European Committee of the Regions

Commission for Territorial Cohesion Policy and EU Budget

COTER

Local and Regional Authorities' Access to the EU Budget: Lessons to be drawn from the MFF 2021-27

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Acronyms

AMIF	Asylum, Migration and Integration Fund
BCO(s)	Broadband Competence Office(s)
BMVI	Instrument for Financial Support for Border Management and Visa Policy
BUDG Committee	Committee on Budgets
CAP	Common Agricultural Policy
CF	Cohesion Fund
CEF	Connecting Europe Facility
CLLD	Community-Led Local Development
CMP	Centrally Managed Programmes
CoR	European Committee of the Regions
CFSP	Common Foreign and Security Policy
CPR	Common Provision Regulation
CRS	EU Country-Specific Recommendations
DEP	Digital European Programme
DG AGRI	Directorate-General for Agriculture and Rural Development
DG BUDG	Directorate-General for Budget
DG COMP	Directorate-General for Competition
DG CONNECT	Directorate-General for Communications Networks, Content and Technology
DG EAC	Directorate-General for Education and Culture
DF DEFIS	Directorate-General for Defence Industry and Space
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG ENER	Directorate-General for Energy
DG ENV	Directorate-General for Environment
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG HOME	Directorate-General for Migration and Home Affairs
DG INTPA	Directorate-General for International Partnerships
DG JUSTICE	Directorate-General for Justice and Consumers
DG MARE	Directorate-General for Maritime Affairs and Fisheries
DG MOVE	Directorate-General for Mobility and Transport
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DG REGIO	Directorate-General for Regional and Urban Policy
DG REFORM	Directorate-General for Structural Reform Support

DG RTD	Directorate-General for Research and Innovation
DG SANTE	Directorate-General for Health and Food Safety
DG TAXUD	Directorate-General for Taxation and Customs Union
DNHC	Do No Harm to EU Cohesion
DNSH Principle	Do Not Significant Harm Principle
EAFRD	European Agricultural Fund for Rural Development
ECA	European Court of Auditors
ECDC	European Centre for Disease Prevention and Control
ECoPP	European Community of Practice on Partnership
EDIH(s)	European Digital Innovation Hubs
EFSA	European Food Safety Authority
EGF	European Globalisation Adjustment Fund
EIB	European Investment Bank
EIF	European Investment Fund
EMFAF 2021-27	European Maritime, Fisheries and Aquaculture Fund
EMFF 2014-20	European Maritime and Fisheries Fund
EP	European Parliament
ERDF	European Regional Development Fund
ESF+	European Social Fund+
ESIF (2014-2020)	European Structural and Investment Funds
ETC	European Territorial Cooperation
ETS	Emissions Trading System
EuroHPC	European High-Performance Computing
FAQs	Frequently Asked Question(s)
FEAD	Fund for European Aid to the Most Deprived
FNLC	Financing-not-Linked-to-Costs
FRONTEX	European Border and Coast Guard Agency
HaDEA	European Health and Digital Executive Agency
HE	Horizon Europe
IE	Interregional Innovation Instrument
IB	Intermediate Body
IIA	Interinstitutional Agreement
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IPSAS	International Public Sector Accounting Standards
ISF	Internal Security Fund
ITI	Integrated Territorial Investments
ITS	Integrated Territorial Strategies
JTF	Just Transition Fund
LAG	Local Action Group
LRA(s)	Local and Regional Authority(ies)

MS(s)	Member State(s)
NCP	National Contact Point(s)
NDICI	Neighbourhood, Development and International Cooperation Instrument
NRRP	National Recovery and Resilience Plan
NGEU	Next Generation EU
OECD	Organisation for Economic Co-operation and Development
PA	Public Administration
PO(s)	Policy Objective(s)
PR	Programme(s)
RDP(s)	Rural Development Programs
REACT-EU	Recovery assistance for cohesion and the territories of Europe
REGI Committee	Committee on Regional Development
RegHub	Regional Hubs Network
RRF	Recovery and Resilience Facility
RIS3	Research & Innovation Smart Specialisation Strategy
S3	Smart Specialisation Strategies
SCO, ~~SCOs~~	Simplified Cost Options
SDGs	Sustainable and Development Goals
SEC-GEN	Secretariat-General of the European Commission
SMP	Shared Managed Programmes
SoE	Seal of Excellence
TA	Technical Assistance
TFEU	Treaty on the Functioning of the European Union
TSI	Technical Support Instrument Programme
UN	United Nations
WB	World Bank
WP	Work Programme
YEI	Youth Employment Initiative

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MINIMUM GLOSSARY OF TERMINOLOGY & DEFINITIONS IN THE STUDY

This study examines the design and delivery mechanisms (implementation) of the EU multiannual spending programmes in the Multiannual Financial Framework (MFF) for 2021-2027.

EU multiannual spending programmes are managed either directly, indirectly, or under shared management.

As detailed in Chapter 3 of the study, programmes under direct and indirect management are considered **centrally managed**. This designation signifies that the European Commission plays a central role throughout the programme lifecycle. In direct management, the European Commission and its executive agencies are responsible for the entire lifecycle of the programme. In indirect management, the European Commission delegates parts of its implementation powers to other entities, such as national authorities or international organisations. In this study, these multiannual spending programmes are referred to as **"Centrally Managed Programmes (CMP)".**

Shared Management refers to a collaborative mechanism where both the European Commission and the national authorities in the Member States, including central or local and regional authorities (LRAs), jointly oversee the implementation of a multiannual spending programme. The multiannual implementation framework is established through various policy documents (Partnership Agreements, multiannual programmes, strategic plans, etc.). Once these documents are approved, national authorities and LRAs are tasked with selecting and managing the projects/operations, while the European Commission ensures that the projects are executed successfully and that funds are utilised efficiently and effectively, in accordance with EU laws and the agreed-upon policy documents. These will be referred to as "**Shared Managed Programmes (SMP)."**

EXECUTIVE SUMMARY

The political discussions on the Multiannual Financial Framework (MFF) post-2027 will start soon, with the European Commission's proposal expected for mid-2025. The negotiation process will not only shape the spending priorities and revenue sources for the period post-2027, but also needs to address a rapidly evolving landscape characterised by challenging enlargement and neighbourhood integration, declining EU economic competitiveness, the need for greater strategic autonomy, and accelerating the response to climate and demographic change.

In addition to these external factors, several internal challenges require effective solutions, such as budget simplification, reforming budgetary mechanisms, and prioritizing value-for-money public investments.

In this new scenario, LRAs are on the front line in addressing these challenges, as they are responsible for implementing 70% of the EU funds. This underscores the need for increased attention to LRAs in future EU policies and funding, as well as their stronger involvement in the negotiations for the next MFF. The risk is that the application of core principles such as partnership, multi-level governance, and integrated and place-based development may diminish.

This report highlights that weak LRA involvement in the **MFF negotiation** process can lead to limited LRA access to EU funds, a decrease in their participation and role in the fund governance, and restricted inclusion of place-based elements in the policy interventions. Overall, **the analysis of the 2021-2027 MFF negotiation process reveals low LRA involvement**. During the negotiation process, the European Commission established relations mainly with the Member States and there was no structured or direct dialogue nor a political mandate for discussions with LRAs. Despite not being formally involved, LRAs utilised various 'indirect' and informal channels to influence the process. Firstly, LRAs voiced their concerns to national parliaments and governments, either individually or through national LRA associations. However, due to varying national institutional settings and the differing political influence of LRA associations within each Member State, the ability of LRAs to influence national governments varies significantly, resulting in their limited capacity to present a unified position at the EU level during MFF negotiations. Secondly, although LRAs established connections with their permanent representations in Brussels, these representations are generally seen as having limited influence in representing LRAs in the MFF negotiation process. In addition, LRAs collaborated with EU-wide LRA associations. However, finding common ground among multiple regions within these European associations can be challenging. LRAs established relationships primarily with Members of the European Parliament (MEPs) sitting in the REGI Committee, and less so with those in the BUDG Committee, notwithstanding the fact that the latter plays a central role in negotiations. The attention MEPs give to LRA concerns depends largely on their individual sensitivity to territorial needs, which can vary significantly among MEPs. Finally, one key institutional channel at the EU level in influencing the MFF has been the Committee of the Regions

(CoR). The CoR has played a crucial role in continuously monitoring relevant issues and raising awareness through its formal opinions. Despite the efforts and engagement through these channels, opinions gathered in the study indicate that the voice of LRAs remains insufficiently heard both within the MFF negotiation process and in the preparation and design of EU multiannual spending programmes.

Regarding the **Financial Regulation (FR),** the report highlights its crucial role—both directly and indirectly—in shaping how efficiently and effectively LRAs can utilise EU multiannual spending programmes, and consequently, implement EU policies. However, **the current FR lacks clear recognition and integration of the roles and responsibilities of LRAs**, as well as a more consistent reference to the principle of subsidiarity. Moreover, the FR needs to be strengthened in terms of simplification, efficiency, and flexibility, to reduce barriers for LRAs accessing and utilising EU multiannual spending programmes. More explicit provisions are also needed to enhance complementarity between Shared Managed Programmes (SMP), and between the latter and the Centrally Managed Programmes (CMP), and foster greater synergies, to allow LRAs to pursue a more extensive array of projects aligning with local and regional advancement objectives.

The report also investigates the role and level of LRA involvement in the design and implementation of **EU multiannual spending programmes** (either CMP - direct and indirect - or SMP). The report highlights a twofold situation:

- In **SMP, LRAs play a more pivotal and active role in both the design and implementation phases**, taking on responsibilities in fund governance and key roles in accessing and managing financial resources.
- **Concerning CMP (direct and indirect), their role is more challenging**. In these funds, LRAs primarily serve as implementers rather than strategists or decision-makers at the policy level. It is evident that, despite the high relevance of CMP to territorial needs, there is a significant lack of proper involvement of LRAs in the design phase, both at the EU and national levels. This is also true for the CMP implementation phase, where LRAs are involved to a marginal extent. Although there are delivery tools to facilitate their access to financing (for instance, through the National Contact Points – NCP – or information providers), these tools are designed for all types of beneficiaries and are not specifically tailored to support LRAs. Finally, in terms of involvement in governance, only some CMP include LRAs as part of the process.

Overall, **LRAs highlight the complexity of interpreting regulations and decisions,** which can change during the programming period, hindering their ability to access, manage and implement the EU budget effectively. Moreover, LRAs often have limited knowledge and in-house experience of the management and implementation mechanisms of CMP. For this reason, LRAs and stakeholders at the EU level stress the need for more structured dialogue, communication and coordination between the EU institutions and political actors at the local and regional levels in order to clarify the overall EU budgetary architecture and involve all administrative, technical and political actors from the local level in the process.

