European Economic and Social Committee

ECO/464
Regulation on European Territorial Cooperation 2021-2027

OPINION

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments
[COM(2018) 374 final – 2018/0199 (COD)]

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Consultation	European Parliament, 11/06/2018 Council of the European Union, 19/06/2018
Legal basis	Articles 178 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	07/09/2018
Adopted at plenary	19/09/2018
Plenary session No	537
Outcome of vote (for/against/abstentions)	196/2/5

1. Conclusions and recommendations

1.1 European territorial cooperation (ETC) is a unique instrument of cohesion policy and one of the very few frameworks in which national, regional and local players from different Member States are systematically called upon to carry out joint measures and exchange practices and strategies. It could be said that a little bit of the "soul" of the European spirit is to be found here. Despite numerous cases of added value and growth-generating investment in projects carried out to date, ex-post evaluations have in fact revealed a number of shortcomings. The new proposal for a regulation must take these into account at several levels of action:

1.1.1 **Simplification of procedures** – The EESC asks that a "simplification shock" be administered as regards the size of projects. Cooperation mainly relates to local activities. It is therefore necessary for simplification to be introduced to project assessment forms and methods, as well as for lump sum/flat-rate procedures to be applied as a key element in the new programming period.

1.1.2 **Financial framework** – Cohesion policy is a key element of support for the 2021-2027 European strategy, which should be given technical and budgetary support as a matter of priority. The EESC would warn against a reduced budgetary allocation, which would undermine this action programme's effectiveness, profile and reputation. It therefore calls on the European Parliament to propose an increase in appropriations for cohesion policy, especially for the benefit of European territorial cooperation.

1.1.3 **Additionality** – The EESC is concerned about the new rules which could bring the EU's maximum funding rate down from 85% to 70%. It asks that the 85% rate be maintained for small projects, the most vulnerable regions and civil society measures. The EESC also supports greater use of private sector participation and *InvestEU Fund* European financial engineering for measures in support of the manufacturing sector.

1.1.4 **Integration of financial instruments** – The EESC asks the Commission to set up a genuine strategy for coordinating and integrating the various financial instruments available under the 2021-2027 Multiannual Financial Framework (MFF). It asks the Commission to submit a communication to this effect soon. European territorial cooperation should be the preferred framework for carrying out this essential coordination.

1.1.5 **Genuine partnership with civil society** – The Commission should make it mandatory to involve the social partners and civil society organisations in both the consultation process and implementation of the measures, because it has been observed that the best results are achieved when civil society is involved. The EESC advocates requiring each operational authority to submit a partnership scheme for involving civil society with an alert mechanism.

1.1.6 **Maintaining and developing thematic concentration –** The trend towards thematic concentration of action and investment priorities is welcomed by the EESC, but it remains to be clarified how to:

- take into account the particular features of areas mentioned in Article 174 TFEU (islands, mountainous areas, rural areas, conurbations, etc.) without losing sight of the need for

concentration, which ensures a high profile and effectiveness and prevents a scatter-shot approach;

- put sustainable development and climate action at the heart of all of the issues; and
- genuinely bring Europe closer to citizens by taking more action at a local level.

1.1.7 **Maritime zones and island regions** – Given that island regions are, by definition, in maritime zones, the EESC argues that the latter should continue to be able to submit their projects under both cross-border and territorial cooperation. If necessary, a new priority entitled "island regions" should be created with its own budget.

1.1.8 **Macro-regional strategies (MRS)** – the EESC deems it vital to broaden the development of MRSs to include new areas (Mediterranean, Balkans, Carpathia, etc.) and to ensure they benefit from greater integration of the new European financial instruments.

1.1.9 **Cooperation with neighbouring countries** – The EESC welcomes the establishment of a single implementation framework with neighbouring countries/non-Member States. It would also stress here the value of involving appropriations from both the ETC and external European funds at the same time. The EESC asks the Commission to ensure that territorial cooperation programmes in this framework are opened up to regions of neighbouring countries, even if they do not have a direct border with the EU, so as to avoid creating disruption in the countries concerned.

