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NOTE

From: Presidency
To: Permanent Representatives Committee/Council
Subject: Legislative package for Cohesion Policy 2021-2027
- Future challenges in the programming of the funds
= Policy debate

PRESIDENCY PAPER ON "FUTURE CHALLENGES IN THE PROGRAMMING OF THE FUNDS"

Ministers in charge of Cohesion Policy are invited to provide further political guidance on two topics of high importance for the future of the Cohesion Policy:

- The economic and social policy coordination under the European Semester and the reinforced link with EU Cohesion Policy;
- Economic governance for the effectiveness of the Cohesion Policy funds and the EU convergence objectives.

I. BACKGROUND

The Cohesion Policy legislative package foresees a strengthened link with the European Semester, which makes the country-specific recommendations a key element of the programming exercise for Member States.

This year's country reports and country-specific recommendations (CSRs) provide specific guidance for the programming of EU Cohesion Policy funds under the next Multi-annual Financial Framework. The governing process at EU and national level should lead to an enhanced coordination between economic and social policies at Union and national level and EU Cohesion Policy investments.

The Cohesion Policy regulatory framework for 2021-2027 establishes linkages with the European Semester, which set the rules for the programming, implementation, monitoring and performance of EU funds.

The European Semester's link with Cohesion Policy is at the centre of political discussions at the Member States' level, in view of setting out the architecture and content of the programmes, thus setting out upstream linkages with Cohesion Policy. Therefore the governing process can be separated as an upstream and downstream phase, split up by the date of publication of the Country reports and CSRs.

From the Member States' perspective, this will require a more integrated approach at national and regional level in order to strengthen the ownership of structural reforms and EU funded related investments.

At the same time, the European Semester governing process should allow for better participation, coordination and contribution from the side of decision makers in charge of Cohesion Policy.

The adoption of the 2019 Annual Growth Survey (AGS) marked the starting point of the current European Semester cycle. The priorities set out in the AGS are closely interconnected and mutually reinforced, underpinning the need for an integrated approach at the national and the EU levels, in order to ensure inclusive growth and sustainable economic development, improving the overall socio-economic situation. A special focus has to be put on the need for investment based on the specific situation at national and regional level, taking into consideration the convergence and reducing disparities path of the Cohesion Policy.

Member States acknowledge that CSRs help the reforms to support increase of growth potential, modernisation of national economies and further strengthen their resilience. For this reason, the operational links to streamline existing processes and ensure greater coherence between the coordination of economic policies, relevant CSRs and the use of EU funds have been scrutinised and improved during the negotiations of the Cohesion Policy legislative package.

Sound economic governance and other cross-cutting requirements applicable to all EU budget expenditure are seen as a step forward in the direction of increasing effectiveness of all Cohesion Policy funds. Nonetheless, it is known that a mandatory suspension of funds leads to financial penalties and have an indirect link with the investments supported by the Cohesion Policy in general. In this case, Member States will still have to identify the financial resources to provide the cash-flow in order to continue the investments and paying the beneficiaries. Attention has to be paid to mitigate possible negative effects of long-term suspensions which impact the Cohesion Policy performance.

II. QUESTIONS FOR DEBATE

1. *What are Member States' views on the operational links between EU Cohesion Policy and the current European Semester exercise?*
 2. *What challenges are envisaged for the 2021-2027 programming exercise in light of the 2019 country-specific recommendations? What challenges may occur during the mid-term review exercise in 2025 (based on 2024 CSRs)?*
 3. *How should economic governance and the convergence objective be reconciled?*
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