The report presents the **following recommendations** divided into short-term actions targeting the CoR, and medium-term actions focused on the broader EU institutional setting:

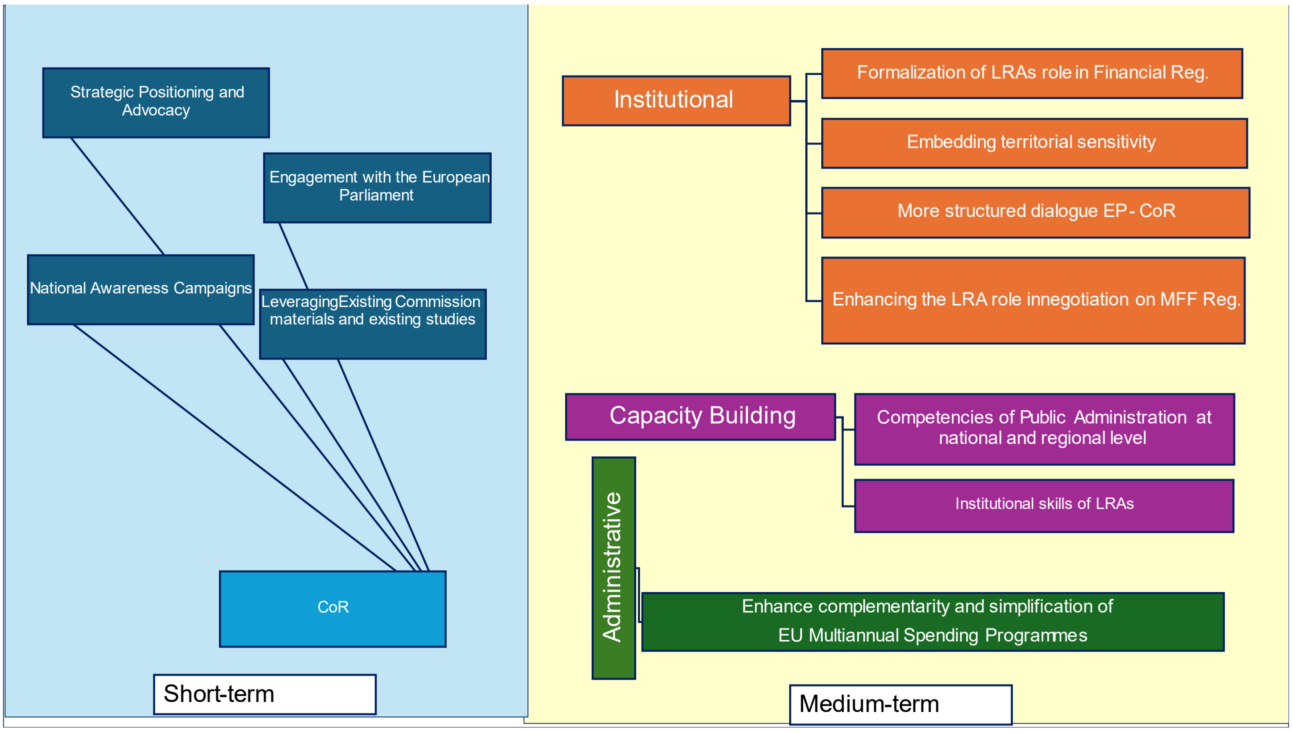
- In the short term, **the CoR should reinforce its strategic positioning** by maintaining a tactical approach to effectively represent LRAs, leveraging its EU institutional status. It should compile existing studies on the critical role of LRAs into a comprehensive document to substantiate a position paper for the new European Parliament. Enhanced engagement with the European Parliament is crucial, including organising seminars to inform MEPs about the significance of EU policies for their regions. National LRA associations should launch awareness campaigns, supported by the CoR, through events and the dissemination of existing EC materials.
- Medium-term recommendations include:

a) **Institutional recommendations** focus on formalising the role of LRAs within the EU's multilevel governance structure, operationalising the "Do No Harm to Cohesion" principle, and ensuring that the post-2027 FR recognises LRAs as institutional partners. This involves embedding territorial sensitivity into all EU policies, supported by regular evaluations and annual reports from the European Commission on the integration of partnerships, multilevel governance, and subsidiarity principles. Additionally, the recommendations include establishing structured dialogue mechanisms with the European Parliament, especially with the BUDG and REGI Committees and reinforcing the CoR's role as the gatekeeper of territorial dimensions.

b) **Administrative recommendations** to simplify procedures for stakeholders by limiting the number of multiannual spending programmes, establishing a unified legal framework, and enhancing complementarity between SMP and CMP.

c) **Capacity-building recommendations** advocate for consolidating and reinforcing existing schemes like Fi-compass and the REGIO Peer2Peer Communities, and creating new platforms to help LRAs navigate the EU budgetary architecture and decision-making processes.

Figure 1: Overview of the recommendations



INTRODUCTION

This study aims to understand:

• whether and how LRAs were considered in the preparation and negotiations on the Multiannual Financial Framework (MFF) 2021-27;

• to what extent the role of LRAs is addressed in the design and delivery mechanisms of the various EU multiannual spending programmes;

• which delivery mechanisms are specifically included to facilitate LRA access to EU multiannual spending programmes and to what degree place-based elements play a role in the delivery mechanisms of these;

• how LRAs assess/evaluate their access to EU multiannual funding programmes after 2 years of implementation of the MFF 2021-2027.

The final goal is to provide concrete recommendations to support the CoR's opinions to contribute to a better, more inclusive, place-based and 'place-aware' generation of EU multiannual spending programmes for the post-2027 MFF. The analysis is based on a literature review, assessment of regulations and regulatory documents, and findings from a questionnaire completed by 26 LRAs across the EU. Moreover, interviews with relevant stakeholders (such as the European Commission DGs, EU and national LRA associations, and MEPs) were conducted to supplement the collection of information and obtain further insights for developing the recommendations[1].

The report is structured as follows:

- **Chapter 1** presents the findings on whether LRAs have been able to influence the design and content of the **MFF 2021-2027 Regulation**.
- **Chapter 2** assesses to what extent the **EU Financial Regulation (FR)** is adapted to address LRA specificities, and whether LRAs are treated as a distinct type of potentially direct recipient of EU budget funding.
- **Chapter 3** presents a mapping of EU multiannual spending programmes. It highlights the main differences among them based on their management modalities. Moreover, the chapter, based on a sample of CMP regulations, presents the analysis of the role and level of involvement of LRAs in the design and implementation of these programmes.
- **Chapter 4** presents the results and findings from the questionnaire sent to LRAs, focusing on their experiences and the challenges faced in designing and implementing CMP.
- **Chapter 5** provides conclusions and recommendations.
- **Annexes** include:
  - a detailed analysis of relevant articles of the EU FR,
  - a mapping of the EU multiannual spending programmes,

[1] As the opinions expressed during the interviews are based on personal and different views of respondents, results from the interviews should be treated with caution.

- the questionnaire demographics,
- the questionnaire targeting LRAs,
- a list of the interviews,
- social media sharables and visuals,
- bibliography.

1 LRA CONCERNS AND VOICES IN THE MFF 2021-2027

First introduced in 1988 (initially called 'financial perspectives') to address crises in the annual budget procedure resulting from the frequent disagreement between the European Parliament and the Council, the MFF is the EU's financial planning tool providing an overview of its priorities from a budgetary perspective. Linked to the concept of budgetary discipline[2], its main objective is to ensure the orderly development of expenditure in line with EU priorities within the limits of the Union's resources.

The MFF serves as the foundation for financial planning and budgetary discipline within the EU, ensuring that spending remains predictable and within agreed limits. It provides stability in funding allocations, enabling the EU to implement common policies effectively over an extended period.

Since the entry into force of the Lisbon Treaty[3], the Multiannual Financial Framework (MFF) has been enshrined in a Council Regulation[4], which requires unanimity in the Council and the consent of the European Parliament. Before the Lisbon Treaty, the MFF was part of the Interinstitutional Agreement (IIA) on Budgetary Discipline[5], which functioned as a "gentleman's agreement" between the two branches of the budget authority (the European Parliament and the Council) and the European Commission. While the political significance of the MFF was undeniably strong, its legal status was, at least in theory, more fragile: each branch of the budget authority or the Commission could potentially revert to Treaty provisions and bypass the MFF.

The Lisbon Treaty elevated the MFF's status, embedding it in the EU's foundational legal framework and strengthening its political and legal authority. The IIA on budgetary matters, however, has not disappeared and continues to play a significant role within the EU budgetary framework. It complements the MFF Regulation in multiple areas and aims to facilitate the adoption of the annual budget by providing guidelines for cooperation and budgetary discipline (see section 1.2).

The MFF is organized into major categories of EU expenditure, known as 'headings.' Each heading has an annual ceiling for commitment appropriations, which sets the maximum amount the Union can commit to spending in legally

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[2] The EU acts likely to have significant budgetary implications must comply with the MFF, on the basis of Article 310(4) of the Treaty on the Functioning of the European Union (TFEU).

[3] See art. 312 of the Consolidated Version of the Treaty on the Functioning of the European Union.

[4] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

[5] Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources interinstitutional agreement of 16 December 2020.

binding terms. For the entire MFF, there is an overall annual ceiling for commitments, which is the sum of the ceilings across all headings. Additionally, there is an annual payment ceiling, which establishes the maximum amount authorized for actual disbursement in a given year. This payment ceiling applies to the MFF as a whole and is not broken down by individual headings. Since, by definition, a commitment does not translate into immediate payment and can lapses in some cases, the commitment ceiling is always higher than the payment ceiling.

The EU also sets **ceilings for its revenues**[6], establishing the maximum amount of resources the EU can request from Member States to finance its expenditures in the said period, expressed as a percentage of the EU's estimated Gross National Income (GNI) – i.e. the sum of all the Member States' GNI. There are two types of revenue ceilings: own resources ceiling to cover the annual appropriations for commitments (1.46% of EU GNI for the period 2021-2027 up from 1.29% in 2014-2020); and own resources ceiling to cover annual appropriations for payments (1.40% of EU GNI for the period 2021-2027 up from 1.23% in 2014-2020).

The difference between the maximum amount of funds that the EU can request from Member States to cover its financial obligations (own resources ceiling) and the maximum amount of funds that can be spent in a given year (payment ceiling), creates a safety margin or **'headroom**,' ensuring the EU can always meet its financial obligations, even in economic downturns.

Moreover, the difference between the (annual) commitment ceiling set by the MFF (overall and per heading) and the level of commitments per heading agreed upon in the annual budgetary procedure is defined as the **unallocated margin** (or the margin for unforeseen events). This can be used and mobilised by amending budgets to cater for needs not foreseen when the annual budget was originally adopted. Moreover, if the budget authority agrees and under very specific circumstances linked to some targeted needs, other ad hoc instruments can be mobilized. The characteristics and the modalities for the mobilisation of these ad hoc instruments - which have been multiplied over the years - are set out in detail in the MFF Regulation and in the IIA.

The MFF is distinct from the annual EU budget. The annual budget, decided jointly by the European Parliament and the Council (by qualified majority), must fully adhere to the MFF Regulation and its provisions. The MFF establishes the financial framework and spending ceilings for a multi-year period, the annual budgets must align with these ceilings, staying within the yearly limits set by the MFF.

[6] See here.

The **agreement on the 2021-2027 MFF** followed a lengthy and challenging negotiation process, significantly influenced by the COVID-19 pandemic, which dramatically shifted the EU's policy priorities.

1.1 2021-2027 MFF overview

This section highlights the key figures of the MFF and explains the principles underpinning its creation and functioning.

1.1.1 The MFF 2021-2027 in key figures

The current MFF[7] covers the seven years from 2021 to 2027 and is divided into seven 'Headings' corresponding to different areas of EU activities:

- 1. Single Market, Innovation and Digital;
- 2. Cohesion, Resilience and Values;
- 3. Natural Resources and Environment;
- 4. Migration and Border Management;
- 5. Security and Defence;
- 6. Neighbourhood and the World;
- 7. European Public Administration.

The 2021–2027 programming period is based on a package worth EUR 1.824 billion at 2018 prices[8], consisting of the EU's MFF budget (long-term budget) for 2021-2027 amounting to EUR 1.074 billion (2018 prices) and EUR 750 billion (2018 prices) through NGEU, a crisis response instrument to enhance recovery from the COVID-19 emergency. The centrepiece of NGEU is the Recovery and Resilience Facility (RRF) accounting for EUR 672.5 billion (2018 prices) for providing grants and loans to support reforms and investments in EU Member States.

As part of the adoption of the 2021-2027 MFF and the recovery package, the Council adopted Decision (2020/2053) on the European Union's own resources system in December 2020. This decision increased the maximum amount of resources that can be requested from EU countries to finance EU expenditure—the own-resources ceiling—from 1.20% of the EU-27 GNI to 1.40% for payments and to 1.46% for commitments, as specified in the introductory part of this chapter.

The Decision also authorizes the European Commission, on an exceptional basis, to temporarily borrow up to EUR 750 billion (at 2018 prices) on capital markets to finance NextGenerationEU (NGEU), the EU's political and budgetary response

[7] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027

[8] The 2018 prices are the reference prices (constant prices) used in the MFF 2021-2027.

to the economic and social impacts of the COVID-19 outbreak. To support this borrowing, the own resources ceilings for commitments and payments have been temporarily raised by 0.6 percentage points (to 2.00%). This adjustment specifically covers all obligations related to the EU's one-time borrowing, including the repayment of principal and interest on the borrowed funds.