1.1.10 **Innovation** – The EESC supports the proposal to attach priority to innovation, with an independent budget and procedures enabling direct access for non-state actors. The EESC nevertheless stresses that innovation also has to relate to societal and social matters.

1.1.11 **Digital component of European territorial cooperation** – Nowadays one of the major challenges for players in European territorial cooperation is to be connected. It is necessary to provide resources and initiatives to reduce the digital divide between regions and between urban and rural areas in regions: developing exchanges of experience, reducing the digital divide between regions on the one hand, and between urban and rural areas on the other.

1.1.11.1 To this end, the EESC recommends for the 2021-2027 period that the digital transformation and the requirements of skills improvement be incorporated into the architecture of all the ETC programmes.

1.1.12 **Taking young people into account** – Taking young people into account in Europe is a key element. The EESC suggests using the ERASMUS+ methods of youth exchange – for students, apprentices, jobseekers, people with difficulties – to involve young people in territorial cooperation through specific mobility programmes, vocational training and language learning. The EESC proposes making areas for proposals and measures specifically relating to young people, and carried out by young people, part of cross-border and transnational cooperation programmes.

1.1.13 **Measures to help vulnerable sectors of the population and taking account of horizontal criteria** – The EESC stresses the importance of establishing precise rules on the degrees of

obligation to respect in compliance with horizontal Community principles and of setting a minimum threshold to this end (10% of the measure's support).

1.1.14 **Civil protection and mitigation of major risks** – The EESC urges the Commission to envisage incorporating this component as a major strand in territorial cooperation and to tie it in with the new fund for defence and civil protection proposed by the Commission for the 2021-2027 MFF.

1.1.15 **Publicity** – Given the importance of programmes supported by ETC, the EESC will support any initiative for obtaining a higher profile for them so as to boost a sense of European citizenship and increase awareness of the concrete measures carried out with EU support. It advocates inter alia the establishment of information channels in regions benefiting from cooperation programmes, preferably set up in civil society organisations.

2. Introduction

2.1 Territorial and border cooperation, the soul of the European spirit

2.1.1 Central to the construction of a common European space, European territorial cooperation (ETC) (Interreg), in all its forms – cross-border, transnational, interregional and opening to neighbouring countries – is the cornerstone of European integration. It helps prevent Europe's borders turning into barriers, brings Europeans closer together, helps to resolve common problems, facilitates the sharing of ideas and assets and encourages strategic initiatives aimed at common goals.

2.1.2 Articles 174 and 24 of the Treaty on the Functioning of the European Union (TFEU) constitute the legal framework for the implementation of economic, social and territorial cohesion policy, aimed at reducing the gap between regional development levels and consequently at supporting European territorial cooperation.

2.1.2.1 Article 174 stipulates: "Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions". The EESC feels that this article amply warrants particular attention being paid by ETC to these regions and asks the Commission and Member States to ensure that this happens.

2.1.3 A priority objective of cohesion policy, ETC (Interreg) constitutes the framework within which public and private operators at national, regional and local levels in the Member States carry out collective initiatives, exchange good practices and shape development policies both within and outside Europe. However, despite many cases and examples of added value and growth-generating investments in projects carried out to date, some shortcomings related to weaknesses in the framework of the various programmes have certain implications and should be analysed in the new 2021-2027 perspective.

2.1.4 The results of the ex post assessments do in fact highlight several aspects:

- an inadequate working definition of the regions in relation to Article 174 TFEU;

- major difficulties in defining and implementing a coherent intervention strategy resulting from the choice of a bottom-up approach to determining the projects to support;
- a near-total absence of synergy between Interreg programmes and other community programmes likely to strengthen the development effects, particularly ERASMUS+, Horizon 2020, the European Fund for Strategic Investments (EFSI), Connect-Europe and COSME, and generally not enough of an impact of these measures or their profile, for civil society or for all categories of the public, particularly women, young people, families, disabled people and the elderly.

