in the economic dialogue and guarantee the territorial dimension of the economic analysis and policy recommendations.

The following technical notes produced by the CPMR General Secretariat might be of interest for those CPMR Baltic Sea Commission members:

- Assessing CPMR impact on Cohesion Policy package 2021-2027
- Programming delays: a comparison with previous periods and a look at future implications
- The break-up of EU cohesion and structural policy
- Next Generation EU and the EU Economic Governance framework: Where does the involvement of CPMR regions stand?
- CPMR analysis on the National Recovery and Resilience Plans – June 2021
- “Territories Matter” Initiative – Seminar Brief – A more territorial EU economic governance framework for a post COVID scenario October 2021
- CPMR Response to the Public Consultation on EU’s economic governance framework « Ensuring a territorial dimension of the EU Economic Governance »
- Just Transition Fund: First evidence on implementation
- “Next Generation EU”: a threat to Cohesion Policy

The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in geographical commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies.

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