The repayment period spans 30 years, from 2027 to 2058, with interest payments already underway. These interest payments are partly covered within the agreed MFF payment ceiling and partly drawn from the "headroom"—the difference between the MFF payment ceiling and the own resources ceiling—according to the arrangement for 2021-2027, reaffirmed during the 2024 midterm revision. However, the approach for the post-2027 period remains undecided, making this a key topic for upcoming political negotiations on the MFF post-2027.

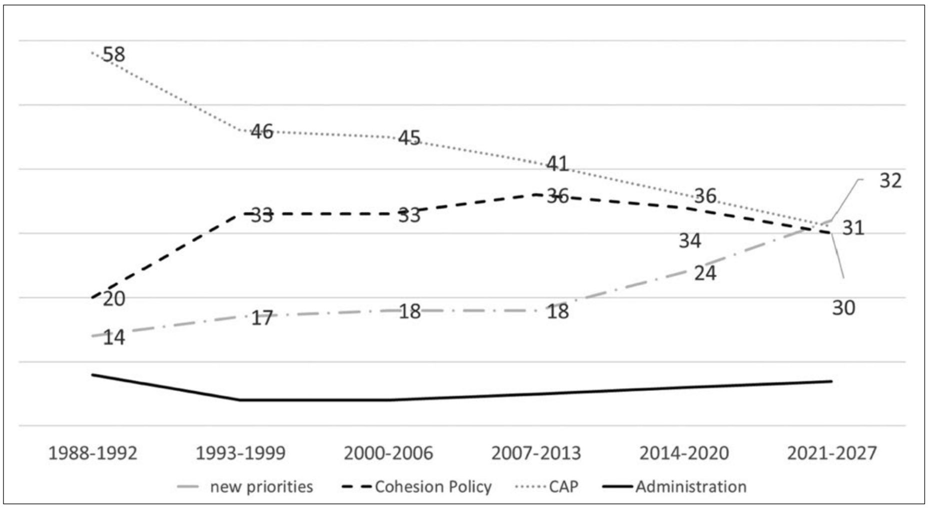
Moreover, to respond to unforeseen political priorities at the time of the MFF 2021-2027 agreement in December 2020, new EU multiannual spending programmes were agreed upon by the co-legislators. Some of them (notably the Ukraine Facility) have been included in the MFF midterm revision agreed upon in 2024, others have been agreed on the basis of ad-hoc financing solutions. Notable examples include:

- the Ukraine Facility, the EU’s EUR 50 billion financial assistance programme for Ukraine aims to support the state budget, stimulate investment, and provide technical assistance in the implementation of the programme;
- the EUR 86.7 billion Social Climate Fund (to enter into force as of 1 January 2026) directly targets the most vulnerable groups, such as households, in energy and transport poverty, and supports structural measures and investments in zero- and low-emission mobility solutions. It will be financed mainly from an increase of the Emissions Trading System (ETS) revenues stemming from its expansion to the transport and building sectors, additional resources will come from the unallocated margin, left under the commitment ceiling;
- the EUR 6 billion Reform and Growth Facility for the Western Balkans supports the alignment of Western Balkan partners with the EU’s, laws, rules, standards, policies and practices, with a view to future EU membership.

Moreover, the resources allocated by the 2021-2027 MFF and NGEU place stronger emphasis on fighting climate change, with at least 30% of the EU budget dedicated to this goal. For the EU’s digital transformation, 20% of the Recovery and Resilience Plans are earmarked for this purpose. Additionally, by 2026 and 2027, the EU aims to allocate 10% of annual spending under the MFF to halting and reversing biodiversity loss, supporting the EU’s climate change mitigation and greening objectives.

Overall, compared to previous programming periods (Figures 1.1, 1.2 and 1.3), the new MFF allocates a **higher share of the budget to reinforced priorities**, such as research, education, and border protection.

Figure 1.1: Evolution of MFF expenditure headings from 1988 to 2027 (in percentages of total resources allocated).



Source: Kölling M. and Hernández-Moreno J. (2023), The Multiannual financial framework 2021–2027 and Next Generation EU - A turning point of EU multi-level governance?, p.7, Journal of Contemporary European Studies.

Figure 1.2: 2014-2020 MFF and 2021-2027 MFF (including NGEU) comparison, by Heading, (EUR billion committed, 2018 prices).

EUR billions in 2018 prices	2014-20 (EU-27) MFF	Commission 2020 May MFF	Commission 2020 May NGEU	Council (& EP) 2020 December MFF	Council (& EP) 2020 December NGEU
H.1: Single Market, Innovation and Digital	**116.3**	**140.7**	**69.8**	**132.8**	**10.6**
1. Research and Innovation	70.6	87.7	13.5	83.2	5.0
2. European Strategic Investments	27.8	30.8	56.3	29.4	5.6
3. Single Market (anti-fraud, customs coop., etc.)	8.1	5.8		5.9	
4. Space	12.3	13.4		13.4	
H.2: Cohesion and Values (Council: incl. 14. in 6. and H.2)	**388.5**	**374.5**	**610.0**	**377.8**	**721.9**
5. Regional Development and Cohesion	273.6	237.7	50.0	243.1	47.5
6. Recovery & Resilience (MFF: incl. interest on NGEU)	0.1	18.2	560.0	18.6	674.4
o/w: loans of the Recovery & Resilience Facility			*250.0*		*360.0*
7. Social Cohesion & Values (2014-20: incl.14.-Health)	116.3	116.4		115.8	
H.3: Natural Resources and Environment	**399.6**	**357.0**	**45.0**	**356.4**	**17.5**
8. Agriculture and Maritime Policy	394.5	340.2	15.0	342.9	7.5
o/w: Market related expenditure and direct payments	*291.5*	*258.3*		*258.6*	
9. Environment and Climate Action	4.5	15.3	30.0	12.8	10.0
H.4: Migration and Border Management	**8.9**	**31.1**	**0.0**	**22.7**	**0.0**
10. Migration (incl.Asylum-Migration-Integration Fund)	7.5	12.1		9.8	
11. Border Management (incl. Frontex)	5.6	17.7		12.7	
H.5: Security & Defence	**3.1**	**19.4**	**9.7**	**13.2**	**0.0**
12. Security (Internal; Nuclear Safety)(14-20: incl.14.-CP)	7.8	4.6		4.1	
13. Defence	0.6	9.5		8.5	
14. Resilience (Health+Civil Prot.)(14-20: H.in 7.,CP in 12.)	(1.5 + 0.9)	4.3	9.7	(4.8 in 6.)	(1.9 in 6.)
H.6: Neighbourhood and the World	**96.1**	**102.7**	**15.5**	**98.4**	**0.0**
15. External Action (incl. Development, Humanit. Aid)	86.9	89.2	15.5	85.2	0.0
16. Pre-accession assistance	13.2	12.9		12.6	
H.7: EU Public Administration (incl.Schools, Pensions)	**70.8**	**74.6**	**0.0**	**73.1**	**0.0**
Total commitment appropriations	**1083.3**	**1100.0**	**750.0**	**1074.3**	**750.0**
Total payment appropriations		**1103.5**	**750.0**	**1061.1**	**750.0**

Source: Reininger T. (2021), The EU Budgetary Package 2021 to 2027 Almost Finalised: An Assessment, p.44, WIIW, Policy Notes and Reports 45

Figure 1.3: 2014-2020 MFF and 2021-2027 MFF (including NGEU) comparison, by Heading, (shares over total)

% shares in total commitments in 2018 prices	2014-20 (EU-27) MFF	Commission 2020 May MFF	Commission 2020 May NGEU	Council (& EP) 2020 December MFF	Council (& EP) 2020 December NGEU
H.1: Single Market, Innovation and Digital	**10.7**	**12.8**	**9.3**	**12.4**	**1.4**
1. Research and Innovation	6.5	8.0	1.8	7.7	0.7
2. European Strategic Investments	2.6	2.8	7.5	2.7	0.7
3. Single Market (anti-fraud, customs coop., etc.)	0.8	0.5		0.5	
4. Space	1.1	1.2		1.3	
H.2: Cohesion and Values (Council: incl. 14. in 6. and H.2)	**35.9**	**34.0**	**81.3**	**35.2**	**96.3**
5. Regional Development and Cohesion	25.3	21.6	6.7	22.6	6.3
6. Recovery & Resilience (MFF: incl. interest on NGEU)	0.01	1.7	74.7	1.7	89.9
o/w: loans of the Recovery & Resilience Facility			*33.3*		*48.0*
7. Social Cohesion & Values (2014-20: incl.14.-Health)	10.7	10.6		10.8	0.0
H.3: Natural Resources and Environment	**36.9**	**32.5**	**6.0**	**33.2**	**2.3**
8. Agriculture and Maritime Policy	36.4	30.9	2.0	31.9	1.0
o/w: Market related expenditure and direct payments	*26.9*	*23.5*		*24.1*	
9. Environment and Climate Action	0.4	1.4	4.0	1.2	1.3
H.4: Migration and Border Management	**0.8**	**2.8**	**0.0**	**2.1**	**0.0**
10. Migration (incl.Asylum-Migration-Integration Fund)	0.7	1.1		0.9	
11. Border Management (incl. Frontex)	0.5	1.6		1.2	
H.5: Security & Defence	**0.3**	**1.8**	**1.3**	**1.2**	**0.0**
12. Security (Internal; Nuclear Safety)(14-20: incl.14.-CP)	0.7	0.4		0.4	
13. Defence	0.1	0.9		0.8	
14. Resilience (Health+Civil Prot.)(14-20: H.in 7.,CP in 12.)	(0.14+0.08)	0.4	1.3	(0.4 in 6.)	(0.25 in 6.)
H.6: Neighbourhood and the World	**8.9**	**9.3**	**2.1**	**9.2**	**0.0**
15. External Action (incl. Development, Humanit. Aid)	8.0	8.1	2.1	7.9	0.0
16. Pre-accession assistance	1.2	1.2		1.2	
H.7: EU Public Administration (incl.Schools, Pensions)	**6.5**	**6.8**	**0.0**	**6.8**	**0.0**
Total commitment appropriations	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total payment appropriations		**100.3**	**100.0**	**98.8**	**100.0**

Source: Reininger T. (2021), The EU Budgetary Package 2021 to 2027 Almost Finalised: An Assessment, p.45, WIIW, Policy Notes and Reports 45

1.1.2 The MFF and the horizontal principles

This section focuses on the horizontal principles of the 2021-2027 MFF that can significantly impact the operations and funding of LRAs across the EU. Indeed, several horizontal principles explicitly included in the EU legislative framework have an impact of the design and delivery of the EU Budget (see the box below).

Box 1.1: MFF horizontal principles affecting operations and funding of LRAs and related main legislative acts*

Principle	Explanation	Legislative Act
Subsidiarity and Proportionality	Ensures decisions are made at the most appropriate level and actions are proportionate to objectives.	Treaty on the Functioning of the European Union (TFEU), Article 5(3) and 5(4); Protocol on Subsidiarity and Proportionality; Regulation (EU, Euratom) 2024/2509, articles 41, 63, and 157)
Rule of Law	Access to EU funds is conditional on respect for the rule of law, ensuring budgetary protection.	Regulation (EU, Euratom) 2020/2092
Do No Significant Harm (DNSH)	Ensures that EU-funded activities do not cause significant harm to environmental objectives.	European Climate Law (Regulation (EU) 2021/1119); EU Taxonomy Regulation (Regulation (EU) 2020/852); Regulation (EU, Euratom) 2024/2509, article 33)
Climate and Biodiversity	At least 30% of the EU budget is allocated to climate-related objectives, supporting biodiversity goals.	European Climate Law (Regulation (EU) 2021/1119) Regulation (EU, Euratom) 2024/2509, points 24 and 25; Interinstitutional Agreement (16 December 2020), point 16(d).
Performance-Based Budgeting	Focuses on fund performance, efficiency, and effectiveness, tying payments to the achievement of pre-agreed milestones and targets. This principle enhances budgetary management and ensures spending aligns with policy priorities, particularly in climate, biodiversity, and gender equality.	Communication (COM(2021) 366 final) 'On the Performance Framework for the EU Budget under the 2021-2027 MFF'. Many EU multiannual spending programmes include various performance based indicators[9].