2.1.5 Some of these aspects have been taken into account in the new proposal for a regulation, which strengthens the procedures for reducing regional priorities across European regions, including the most remote ones, develops new macro-regional strategies and thematic concentrations, steps up initiatives for boosting innovation as well as several other initiatives which, as a consequence, are the subject of analyses and specific remarks. However, several important points of the Commission proposal are worth improving and clarifying.

3. Priority topics for the EESC's recommendations to the Commission

3.1 **Simplification of procedures - Towards a simplification shock** – The Commission is proposing a considerable array of specific provisions aimed at simplifying the rules for positioning and managing the programmes at all of the levels involved: beneficiaries, Member States, managing authorities, participating third countries and the Commission. The EESC can only endorse this approach. However, this is an initiative presented at every new programming period. The Commission has not gone far enough in this process.

3.1.1 As regards simplification and lumps sums/flat rates, the regulation establishes a flat-rate approach to certain expenditure as a key element for the next programming period and further develops certain variables such as staff costs (for all projects below EUR 200 000: a lump sum without a requirement to submit invoices). In doing so, the Commission recognises the need to for administrative simplification and stresses the need for a generalised agreement.

3.1.2 Cooperation mainly relates to local activities. It is therefore necessary to have a programme that is much more open to civil society with radical simplification of procedures and the establishment of small units for information and assistance.

3.1.3 The EESC recommends seeking consistency in relation to the size of projects so that the necessary simplification is introduced in project assessment forms and methods, and minimum lump sum/flat-rate procedures are used for administrative and management activities. The "simplification shock" is vital to allow project organisers to concentrate on the outcome of the measures rather than on time-consuming administrative activities.

3.1.4 In fact, as the Commission wishes, the idea of assessing projects by "results" should be seen through to its logical conclusion and operators should be relieved of their obligation to constantly submit activity reports (currently every 6 months).

3.2 **Financial framework** – The Commission considers that cohesion policy and its corollary in ETC should remain an essential element of the financial package. The EESC endorses this view. A weakened budgetary allocation would undermine this action programme's effectiveness and profile, as well as its current reputation. The option chosen as of now is to maintain a stable budget in relation to the last period, against the backdrop of cuts of around 10% to the overall EU budget. This should enable the same level of support to be maintained for the Interreg programmes, which is a minimum, but the EESC calls on the European Parliament to propose a substantial increase because the political impact and the impact on the public affected by these measures may be considerable, as long as they are allocated significant resources.

3.2.1 In the new regulation on European territorial cooperation, the rate of co-financing has been reduced to 70% (from the current 85%). According to the Commission, this development should lead to a greater financial contribution from Member States and promote better conditions for ownership of projects. The EESC fears that this measure, known as additionality, might discourage private players and the least favoured regions from participating. It therefore asks that the 85% rate be maintained for the most vulnerable regions in the spirit of Article 174 TFEU. Moreover, a concentration of measures by Europe always ensures a higher profile.

3.2.2 New rules for "small projects" – The new regulation has a clear definition accompanied by new measures and simplified rules: redefinition of technical assistance, removal of requirement for annual reports, flat-rate/lump sum approach for numerous items of expenditure and the right conditions for a swifter start-up for the next period. The EESC deems these measures to be going in the right direction.

3.2.3 As regards the administrative burden for small projects, the prospect of setting up a cross-border institution to manage all administration for a group of "small projects", complementing the lump sum/flat-rate, is also a step welcomed by the Committee.

3.2.4 The EESC appreciates the Commission's commitment to maximising private involvement in territorial cooperation programmes. The EESC reinforces this stance by suggesting that a minimum threshold be set for the involvement of non-state actors (excluding regional authorities), such as private companies, the social partners, the voluntary sector, social and solidarity economy structures and professional chambers.