[9] The performance principle has been embedded in the implementation of several EU programmes and funds. For example, payments under the National Recovery and Resilience Plans (NRRPs) are triggered by achieving targets and milestones linked to predefined indicators (see Article 2(4) of Regulation (EU) 241/2021). Similarly, Cohesion Policy has established its own performance framework, based on a set of common indicators and evaluation procedures (see Chapter II on Enabling Conditions and Performance Framework of Regulation (EU) 2021/1060).

Gender Equality	Promotes gender mainstreaming and ensures social inclusion across EU budgetary procedures.	Financial Regulation (Regulation (EU, Euratom) 2024/2509); Regulation (EU, Euratom) 2024/2509, point 24 and article 33; Interinstitutional Agreement (16 December 2020), point 16(f).
'Do No Harm to EU Cohesion' principle	The principle establishes that no action should be taken that might hamper the social and economic convergence of EU regions, or that could contribute to regional disparities.	No legal act, but first mentioned in the 8th Cohesion Report in February 2022

Source: own elaboration

The principles of **proportionality** and **subsidiarity** are explored in detail in another part of the report (section 1.3). This section focuses on other horizontal principles and their implications for LRAs. These include the rule of law, climate and environmental considerations, performance-based budgeting, gender equality tracking, and the yet to be operationalised 'Do No Harm to EU Cohesion' (DNHC) principle.

Rule of law

In December 2020, Regulation 2020/2092[10] was approved, establishing the general regime of conditionality for the protection of the EU budget, which came into force on January 1, 2021. This regulation introduced a horizontal 'conditionality mechanism' that links Member States' access to EU funds to their adherence to the principles of the rule of law. The Regulation is the result of a legislative agreement between the European Council and the European Parliament in November 2020. However, it faced opposition from the governments of Hungary, Poland, and Slovenia. In response to their concerns, the European Council provided detailed guidelines on December 10-11, 2020, regarding the application of the regulation[11]. Firstly, the subsidiary nature of the regulation was emphasized, meaning it will only be applied when no other measures can achieve the same effect. Secondly, the objective of safeguarding the EU's financial interests was reinforced, specifying that any measures taken under this mechanism must be proportionate to the impact of the breach of the rule of law on the sound financial management of the EU budget or its financial interests. Finally, it was stipulated that there must be a 'sufficiently direct' causal link between the breach and the negative consequences for the EU's financial interests.

Do No Significant Harm (DNSH)

[10] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget.
[11] Kölling M. (2022), *The new conditionality mechanism for the protection of the EU budget: does the CJEU judgement give the all-clear?*, Elcano Royal Institute, ARI 21/2022.

To align further with the EU's climate targets, both national and local authorities must comply with the DNSH principle. This principle ensures that the projects/operations financed under the EU multiannual spending programmes including the RRF, do not cause significant harm to the environment. Inspired by the Taxonomy Regulation, this principle must be met ex-ante by the managing authorities' operational programs. The DNSH principle has transformed the 'green oath' in the European Green Deal into a reality, enforcing it in multiple EU multiannual spending programmes[12]. This has led to innovative applications of the principle, helping prevent funds from supporting environmentally harmful measures and accelerating the green transition.

Climate and biodiversity

More broadly, for climate and biodiversity**,** the European Commission implemented a tracking methodology under the 2014-2020 MFF, primarily based on the intent of the financed actions—whether they were designed to help achieve overarching objectives or were expected to make a significantly positive contribution. For the 2021-2027 MFF, this tracking methodology has evolved to consider not only the intent but also the expected effects. This has led to the adoption of EU climate coefficients, building on the three-tier system from the OECD Rio markers used in the previous programming period[13], and further strengthened by the classification of actions based on their expected climate effects across the EU budget. The enhanced tracking methodology is also applied to the RRF.

Performance-Based Budgeting

Since 2015, with the initiative titled 'The EU Budget Focused on Results' the European Commission has sought to shift the spending culture by making results a horizontal priority across the EU budget. This initiative emphasizes the importance of fund performance, efficiency, and effectiveness, giving these aspects as much attention as absorption and compliance with financial rules. The actions outlined in the initiative are grounded in the concept of performance-based budgeting, where payments are tied to the achievement of pre-agreed milestones and targets. This approach is seen not only to improve budgetary management but also as a means to enhance the performance orientation of other areas of public policy. In its June 2021 communication titled 'On the Performance Framework for the EU Budget under the 2021-2027 MFF' (COM(2021) 366 final), the European Commission further emphasised the importance of prioritising performance in budget implementation. It also highlighted the need for collaboration between national and regional authorities and the European Commission in jointly implemented spending programmes, to set relevant targets

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[12] JRC (2023), *The implementation of the 'Do No Significant Harm' principle in selected EU instruments – A comparative analysis.*

[13] The OECD Rio marker system assigns a marker to each project depending on whether that project is financed because of climate considerations – principal relevance / 100% – whether it is financed for other reasons but makes a significant, positive contribution – significant relevance / 40% – or not – no relevance / 0%.

at national and regional levels. Performance-based budgeting requires a robust system to measure the contributions of various EU multiannual spending programmes to overarching policy priorities[14]. This has become particularly crucial in the 2021-2027 programming period, where tracking expenditure is fundamental to achieving crosscutting policy goals, especially in areas such as climate, biodiversity, and gender equality.

Gender equality.

The European Commission introduced a scoring-based methodology under the 2021-2027 MFF[15]. This system was first applied across all spending programmes for the financial year 2021, in the context of the 2023 draft budget. The methodology remained unchanged for the financial years 2022 and 2023. Notably, in 2023, the total EU budget expenditure on projects receiving gender scores of 2 and 1 increased significantly compared to the amounts reported for 2021 and 2022[16]. Additionally, for the post-2027 MFF, co-legislators have agreed to include a requirement in the FR to ensure that all data collected on performance indicators of financial programs will be gender-disaggregated where appropriate. This aims to ensure that future ex-ante impact assessments of relevant spending programs duly consider gender equality from the outset.

'Do No Harm to EU Cohesion' (DNHC) principle

Finally, there is also a more recent debate concerning the 'Do No Harm to EU Cohesion' (DNHC) principle[17]. It was introduced by the European Commission in its 8th Cohesion Report in February 2022[18] to mainstream and further develop the principle that no action should be taken within EU policy-making that might hamper the social and economic convergence of EU regions, or that could contribute to regional disparities. Compared to the other principles, the DNHC principle has not received any concrete operationalisation yet.

1.2 The main steps of the negotiation process

The MFF regulation was approved on 17 December 2020 ending a three-year negotiation process. The decision-making process for the 2021-2027 MFF started in January 2018 and included five main phases as shown in the following figure[19].

[14] Communication from the Commission to the European Parliament and the Council on the Performance Framework for the EU Budget under the 2021-2027 MFF, COM(2021) 366 final.

[15] Score 2: interventions the principal objective of which is to improve gender equality; Score 1: interventions having gender equality as an important and deliberate objective (but not as the main reason for the intervention; Score 0*: interventions having the potential to contribute to gender equality; Score 0: interventions not having a significant bearing on gender equality. See here.

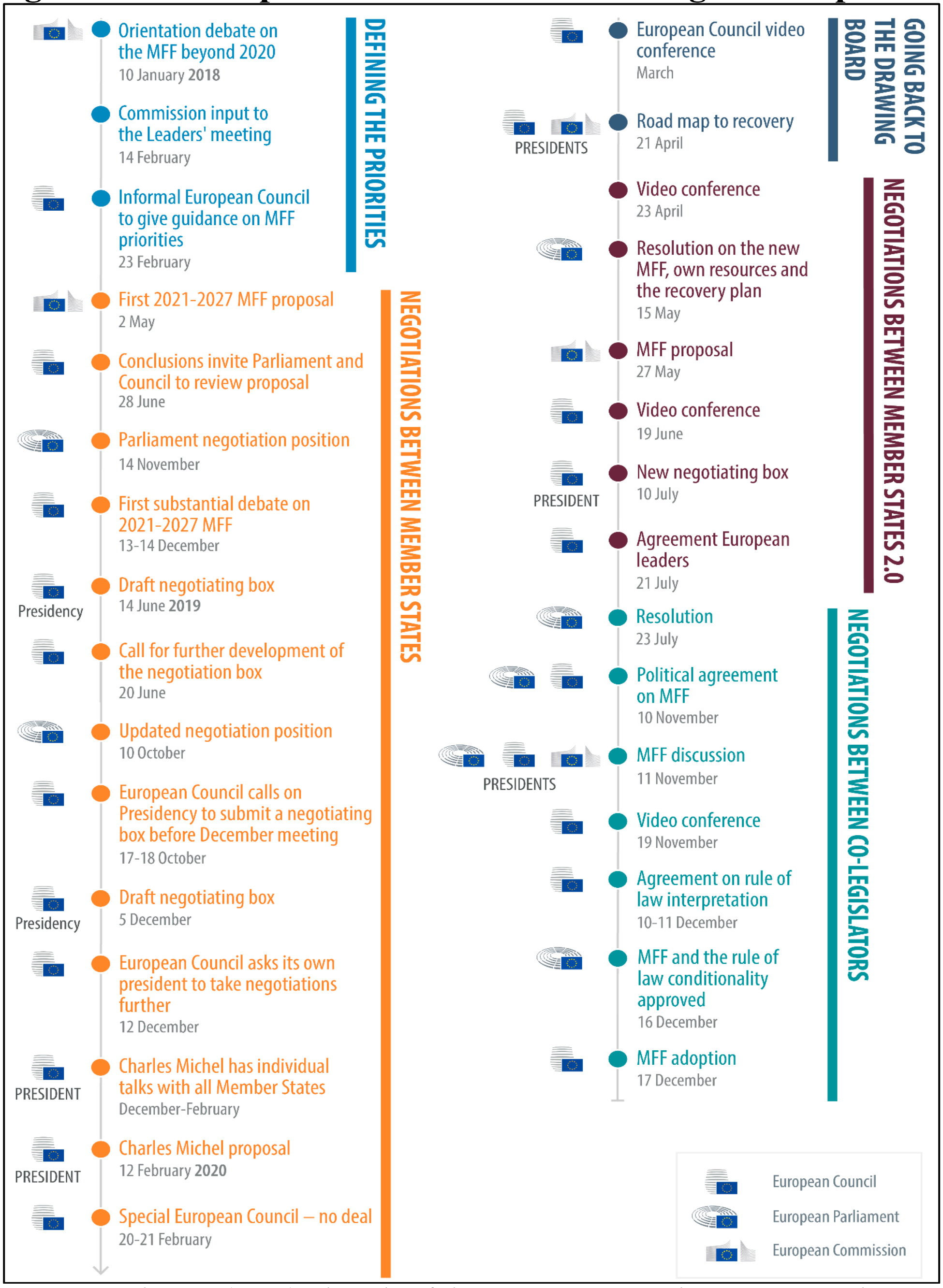
[16] Data available here.

[17] European Parliament (2023), *'Do no harm to EU cohesion' principle*, European Parliamentary Research Service.

[18] European Commission (2022), *Eighth report on economic, social and territorial cohesion.*

[19] European Parliament (2021), *The role of the European Council in negotiating the 2021-27 MFF - Continuity and change in the politics of the EU's latest seven-year financial settlement*, European Parliamentary Research Service.

Figure 1.4: Main phases of the of the MFF negotiation process



Source: European Parliament (2021), The role of the European Council in negotiating the 2021-27 MFF - Continuity and change in the politics of the EU's latest seven-year financial settlement, p.3.

• **Phase 1 - Defining the priorities** (between January and February 2018) was primarily driven by the European Commission and culminated in the publication of its proposal for the MFF regulation in May 2018. An important step during this phase was the European Council of February 2018, where EU leaders discussed the political priorities to be addressed by the 2021-2027 MFF, the overall level of expenditure, and the timetable for the negotiations.

• **Phase 2 - Negotiations between Member States and within institutions** (between May 2018 and February 2020) involved seeking an agreed position between the European Parliament and the Council concerning the European

Commission’s MFF May 2018 proposal. This phase also included negotiations among Member States. The European Parliament was active during this time, adopting an interim report in November 2018[20].

• **Phase 3 - Going back to the drawing board** (between March and April 2020) was influenced by the onset of the pandemic, which reshaped the EU policy priorities. The European Commission announced an updated MFF proposal, including a stimulus package for recovery (NGEU).

• **Phase 4 – Negotiations 2.0 between Member States (**between April and July 2020), resumed due to the new MFF proposal, with discussions between EU Heads of State or Government. The European Council reached a political agreement in July 2020, encompassing a 2021-2027 MFF amounting to EUR 1.074 billion (2018 prices) and an NGEU that maintained the amount of EUR 750 billion (2018 prices) proposed by the European Commission, thereby totalling EUR 1.824 billion.

• **Phase 5 - Negotiations between the 2 arms of the budgetary authority** (between July and December 2020) mainly included negotiations between the European Parliament and the Council. On 5 November 2020, a provisional agreement was reached on the rule-of-law budget conditionality, followed by a political agreement on the MFF on 10 November 2020.

It is worth noting that throughout the negotiation process, the Council utilised the ‘**negotiation box**’ as a key tool to structure and facilitate discussions on the MFF[21]. The negotiation box is essentially a document that outlines the key elements and issues requiring political guidance and decision-making by EU Member State leaders i.e. the European Council. These elements go beyond the budgetary allocation for each and every single multiannual programme. As explained further down (section 1.4.2), the negotiation box includes some detailed policy recommendations on the multiannual programmes, their objective, their design and their delivery mode. It actually acts as a framework for organising the complex topics under negotiation. As negotiations progressed, the contents of the negotiation box were regularly discussed and updated to reflect the evolving positions and compromises of the Member States, helping the European Council refine its stance and move closer to a consensus on the MFF. Once EU leaders have reached an agreement on "the negotiating box", it constitutes de facto a political mandate enabling the sectoral formations of the Council to reach a common position and to start negotiating with the EP on the different multiannual programmes.

[20] Interim report on the Multiannual Financial Framework 2021-2027 – Parliament's position with a view to an agreement European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement.

[21] Council of the European Union (2019), Council Multiannual Financial Framework (MFF) 2021-2027: Negotiating Box with figures, 5 December.

The MFF decision-making process follows therefore a comprehensive, complex and intricate procedure. Any revision of the MFF follows the same process involving extensive and cumbersome negotiations that may take several months. This was evident in the 2023-2024 mid-term revision of the 2021-2027 MFF, where negotiations extended over several months. By nature, the negotiations on the MFF are not routine discussions, as they are politically charged, requiring a deep level of consensus among the institutions (unanimity in the Council, consent of the EP at absolute majority of its component members).

Since the Lisbon Treaty the main leverage for negotiation of the European Parliament, has actually been the Interinstitutional Agreement (IIA) on Budgetary Discipline. As a matter of fact, the IIA since its inception in the 1980s is an instrument to ensure budgetary discipline, transparency, and cooperation between the 2 arms of the budget authority and mainly focuses on the annual EU budgetary process. The procedures outlined in the IIA complement the provisions for consultations and collaboration during the budgetary cycle, described in Article 314 of the TFEU. It includes provisions to facilitate the annual budgetary procedure, and, notably, it foresees the holding of regular meetings and the exchange of information between the institutions to ensure the smooth adoption of the annual budget. Regular cooperation as framed in the IIA is vital for a smooth adoption of the annual budgets and amending budgets.

But the IIA, and this is particularly true for the IIA concerning the 2021-2027 period, goes further. the IIA for the 2021-2027 programming period[22] consists of four parts[23]. Part I contains complementary details regarding the 2021-2027 MFF, including the mobilisation procedures of special instruments/ad-hoc instruments for the provision of additional funds over and above the MFF ceilings. In other words, these provisions aim to make the MFF more flexible/agile to respond to new priorities and unforeseen circumstances without having to revise the MFF regulation which is a long and cumbersome process. Part II aims to improve cooperation between the European Parliament, the Council and the European Commission in relation to budgetary matters (e.g. revision to the current MFF, budgetary transparency, annual budgetary procedure). Part III deals with the sound financial management of EU multiannual spending programmes, including the detailed financial programming for the MFF to be submitted by the European Commission to the Council and the European Parliament twice a year, and the cooperation procedures applicable for the creation or modification of European decentralised agencies[24]. Part IV covers the agreement to introduce

[22] Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources of 16 December 2020.

[23] See here.

[24] European decentralised agencies are independent bodies established by the EU to perform specific technical, scientific, or managerial tasks that support EU policies, with examples including Frontex (European Border and

standardised measures for collecting, comparing and aggregating data on the beneficiaries and final recipients of EU multiannual spending programmes. This serves to enhance the control and audit processes to protect the EU budget and the EU Recovery Instrument against fraud and irregularities. Finally, Annex II establishes principles for interinstitutional cooperation aimed at introducing new own resources to cover the anticipated costs of repaying NextGenerationEU.

The interinstitutional cooperation between the European Parliament, the Council, and the European Commission is fundamental to both the annual budgetary process and the MFF. However, these two processes differ significantly in scope and complexity, for at least 2 reasons. First, EU annual budgets must comply with the MFF as explicitly requested by art 312.1 TFEU as introduced by the Lisbon Treaty. Second, the decision making process of the annual budgetary procedure as set out in art 314 TFEU (the annual budgetary procedure was profoundly overhauled by the Lisbon Treaty) is based on a constant dialogue of the two arms of the budget authority – which are more or less on equal footing. On the contrary, the decision making process of the MFF has demonstrated a strong institutional imbalance to the benefit of the Council[25].

A key aspect of the MFF implementation is **budgetary transparency**, which is supported by the European Commission through the preparation of an annual report accompanying the Union's general budget. This report consolidates non-confidential information on the EU's assets and liabilities, borrowing and lending operations, and expenditures related to various mechanisms, such as the European Development Fund and the European Stability Mechanism. It also tracks , among other things, expenditure on climate and biodiversity, ensuring that spending aligns with EU targets, including the commitment to allocate at least 30% of the Union budget to climate objectives and to progressively increase biodiversity spending.

Finally, each legislative act of a multiannual spending programme, adopted in accordance with the ordinary legislative procedure, shall contain a provision in which the legislator establishes the financial envelope for the programme. This amount shall constitute the **prime reference amount** for the European Parliament and Council during the annual budgetary procedure. When drawing up the draft budget, the European Parliament and the Council, and the European Commission, undertake not to depart by more than 15% from this amount for the entire duration of the programme concerned, unless new, objective, long-term circumstances arise that are accompanied by explicit and precise justifications, taking into

Coast Guard Agency), Europol (European Union Agency for Law Enforcement Cooperation), ESFA (European Food Safety Authority), and ECHA (European Chemicals Agency). These agencies are distinct from executive agencies, which are directly tasked with implementing specific EU programs and are created for a limited duration to manage certain funding and operational aspects of these programs on behalf of the European Commission. Executive agencies focus on program administration, while decentralised agencies provide specialized expertise and support across a wide range of EU policy areas.

[25] European Parliament, (2024), *The History of the EU Budget*, May.

account the results obtained from implementing the programme, based on assessments. Any increase resulting from such variations shall remain below the existing ceiling for the heading concerned[26].

1.3 Involvement of LRAs in the design of the MFF

The influence of LRAs on the preparation of the MFF takes two main forms. The first is a more institutionalised approach, with the CoR engaged in activities throughout 2019 and 2020 to influence the negotiations, primarily through political contacts with the European Parliament [27]. The second approach involves actions taken by individual LRAs, either through their national governance frameworks or by directly lobbying in Brussels. The following sections provide an overview of both approaches.

1.3.1 Overall approach of the CoR

This section outlines the CoR's role, primarily through official documents. It provides an overview of the CoR's political positions and highlights its main achievements in influencing the MFF negotiations.
The CoR primarily uses its **opinions to shape positions on the MFF** and to promote institutional debate on the framework. These opinions serve as key tools for catalysing discussions and influencing the direction of the MFF negotiations. Since its opinion of October 2018[28], the CoR has raised significant concerns about the new MFF:

- A key point was that the **financing of additional priorities was to be at the expense of existing EU policies with proven EU-added value**, such as the Cohesion Policy or the Common Agricultural Policy (CAP) and the rural development policy. In the CoR's view, further strengthening CMP at the expense of SMP by the European Commission and Member States, could reduce transparency in the implementation of EU policies at the local and regional levels. Moreover, cuts to the Cohesion Policy could disproportionately affect less developed regions and those facing serious structural and demographic challenges, further widening the disparities between Europe's regions.

[26] See 'B. Incorporation of Financial Provisions in Legislative Acts' (18), in 'Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources', 16 December 2020.
[27] European Committee of the Regions (2021), *Report on the Impact of CoR Opinions*, 205th Meeting of the Bureau of the European Committee of the Regions, 29th June 2021.
[28] Opinion of the European Committee of the Regions — The Multiannual Financial Framework package for the years 2021-2027, 2018/C 461/10.

- Additional issues **regarded the MFF as not being sufficiently ambitious**. On this point, the CoR reiterated that the MFF should be set at no less than 1.3 % of GNI. Moreover, while the CoR welcomed the results-focused approach of the newly proposed MFF structure, which sought to address the needs on the ground, it opposed the removal of the common heading for economic, social and territorial cohesion. This was perceived as a way to further weaken the position of the Cohesion Policy within the MFF and pave the way for a possible separation of the European Social Fund (ESF)+ from the Cohesion Policy. Such a separation would further reduce the synergies and the links between various funding sources, which are of particular importance for LRAs.
- The CoR also pointed out that the planned **objective to use 25% of the EU budget to achieve climate change goals, was insufficient to meet the objectives of the Paris Agreement.**
- Finally, it **opposed introducing the n+2 rule** instead of n+3 as this could undermine the absorption of funds.

The European Parliament finalised its position in April 2019, before the end of its mandate, **showing strong alignment with the recommendations of the CoR**[29]. However, as the Council was focused on streamlining the Negotiating Box and on finding compromises among the Member States on key horizontal elements, no other institutions or consultative bodies were allowed to participate in the negotiations. Despite this, the CoR, continued to advocate for its core messages and recommendations in view of the ongoing negotiations on sectoral legislative files, by adopting a new **resolution in October 2019**[30]. In addition to stressing the recommendations set out in the opinion of October 2018, **the CoR called for the European Agricultural Fund for Rural Development (EAFRD) to be reintroduced into the CPR**. The separation of rural development from the CPR was likely to complicate efforts to coordinate interventions in rural areas at both strategic and operational levels. Moreover, the regional role of the ESF had been almost entirely overlooked in the budget proposals and the spending review. These changes were proposed despite the greater emphasis on synergies and integrated development and may complicate the coordination of investments between the European Regional Development Fund (ERDF), the ESF and the EAFRD. In a **new resolution in July 2020**[31], the CoR welcomed the additional support provided by NGEU but continued to express its concerns about the cuts to the MFF budget and the separation of the EAFRD from the CPR.

[29] European Committee of the Regions (2020), *CoR Activities in 2019 - Report on the Impact of CoR Opinions*.
[30] Resolution of the European Committee of the Regions — Developments in the interinstitutional negotiations on the Multiannual Financial Framework for 2021-2027, 2020/C 39/01.
[31] Resolution of the European Committee of the Regions — Revised Multiannual Financial Framework and European Sustainable Investment Plan, 2020/C 324/01.

Following the MFF negotiations, the CoR successfully advocated for several key outcomes that benefited LRAs. It also achieved significant successes related to CMP[32]:

- **InvestEU:** Reference to territorial cohesion was strengthened, and a CoR-appointed expert was included in the advisory board.
- **EU4Health:** The CoR's advocacy for a robust health budget resulted in a final envelope significantly larger than that initially proposed by the Council.
- **RRF:** The regulation introduced multilevel dialogue with the LRAs in the preparation of Recovery and Resilience Plans.

Additional, significant achievements were made in the area of Cohesion Policy[33]:

- From a **financial point of view**, the anticipated cuts to the Cohesion Policy were avoided, with the cohesion policy envelope, including NGEU funds, being 1.2% higher than in the 2014-2020 period, emphasizing the importance of cohesion for recovery and resilience. Also, the CPR retained the n+3 rule and co-financing rates were increased compared to the initial European Commission proposal, aligning more closely with the CoR's suggestions.
- The strong **partnership principle** and the European Code of Conduct on partnership were maintained in the CPR, and the drafting of Partnership Agreements remained mandatory for all Member States.
- The ERDF and Cohesion Fund (CF) Regulation included **territories suffering from demographic decline and increased resources for sustainable urban development**. Additionally, the ERDF Regulation excluded Outermost Regions from thematic concentration requirements. Also, the ERDF/CF Regulation incorporated CoR proposals such as addressing energy poverty and promoting resilience to natural disasters. The final Just Transition Fund (JTF) included commitments to the 2030 and 2050 climate goals and ensured the proper application of the partnership principle.
- Regarding **REACT-EU**: Flexible support to counter the negative impact of the pandemic on border regions was extended.