3.3 **Partnership with civil society** – The EESC points out that partnership is a key resource when taking horizontal principles into account. Partnership should be put in place everywhere with civil society, the social partners, local authorities and social inclusion bodies. Against this background, the inclusion of civil society in monitoring committees is stipulated in the regulation. Sites which supply information on the implementation and outcome of programmes also provide for the addition of information on failures and projects which do not give an account of their commitments.

3.3.1 It should be pointed out that once the local authorities are appointed, they tend to ignore all the rest.

3.3.2 Involvement of civil society players should not be confined to the consultation procedures. It is essential to involve them in the implementation of measures and grant them responsibilities in this connection, including by choosing civil society organisations as management authorities.

3.3.3 The EESC proposes that, for each ETC programme, the managing authority should submit a partnership blueprint demonstrating the involvement of civil society at each phase in the preparation, implementation and assessment of the measures concerned. This blueprint should include an alert mechanism put in place to allow civil society players to refer cases to the relevant authority in the event of the partnership principle not being respected.

3.4 **New distribution of territorial cooperation support** – The new ETC/Interreg regulation describes the future action programme in terms of five cooperation components: cross-border; transnational; interregional; maritime, involving the outermost regions; and interregional innovation investments. This approach is consistent, even if the fact of withdrawing cooperation on areas including maritime issues from cross-border cooperation does give rise to questions and considerable concern amongst operators in the regions concerned. The Commission justifies this by explaining that there may be overlaps between several cross-border programmes, especially in the context of maritime cooperation, and that it is committed to developing a comprehensive approach to the programmes in maritime areas, including bilateral cooperation, which will have a greater impact.

3.5 **Maritime zones and island regions** – For the EESC, this approach to maritime issues is understandable where continental regions are concerned, but is not warranted in relation to island regions for whom, by definition, all borders are maritime. Moreover, the EESC has often called on the Commission to pay particular attention to the matter of islands which suffer from structural handicaps recognised under Article 174 TFEU. The EESC therefore proposes to re-incorporate European cooperation measures between islands into cross-border cooperation and/or create a sixth category for this with its own budget, particularly for the benefit of a group of islands that belong to the same sea basin, to foster the exchange of experience.

3.6 **A specific move towards innovation** – A new specific heading is proposed, to operate on the basis of calls for proposals for the development of projects Europe-wide, aimed at going further than merely exchanging good practices, and moving towards comprehensive research action (11% of the Interreg budget). The EESC endorses this approach on condition that it also incorporate societal and social innovation for which cooperation between territories can have a considerable impact on the population concerned, and that it enable the direct participation of non-state actors (researchers, businesses, civil society).

3.7 **Opening to the outermost regions (ORs)** – The Commission is proposing to adopt new measures to enable these regions to cooperate, taking into account their specific position, with reference to the Commission communication on *A stronger and renewed strategic partnership with the EU's outermost regions*[1]. This will be a cooperation component for the ORs, between them and their neighbours (3.2% of the Interreg budget). This clearly identified provision is interesting, but EU

1 COM(2017) 623 final.

funds to support non-Member States which neighbour the outermost regions (essentially the European Development Fund (EDF)) will have to be easily mobilised to complement these measures; this is not currently the case. The EESC calls for coordinated interaction between Interreg and the EDF' to be formalised and planned.

3.8 **Cooperation with non-Member States** – The EESC deems it positive that henceforth – in a turbulent international context – an identical framework will be established for measures involving neighbouring countries outside the European Union. As regards neighbouring countries, the existing possibility for regions not bordering these countries to participate in cross-border cooperation should be better exploited so as to avoid accentuating the differences within these countries which benefit EU border regions.