However, the CoR's influence is less pronounced in broader, cross-sectoral aspects of the MFF, such as InvestEU, EU4Health, and the RRF. This suggests that the CoR's influence is strongest in its traditional focus on cohesion policy, where it can advocate most effectively for LRAs, but it is relatively less impactful in influencing broader EU multiannual spending programmes.

[32] Based on European Committee of the Regions (2021), *Report on the Impact of CoR Opinions*, 205th Meeting of the Bureau of the European Committee of the Regions, 29th June 2021.
[33] Based on European Committee of the Regions (2021), *Report on the Impact of CoR Opinions*, 205th Meeting of the Bureau of the European Committee of the Regions, 29th June 2021.

1.3.2 Efforts of LRAs to influence the MFF negotiation process

The interviews with LRA representatives provided the primary source for this section, confirming the limited involvement of LRAs in the MFF negotiation process. All those interviewed emphasised that central governments through the Council were the main actors directly involved in the MFF negotiation process. The division of powers between the central government and LRAs within each Member State plays a role, with the voice of LRAs being more limited in centralised countries[34]. It was also stressed that the political situation at the national level can influence the regional level: if the party ruling at the national level is different to the political parties in the regional governments, it is much more difficult to coordinate and align requests at the LRA level. Therefore, the institutional and political situation within each Member State can make it challenging for LRAs to represent their needs and requests at the European Parliament, European Commission, and Council level.

Interviewees highlighted that LRAs have three 'indirect' channels to influence the MFF:

- they can promote lobbying actions, through their associations, at the **level of national government**;
- they can establish strong relations with the **permanent representatives in Brussels**;
- they can work with **EU LRA associations**, such as the CPMR, CEMR or EUROCITIES, which provide an additional channel complementary to the CoR.

LRA representatives have also underlined some of the challenges in using these indirect channels. Aside from the institutional or political difficulties mentioned above, lobbying at the national level, often only occurs at a sectoral level (for instance, concerning EU innovation, agricultural or industrial policies). Discussing and influencing the government's position on the MFF as a whole is perceived as much more challenging. It was also noted that, at times, central governments consulted LRAs only 'on paper' for instance, by requesting opinions from national LRA associations via email, without any structured consultation process. The connection with the permanent representations in Brussels is often strong, but these are perceived as having limited power in representing LRAs in the MFF negotiation process. The third channel is considered the most important for LRAs to raise their voices. Additionally, it was mentioned that LRAs also utilise the **'informal' channels**, to dialogue and cooperate with counterparts in

[34] An opposite situation is the case of Belgium, which is quite peculiar in the EU. The three regions (Wallonia, Flanders and Brussels) have been much involved in the MFF negotiation process itself in the Council because they have competences in several external affairs. For example, in the case of agriculture policy – which is 98% of the competence of the regions – it is the regional minister that represents the Belgian position. For each Council formation there is an internal Belgian agreement on that.

different Member States (for instance, capital cities representatives) to share information and position papers, and collectively advocate for their specific concerns.

Notes from the interviews with LRAs

'Based on our experience, it is always a struggle to truly take part in or be part of the MFF consultation process. When it comes to MFF negotiations, it is one of the most challenging ones for regions, even for regions with legislative powers. It is unimaginable for a local authority that has only implementing or executive powers or not even that.' *'There is a system in place, but it is very weak because it does not run simultaneously to the negotiations and it's very sectorial. The central government consulted us on innovation or industrial policies, but not at the level of MFF. It is very difficult to influence the MFF because this is something kept very centralised. Even for our autonomous regions, it is very difficult to influence it.'* *'Of course, it is always possible to contact our representation in Brussels and present our contributions, but there is no obligation to adopt them and there is no institutionalised channel for this purpose.'* *'Our lobbying efforts take place at the level of the national government and then at the EU level, so with the European Parliament and the Committee of the Regions. Moreover, the region has a strong relationship with the permanent representation in Brussels, even though they do not have much power in the MFF negotiation process. Nevertheless, they are in constant contact with the national ministries.'* *'Our government said "We consulted the regions through the LRA association", but in fact, we just received an e-mail, "Please give an opinion". So, the central government can say "We consulted", but in fact, there is no possibility for real dialogue within this kind of consultation process.'* *'We work with the CPRM, which we consider a highly specialised network for influencing the budget and all matters related to Cohesion policy, but not only. Working with them is invaluable for impacting the final result, particularly by engaging the CoR as well. For us, not only is the work that is done at the plenary level with reports very important, but so is all the para-diplomacy that is deployed through the Cohesion alliances. All this work is equally efficient or even sometimes more efficient than the work done by the reports. Our delegation is very active in using all these instruments. In parallel, there is also the work with the permanent representation to convey our message.'*

1.4 The scope and influence of LRA involvement in the MFF negotiation: insights from the European Parliament and European Commission

This section delves into the perspectives of key EU institutions on the involvement and influence of LRAs in the MFF. Drawing from a series of interviews with representatives from the European Parliament, the European Commission, and other relevant bodies, this section explores how these institutions perceive the role of LRAs in shaping EU policies and budgets. The insights gathered provide a nuanced understanding of the opportunities and challenges faced by LRAs in their interactions with EU institutions, highlighting the dynamics of partnership and collaboration in the MFF negotiation and implementation processes.

1.4.1 Incorporating LRA dimensions into the MFF: the European Commission's perspective

In designing the MFF, the European Commission has primarily established relations with the Member States. The MFF was prepared by DG BUDGET together with the European Commission's Secretariat-General (SEC-GEN).

The interviews with DGs highlighted the following aspects concerning the negotiation process:

- During the design phase of the MFF, DG BUDGET was responsible for the overall framing and engaged with LRA stakeholders through seminars and informal exchanges of views. These interactions were primarily technical discussions rather than political ones. In fact, there was no structured dialogue or political mandate to establish discussions with LRAs.
- On a regular basis, DG BUDGET was involved in the discussions and meetings that DG REGIO, DG EMPL or DG AGRI had with the LRAs. However, also in this case, there are no established forums or any political mandate, and this dialogue was always initiated upon the request of the said DGs. These meetings also involved EU LRA associations, such as CPMR, and the CoR. The involvement of DG BUDGET was primarily to discuss the budgetary components and to ensure the overall financial calibration and allocations across the MFF and fund regulations.
- As a general rule, in relation to issues concerning the LRA dimension, DG BUDGET and DG REGIO maintained regular interactions. For instance, on the MFF, discussions occurred regarding the Code of Conduct for Partnership and Multilevel Governance, in order to ensure that the partnership principle would apply to a substantial part of the MFF.
- The role of DG BUDGET in these discussions was mainly to ensure that the Treaty principles and objectives, including subsidiarity, partnership and

convergence across the EU regions, were upheld in the MFF and reflected in the overarching framework and the underlying sectoral acts.

Overall, interviewees have emphasised that, to have their voices heard and their concerns addressed, **LRAs need to engage with the highest authority in each Member State.** However, there are significant differences across Member States, in terms of institutional settings (centralised *vs* decentralised systems) and the types of LRA associations, which vary in political influence. This variance is determined by the administrative distribution of power between the central government and the LRAs as well as the different views and needs. Consequently, the **LRAs' ability to influence their national government is different.** This can limit their capacity to propose a uniform agreed position at the EU level when negotiating the MFF. Moreover, it was stressed that the effectiveness of lobbying the different DGs largely depends on whether or not the regions are present in Brussels. While some are very active, others are less so, and still others are completely absent.

During the interviews, it was also noted that:

- In terms of **governance**, a common request was to ensure the application of the principle of subsidiarity, with the European Commission urged to implement programmes at the lowest level possible so that the implementing bodies were as close as possible to the citizens. However, it was also stressed that the application of this principle largely depends on the constitutional and administrative organisation of the Member States.
- The second element concerns **funding**, as LRAs requested more money for the implementation of the policies. It was underscored that this issue concerns very sensitive political discussions, and that final decisions are taken at a very high level (i.e. EU leaders).
- The third issue related to **simplification**, with LRAs asking the European Commission to simplify the procedures, streamline the existing rules, and come up with new models for implementing EU policy.
- The fourth LRA request regarded their role in the **implementation** of the policy, with LRAs requiring an active and enhanced role in it.

Notes from the interviews with the European Commission DGs

'In the preparation phase, there were interactions with local and regional stakeholders. We don't have an organised set-up in relation to regions, but they do ask to meet us at different levels. We also have some informal discussions in terms of seminars to exchange views and better understand the direction and development of ongoing reflections. These focus more on technical changes, not political ones.'

'We don't have a structured dialogue with the regions. There are no established forums where we have discussions with the DGs. However, on a regular basis

we are involved in the discussions that DG REGIO or DG AGRI have with the regions and on other occasions they directly contact us. As mentioned before, these are discussions on technical matters where we provide explanations and engage in dialogue, but there is no real political mandate, and this is always upon request of either the DG or the regions'.

'Overall, the interest coming from the LRAs also depends on the specific situation in their Member State and in the organisation of their government, including the number of competences they have and their relevance. This situation varies across the different countries.'

1.4.2 The European Parliament as a partner for LRAs: evaluating the strength of the partnership

Overall, the European Parliament was highly critical of the process leading to the agreement on the 2021-2027 MFF, and, in particular, of the role played by the European Council. **The 2021-2027 MFF negotiations not only reaffirmed the European Council's influence** (i.e. national governments) on the legislative definition of EU policy[35], **but also led to the new supervisory role of the European Council regarding the implementation of legislation, notably on the rule of law and the RRF**. The criticism addressed issues such as direct interference in the legislative sphere, delays in the timing for adoption, governance of the RRF and the legal standing of European Council conclusions. The overall perception, as confirmed by the interviews with LRA association representatives, is that there is an **increasing centralisation of both the negotiation process and the management of the EU policy**.

Moreover, **the proposed increase in allocations by the European Parliament in November 2018, especially for the first three headings, was not reflected in the final agreed MFF in December 2020**[36]. In this instance, the negotiation process with the Council was also challenging. The European Parliament was prepared to negotiate with the Council already in November 2018, but the newly elected Parliament confirmed and updated its negotiating mandate in October 2019.

Additional elements suggest that the European Parliament was effectively deprived of its co-decision power regarding the various EU multiannual spending programmes and had limited influence once an agreement was reached in the European Council (with Council formations adhering to the mandate agreed upon

[35] European Committee of the Regions (2023), *Background note on the Multiannual Financial Framework (MFF).*

[36] However, one aquis of the European Parliament was a new article negotiated by Parliament introducing annual upward adjustments of the relevant ceiling. Thanks to this, the overall level of MFF resources will gradually increase to EUR 1.085 billion for commitments. The financing of this EUR 11 billion reinforcement will be linked to revenue stemming from competition fines. The top-ups will go to flagship programmes providing EU common goods such as research, health, Erasmus+ and border management. Some of these programmes as well as two other instruments (Neighbourhood, Development and International Cooperation Instrument and Humanitarian Aid) and Frontex (the EU Border and Coast Guard Agency) will receive a further EUR 4 billion from the re-use of de-committed funds for research, reflows from predecessor instruments and unused margins. See here.

under the 50-page long negotiating box[37]). Since the summer of 2018, the European Parliament had been simultaneously preparing the mandates for legislative negotiations on the rules for EU multiannual spending programmes proposed by the European Commission. Some of these mandates had already been approved in plenary and negotiations with the Council had begun before the end of the parliamentary term (April 2019). However, the lack of progress in the negotiations on the MFF Regulation and the negotiating box impeded this work. As a result, in December 2019, the European Parliament's political group leaders decided to freeze negotiations on sectoral legislation, specifically the legislative acts supporting the various EU multiannual spending programs[38]. Sectoral legislation is where LRAs can exert some influence, since the vast majority of them are agreed upon under the ordinary legislative procedure, with the European Parliament on an equal footing with the Council.