4. New ideas for consideration

4.1 **Developing thematic concentration** – The EESC recommends clearly focusing these programmes on measures linked to EU priorities such as those defined in the draft 2021-2027 MFF: innovation, research, greener Europe (energy, the circular economy, etc.); connected Europe (transport, agriculture, etc.); a more social Europe (ESF, ERDF, education, health, etc.); and a more local Europe by means of local development strategies. The specific objectives set out in the regulation as regards social matters, education and healthcare should not be forgotten here. Particular attention should also be paid to local development strategies involving all civil society players.

4.1.1 When it comes to thematic concentration, it is essential that the issues of sustainable development and climate action, the circular economy and renewable energy are placed at the heart of all of the issues and explicitly taken into account.

4.2 **Macro-regional strategies (MRS)** – Macro-regional strategies (Baltic Sea, Danube, Alpine regions, Adriatic and Ionian Seas) are generally deemed to be successful. One particular benefit of ETC is its ability to create the conditions conducive to implementing macro-regional development strategies based on:

- the existence of a high degree of cross-border interactions;
- the correspondence between the funding and the strategic priorities.

4.2.1 These arrangements will strengthen the cooperation programmes, particularly in the transnational and maritime components. Experiments could be carried out fruitfully under the MRS for the Mediterranean (west and east) in conjunction with the sea basin strategies put in place as part of the EU's maritime measures, as well as an MRS for mountain ranges of the south-east of Europe (Carpathia and Balkans) which, in both cases, extend as far as non-Member States.

4.3 **Digital component of European territorial cooperation** – Today one of the major challenges for players in European territorial cooperation is to be connected. It is necessary to provide for resources and initiatives to reduce the digital divide between regions, as well as between urban and rural areas in regions. Digital developments entail several issues:

4.3.1 *Technical and economic issues for territorial development.* Digital technologies bring with them considerable capacity for territorial development in the context of new industrial developments, a more collaborative society, the emergence of new forms of cooperation at work and new means of harnessing local resources.

4.3.2 *An important social issue which affects the development of skills amongst the population and in the regions.* It is vital to develop investment in skills and the usage thereof and not allow the digital social divide to widen. Digital developments are creating a new area of discrimination, in particular rooted in the limited capacity of poorer sections of the population to access the necessary equipment because of their standard of living and cultural aspects related to educational levels and age.

4.3.3 Account should be taken of the fact that the digital sector is as much capable of constituting an additional factor of exclusion for certain categories of the public as it is of facilitating people's access to their rights. This alone leads the EESC to ask the Commission to provide for educational measures in ETC activities, in coordination with local and regional players.

4.3.4 Moreover, the EESC proposes that a large part of innovative measures be devoted to digital matters with calls for specific proposals including the exchange of experience and cooperation in the regions in those domains, with – as a priority – the inclusion of those sectors of the population which are the most deprived and the most vulnerable. This is essential for the regions in the context of the new industrial developments, a more collaborative society, the emergence of new forms of cooperation at work and new means of harnessing local resources. The Commission has presented a draft budget for the 2021-2027 period. Does the budget sufficiently incorporate this digital aspect? If this is not the case, it is not adequate.

4.3.5 Digitisation and artificial intelligence – It is essential that the Commission equip itself with tools of digitisation and artificial intelligence for the establishment and evaluation of future programmes (big data, new technologies and investment funds).

4.3.6 The Commission itself feels that the assessment of the impact of EU measures and programmes depends on the prevailing "state of mind". The outcome of a project might sometimes be less important than the way the results are obtained and it is difficult to find indicators (qualitative as well as quantitative ones) to assess that.

4.3.7 The EESC urges the Commission to seek better indicators to assess the immediate results and impact of the programmes and projects.

4.4 **Taking young people into account** – Taking young people into account in Europe is a key element. The EESC suggests using the ERASMUS+ methods of youth exchange – for secondary school pupils, students, apprentices, jobseekers, people with difficulties – to involve young people in territorial cooperation through specific mobility programmes, particularly for vocational training and language learning. The EESC's thinking relates to several non-contradictory possibilities for ensuring that the concept of a region takes on meaning for young people.