The various Council formations were de facto prevented from engaging in meaningful or substantial negotiations with the European Parliament until the European Council (i.e. the heads of states and governments) reached a unanimous agreement on the MFF architecture and figures. This agreement was needed for the sectoral formations of the Council to obtain a full negotiating mandate. Despite the efforts of successive EU presidencies (Bulgarian, Austrian, Romanian and Finnish) and several occasions for EU leaders to exchange views on the topic at European Council summits (June, October and December 2019), agreement proved elusive. A special two-day summit, organised in February 2020, also failed to reach an agreement and ended without specifying the next steps or deadlines for the negotiating process. When the European Council finally reached a political agreement in July 2020, it was practically and politically impossible for the EP and the European Commission, or sectoral Council formations to alter the fundamentals of the agreement reached at the level of the European Council, due to both time constraints and the high level of detail, particularly regarding the financial envelopes and policy objectives for the SMP.

Overall, despite its limited room for manoeuvre in negotiating the MFF, the **European Parliament is considered the main entry point for the LRAs to influence the negotiation process**. In particular, LRAs tend to have stronger relationships with the MEPs involved in sectoral commissions such as the REGI Committee, and less so with the BUDG Committee, which is a key player in the negotiations. Interviews with MEPs have, in fact, highlighted the fact that LRAs primarily approached the REGI Committee to influence institutions, seek involvement, obtain information and present their positions. Nevertheless, one interviewee emphasised the limited role the REGI Committee plays in negotiating the MFF.

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[37] Council of the European Union (2019), *Council Multiannual Financial Framework (MFF) 2021-2027: Negotiating Box with figures*, 5 December.
[38] See here.

The attention paid to LRAs also depends on the sensitivity of individual MEPs to the territorial needs and requests, which may significantly vary among MEPs. Additionally, interviewees emphasised the important role of both national and EU LRA associations in providing MEPs with valuable information through studies and reports. While these resources are useful during the negotiation phase for shaping proposals, it was stressed that they were advisory rather than decisive. The extent to which MEPs consider these '**informal' sources of information** again depends on their individual sensitivity as well as, as one MEP mentioned, on the Secretariat and the various political groups.

Notes from the interviews with MEPs

'For the 21-27 programming period, the European Parliament knew from the onset that the Commission's proposal was much higher than what was expected from the Council. At that moment, I relied on the information coming from local regional authority associations. Associations are much more flexible so they can present their views very quickly and they are very well prepared. We do not use this information in a formal way, you cannot find any citations, but you can see that we were using the information from them'.

'As for the current MFF – at the level of the BUDG Committee – there had been hardly any contact with LRAs at the time of the negotiation. Instead, there was a lot of contact at the level of the REGI Committee'.

'Considering the inputs from the REGI Committee or the opinions it can offer to the BUDG Committee during the budgetary procedure and the MFF negotiations, there is limited room to manoeuvre as much of the basic framework of the funds is already quite fixed.'

'When it comes to what can be more done or is done by the BUDG Committee in relation to LRAs, any decision about the actions that the BUDG Committee takes needs to be done at the level of the political groups. The Secretariat can make proposals, but it is the political side that decides. When the Secretariat sees that there are good proposals and interesting studies from LRAs, this may be a door opened to give them some space for presenting them. This is an important action to show their expertise and to form our understanding of their roles and their concerns. However, it can be used to make proposals but not to decide'.

1.5 Preliminary reflections on the MFF: application of horizontal principles and LRA involvement

As discussed in section 1.1.2, the 2021-2027 MFF Regulation and accompanying IIA include horizontal principles/horizontal policy priorities which can have an impact on LRAs.

In relation to the rule of law, the final text adopted by the co-legislators introduces significant changes compared to the European Commission's original proposal, making it more difficult to suspend funding[39]. Under the adopted Regulation, a qualified majority in the Council is required to approve any proposal from the European Commission to impose measures, whereas the original proposal placed more decision-making power in the hands of the Commission itself. This shift means that the responsibility for sanctioning a Member State lies with other Member States in the Council rather than solely with the Commission. Previous experiences, such as those under Article 7 TEU, have shown that Member States are often reluctant to act against their peers, which could make enforcement challenging.

In other words, the system introduced is more politicized and less 'technocratic' than the original proposal, leaving the key decision-making powers firmly in the hands of the Council and the Member States. Furthermore, the European Commission is now required to demonstrate a sufficiently direct link between the breach of the rule of law and its effect on the sound financial management of the EU budget or financial interests. This creates a cumbersome burden for the European Commission. Nevertheless, the EU's growing reliance on conditionality continues to raise significant questions to be addressed in both institutional and academic debates. For instance, further reflection is needed on how conditionality tools impact the principle of equality between Member States[40]. **Spending conditionality is inherently an asymmetrical tool of governance and has a disproportionate impact on Member States** that receive larger amounts of EU funds compared to those Member States that are net contributors to the EU budget. Funds are distributed unevenly between Member States in order to fulfil their goals of promoting, inter alia, solidarity and cohesion. However, linking other objectives—for example, the protection of the rule of law, or compliance with macro-economic requirements—to funds carries certain risks. For instance, attaching additional conditions to funds can indirectly change and expand the objectives of EU funds potentially exacerbating the underdevelopment of certain regions, and leading to greater divergence among EU Member States and regions, instead of promoting cohesion.

Concerning **performance-based budgeting,** in a recent report[41], the European Parliament underlined that **performance-based blending** should **avoid rigidity and complexity while strengthening adaptability to meet the diverse needs of different regions.** Current mechanisms for monitoring and evaluating the impacts of funded projects are still complex, yet insufficient, therefore, enhancing and

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[39] Baraggia A. and Bonelli M. (2022), *Linking Money to Values: The New Rule of Law Conditionality Regulation and Its Constitutional Challenges*, German Law Journal, 23, pp. 131–156,

[40] Goldner Lang I. (2019), *The Rule of Law, the Force of Law and the Power of Money in the EU*, Croatian Yearbook of European Law and Policy.

[41] European Parliament (2024), *Forging a sustainable future together: cohesion for a competitive and inclusive Europe*, Report of the High-Level Group on the Future of Cohesion Policy.

streamlining them to better track performance, outcomes and impacts is vital to ensure a more effective use of resources. The performance-based approach needs to reflect the territorial dimension and sub-national level involvement. However, **combining performance-based methodologies with the territorial dimension entails developing multilevel governance and stakeholder participation** to delineate location-specific needs and actions.

Concerning the **tracking of expenditure** in relation to climate change objectives a report by the European Parliament in 2022[42] highlighted that the tracking methodology for the 2021-2027 programming period has a low administrative burden for regional and national administrations which also have several years of experience in using it. Moreover, compared to 2014-2020, there is a more accurate breakdown of the intervention fields and the system can now capture environmental co-benefits. However, the tracking methodology still has some weaknesses. These include a misleading approximation of the spending contribution to climate and environmental objectives, a lack of explicit targets, some accounting issues, as well as partial coverage of potential negative or unclear climate and biodiversity impacts.

However, there is more concern about the overall capacity to achieve the climate expenditure targets. **These ambitious policy goals, in fact, raise questions about the capabilities of regions to support transitions**. Recent reports have highlighted that the regions with the least capabilities to advance transitions are those that need them the most[43]. But these regions are also the least attractive locations for new green industrial production, may lack skilled workers, and have fewer resources for updating and shifting their governance towards sustainability transitions. The green and digital transitions also require significant investments in innovation and new technologies, the diversification of economic activities structural reforms, support for knowledge exchange and learning processes, the creation of collaborative networks among different stakeholders and policy actors, and an enhanced administrative capacity. **The risk, therefore, is that only the more developed regions can properly support the twin transition (green and digital transition).**

There is already evidence that the digital and green transition could further increase disparities across European regions, as the necessary structural changes are more easily implemented by the already highly developed regions located in the European core[44]. Peripheral regions may face additional challenges in improving their position. Moreover, concerning climate adaptation, evidence of

[42] European Parliament (2022), *Climate Mainstreaming in the EU Budget: 2022 Update*, Study requested by the BUDG Committee.
[43] See, for instance, Kivimaa P. (2023), *Capabilities for regions to support netzero-carbon transitions and implications for Cohesion Policy*, Group of high-level specialists on the future of Cohesion Policy, and Boschma R. (2023), *Cohesion Policy and its Contribution to Enhancing Regional Resilience against Emerging Challenges*, Group of high-level specialists on the future of Cohesion Policy.
[44] Maucorps A., Römisch R, Schwab T., and Vujanović N. (2023), *The Impact of the Green and Digital Transition on Regional Cohesion in Europe*, Intereconomics, Vol. 58(2), pp.102-110.

maladaptation[45] has increased across various sectors and regions[46]. This exacerbates vulnerability, exposure and risk, making changes more difficult and expensive to tackle, while simultaneously, reinforcing and entrenching inequalities that adversely affect marginalised and vulnerable groups.

Complying with the DNSH principle can create an additional burden, especially for local beneficiaries[47]. **The main challenge lies in the effective monitoring of the correct implementation of the DNSH principle on the ground by the final beneficiaries.** In practice, it is necessary to upgrade technical specifications in procurement and ensure that the principle is clearly articulated throughout the public procurement procedure[48]. Overall, as underlined by the CPMR[49], the amount of data to verify and the duplicated controls along the audit chain should be reduced: control mechanisms should focus on ensuring compliance with the CPR regulation, rather than burdening managing authorities with the responsibility of overseeing the implementation of the entire EU legislation.

Finally, in its opinion of May 2023[50], the CoR welcomed the introduction of the **DNHC principle** but urged that it be **transformed from a concept into reality**. In fact, it is still far from being ready to use as a practical tool to deliver cohesion. In particular, the CoR stressed the need for a systematic ex-ante assessment of the potential differentiated territorial impacts, on the different types of regions, of all new EU policies with a territorial dimension in their design phase, viewing this as the most effective means of putting the DNHC principle into practice. Moreover, the CoR proposed that the European Commission adopt a mandatory 'comply or explain' rule regarding the DNHC principle in the explanatory memorandum for any proposed initiative. Also, the CoR recognized the need to implement the DNHC principle in the evaluation phase (ex-post, mid-term and ongoing), by monitoring and assessing the impact of sectoral EU policies on territorial, economic and social cohesion. Additionally, the CoR acknowledged that the existence of various types of disparities combined with the lack of data on the effects of policies in EU regions and cities, either positive or negative, makes it challenging to obtain deeper insight into the harm being done to cohesion and to propose manageable solutions.

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[45] According to the UN Intergovernmental Panel on Climate Change, maladaptation refers to actions that may lead to increased risk of adverse climate-related outcomes, including via increased greenhouse gas emissions, increased or shifted vulnerability to climate change, more inequitable outcomes, or diminished welfare, now or in the future.

[46] European Parliament (2024), *Regional and local adaptation to climate change - Gaps, challenges and opportunities*, European Parliamentary Research Service.

[47] CEMR (2023), *Future of EU Cohesion Policy Post-2027 - Placing Local and Regional Public Services at the Core of Economic, Social, and Territorial Cohesion*, CEMR Position Paper.

[48] For instance, in Italy, this means following a 300-page guide and 29 ex-ante and ex-post control tracks in the various areas. See EIPA (2022), *Taking into account the taxonomy: acting without harm in structural funds and recovery plans.*

[49] CPMR (2023), *CPMR messages that should guide the simplification of Cohesion Policy: Trust, Equity and Creativity*, Policy Position, and CPMR (2023), *Initiative on the simplification of Cohesion Policy Technical proposals for a political challenge.*

[50] Opinion of the European Committee of the Regions, *Do no harm to cohesion – A cross-cutting principle contributing towards cohesion as an overall objective and value of the EU*, May 2023.