4.4.1 The EESC proposes that a certain percentage of ETC envelopes be earmarked for measures for and by young people. In parallel, as part of the future ERASMUS+ after 2021, the Commission could opt to devote a share of ERASMUS+ to initiatives aimed at specific areas of a region.

4.4.2 In addition, 10% of one or several Interreg components should be earmarked for Erasmus-type mobility and an identical percentage for the budgetary envelope for projects managed under Erasmus+ organised within the EU. Priority could be attached to regions beginning to take real shape, such as a MED macro-region, for example, and/or – as an experiment – to regions in the process of being set up and developed, such as an East MED macro-region.

4.4.3 It is therefore necessary to include one or several sets of specific proposals and measures for young people, carried out by the latter, in cross-border and transnational cooperation programmes. These sets of proposals and measures should facilitate and support the development of straightforward cultural exchanges into the promotion of measures on categories other than those which traditionally benefit from ERASMUS+: youth movements and the creation of associations to combat social exclusion and inequalities and to integrate the most vulnerable sections of the population (disabled); action to protect the climate; initiatives to help welcome migrant refugees; and any other topic coming under education and solidarity.

4.5 **Measures to help vulnerable sectors of the population and taking account of horizontal criteria** – On the account to be taken of vulnerable sectors of the population at all levels when devising and implementing cooperation programmes, particularly in the selection of projects, the Commission's position is clear as regards absolutely necessary compliance with horizontal Community principles.

4.5.1 A question nevertheless arises about the rules and regulations on this matter as part of ECT, which does not set any quotas. The EESC proposes that a minimum threshold be set for cross-border cooperation (10%).

4.6 **Civil protection and the mitigation of major risks –** These aspects, which are part of the new European fund for defence and civil protection, as proposed by the European Commission under the 2021-2027 MFF, constitute a major strand with implications for territorial cooperation. We are thinking here, for example, of the prevention and combating of forest fires in the Mediterranean and of flooding in more northerly regions. These are issues where cooperation beyond national borders is clearly needed, and which directly affect people's lives.

4.6.1 The EESC therefore recommends that special attention be incorporated in ETC with the possibility of coordination between several funds and that precise recommendations be addressed to authorities in charge of the programmes in order to raise their awareness about the challenges and opportunities of this issue for their territories. Calls for proposals for demonstration could be launched in this connection so as to create peer pressure between regions.

4.7 **Integration of different European instruments** – The EESC feels that this proposal does not do enough to incorporate the opportunities for synergy between ETC and other current or future EU financial instruments, particularly in terms of youth exchange, digital networks and the digital

agenda, research and development, investment, civil protection and steps to mitigate major risks. It urges the Commission to remedy this.

4.7.1 ETC is an appropriate framework for ensuring complementarity between the different European instruments, based on requirements on the ground:

- Investments by SMEs, if Interreg measures are successfully combined with the new InvestEU fund proposed by the Commission under the 2021-2027 MFF;
- networks (infrastructure, digital, energy) with the Connect Europe Facility;
- external actions (EDF, neighbourhood policy);
- civil protection funds;
- ERASMUS+;
- Horizon Europe (currently Horizon 2020);
- LIFE (environment and climate action);
- European Social Fund;

and others.

4.7.2 The Commission's proposals remain vague on this point. The EESC urges the Commission, as part of its proposals on the 2021-2027 MFF, to present a communication on the incorporation of financial instruments.

4.8 **Publicity** – Interreg is one of the main means of boosting a sense of European citizenship. It is now time to raise the profile thereof so that people become aware of the EU's actions. The Commission should issue a publication on the use and achievements of the Interreg programme and ensure that this gains publicity, so that the public is made aware of the concrete measures carried out with EU support. Given the importance of this matter, the EESC proposes that information and cross-border/regional cooperation channels be set up for this purpose, preferably in civil society organisations.

Brussels, 19 September 2018

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