In its opinion, the CoR also emphasises that:

- **The design and implementation of some EU policies may go against the convergence process**; moreover, regulatory initiatives or trade agreements, in addition to other funding policies, may have a significant impact and create obstacles for the development of less developed regions, even if they seem 'spatially blind';
- Despite the numerous simplifications introduced by the EC, the **EU multiannual spending programmes and the rules for using them are still complex** making it difficult for LRAs to benefit from EU programmes, in particular the CMP, as well as **to fully exploit potential synergies** between EU funds with a territorial dimension.
- **Deployment of the RRF** is highly centralised and lacks a mandatory consultation process with LRAs, and there is **no obligation for Member States to report on the distribution of funds in the various regions.** Furthermore, running different programmes in parallel with the RRF, forces managing authorities to navigate various rules, creating uncertainties and leading to slower starts for some of the programmes.
- **Cohesion policy funding has been used to systematically respond to recent crises;** on this matter, the CoR stresses that the cohesion principle of strategic, evidence-based programming, partnership and multi-level governance should still be respected in any crisis-response instrument.

Notes from the interviews

'In the current programming period, there has been an attempt to simplify processes, but administrative complexity persists as everyone notes. This complexity is rooted at both the national and EU level, due to the number of layers of audit, as there are European and national audit controls. These can distract national authorities and push them to seek other resources at the national level. In some cases, in the cohesion policy scenario, LRAs are able to manage this complexity, but in other cases, it is more difficult. The situation varies from region to region'.

'Emphasis should be put on the Partnership principle. Even climate policy ultimately needs to be implemented at the local level. Therefore, it is essential to highlight the necessity of maintaining the Partnership principle and involving relevant stakeholders.'

'The request for simplification is always on the table, but often this simplification does not reflect the requests of LRAs.'

'The DNHC principle is not spelt out in detail. From the perspective of the MFF, the focus is on ensuring compliance with the Treaty obligations related to Cohesion and convergence. This is what we are aiming at: to fulfil those treaty obligations in the way we decide the budget and then we translate this into the

sectoral policies. There is sometimes a bit of misunderstanding, a mix-up between Cohesion programmes and Cohesion policy in the public debate around this DNHC. It is important to disentangle this to make sure that if we have a discussion on do no significant harm to Cohesion programmes, we may actually do some harm to Cohesion policy'.

Finally, in its opinion on the mid-term review of the MFF in July 2023[51], the CoR stressed that significantly more effort should be made:

- In terms of **consultation and overall involvement of LRAs**, there is a need to enhance their participation in the negotiation, distribution, programming, and implementation of EU multiannual spending programmes, as well as in identifying specific challenges on the ground. Only through a true and concrete dialogue with LRAs can the specific needs of regions be accurately identified, ensuring that fund allocations at the NUTS 2 and NUTS 3 levels are balanced and effectively targeted to address these needs. Without prioritizing the appropriate NUTS levels in fund allocation, there is a risk of imbalanced distribution that may fail to reflect the actual priorities of different regions.
- It is widely acknowledged that the MFF is highly **relevant** for LRAs, having a significant impact on local and regional development. However, it necessitates considerable investment at local and regional levels, thus directly affecting sub-national budgets. Simultaneously, LRAs are overwhelmed by existing investment obligations, and the challenging budgetary situation in many areas, coupled with a general decline in public investment can seriously jeopardise the achievement of EU objectives and hamper the overall economic potential of regions and municipalities.
- Contributing to overall economic, social and territorial cohesion requires a balanced distribution of resources. More efforts are therefore required to ensure that smaller LRAs have equal access to funding (i.e. increasing **capacity building /technical assistance**), especially through streamlined application procedures and targeted support by the European Union.
- There is an overall need to enhance the **delivery** mechanisms of EU multiannual spending programmes. One consideration in this sense is that, since the shared management system has proved successful in the case of funds regulated under the CPR, newly created and existing funds should also follow this system and, if possible, be distributed under decentralised management. Requirements at the European level should ensure that not only the European Union budget but also LRA budgets, can be used as efficiently as possible and that the use of resources is not complicated by

[51] Opinion of the European Committee of the Regions on the mid-term review of the Multiannual Financial Framework: the local and regional perspective, 2023/C 257/03.

unnecessary bureaucracy. Particular attention should also be given to how specific regions (such as industrialised and automotive regions, rural regions, and outermost regions) are considered, especially in terms of flexible and targeted access to the EU multiannual spending programmes. It is also stressed that in the case of State aid and procurement law, the regulatory density and complexity of the legal provisions are high. Several LRAs are not able to carry out a full legal and technical assessment of the projects themselves and are obliged to seek legal and technical advice from third parties, decreasing the resources allocated for investments. Simplification measures and avoiding gold-plating as well as funding to improve Public Administration administrative capacity are necessary.

- There is also the necessity to reinforce the overall **governance** mechanisms, for instance, by promoting territorial development strategies (CLLD/ITI), where necessary through mandatory use, in order to involve the levels of governance closest to citizens in the planning, consultation, implementation and management of the funds. Wherever possible, LRAs should have broad discretion, to allow for practical, place-based approaches, in the implementation of EU funds.
- Finally, it has been noted that a competitive and sustainable EU can only be achieved if the budgets of all levels of government have sufficient, interconnected and **complementary** resources. There is a higher risk of 'competing' funds rather than synergic use of them.

2 LRAS AND THE FINANCIAL REGULATION

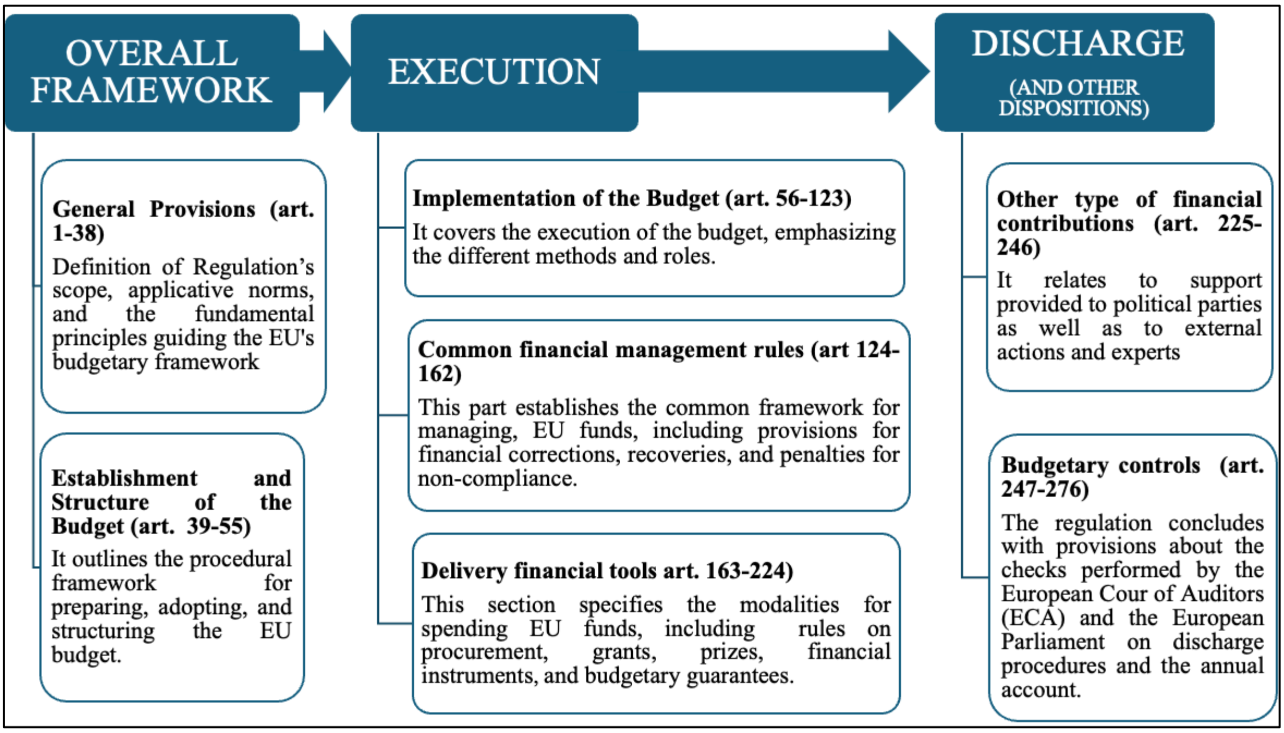
This chapter analyses the Financial Regulation (FR) applicable to the Union's general budget i.e, Regulation (EU, Euratom) 2024/2509[52]. This latest version of the FR entails a targeted revision of the former FR (agreed in 2018[53]) aiming at aligning it with the 2021-2027 MFF package of rules. The first section of this chapter provides a general overview, encompassing the structure and principles of the regulation and their potential impact on LRAs. The second section delves deeper into an analysis of the most relevant articles (see Annex A for details).

2.1 The scope and structure of the FR and its potential impact on LRAs

The overall purpose of the FR is to establish a coherent, transparent, and efficient framework for the budgetary management of EU funds. It sets out the rules governing the entire fiscal process, from planning and adoption to execution and control, ensuring that EU funds are used effectively and efficiently to achieve the EU's objectives while adhering to the principles of sound financial management. The FR is critical in promoting accountability, transparency, and good governance within the EU's financial ecosystem, enhancing citizen and Member State trust in EU institutions. The figure below provides a synthesis of the different sections of the regulation and their main contents.

[52] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union.
[53] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.

Figure 2.1: Structure of the FR



The FR does not explicitly consider LRAs, and the legislative text makes no direct mention of them.

Implications for LRAs can be inferred from several key areas of focus within the FR, such as the simplification of access to EU multiannual spending programmes, increased transparency, and the introduction of more flexible rules for managing EU funding. **One shall bear in mind that the provisions included in the FR have a more substantial impact on the delivery mechanisms of EU multiannual spending programmes than on their design. Ultimately the effective impact on LRA activities is very often the result of a combination of the rules of the FR and the specific rules included in the legislative acts supporting each EU multiannual spending programme.**

The FR is built upon a **set of principles**. These principles can be categorised into two main types: budgetary principles and core principles.

Budgetary principles are intrinsically linked to the financial aspects of budget design and implementation. These principles are primarily listed at the beginning of the regulation (Articles 6-58) and are fundamental to the governance and structure of the EU budget, ensuring its compliance with both the FR and international standards[54] such as the International Public Sector Accounting Standards (IPSAS). They encompass the core values that govern how the EU budget is prepared, adopted, and executed, ensuring transparency, accountability, and financial integrity. For LRAs, these principles can be considered 'neutral' in that they relate to the type of budget

[54] IPSAS Board, Handbook of International Public Sector Accounting Pronouncements 2022, OECD Recommendation of the Council on Budgetary Governance 2015.

information required by international accounting standards and practices rather than to any specific policy or political orientation. The table below lists these principles.

Table 2.1: The budgetary principles in the FR

Principe	Description
Unity	Ensures that all EU revenues and expenditures are consolidated into a single document, promoting clarity and providing oversight of the EU's financial position.
Budgetary Accuracy	Requires accurate estimation and documentation of budget figures to ensure the reliability and transparency of financial data.
Annuality	Aligns budget operations within the fiscal year, facilitating the efficient planning and execution of the budgetary provisions.
Equilibrium	Mandates the balance between total expected revenue and authorised expenditure, underlining fiscal discipline within the EU budgetary process.
Unit of Account	Standardises the accounting and reporting of financial transactions in euros to maintain consistency and clarity across EU financial documents.
Universality	Combines all revenues and expenditures, prohibiting the earmarking of funds for specific purposes, unless explicitly allowed, to ensure flexibility in allocation.
Specification	Delineates budget allocations in detail, enhancing transparency and facilitating targeted oversight of spending.
Sound Financial Management	Emphasises efficient, effective, and economical use of resources in budget implementation to achieve the best value for money.
Transparency	Promotes open access to information on the EU budget and its execution, fostering public trust and accountability.

The FR is also underpinned by **core principles**: the delivery of the EU budget must be aligned with broader, fundamental principles set in the EU treaties, specifically the TFEU. Among these foundational principles, proportionality, equal treatment and non-discrimination, and subsidiarity are particularly vital for the governance of financial activities and have some significance for LRAs.

- **Equal Treatment and Non-Discrimination** guarantee that all entities, including LRAs, gain equitable access to EU resources and opportunities, free from bias or favouritism. This principle is essential for upholding fairness and equity in the allocation and use of EU funds, ensuring all regions and communities, irrespective of their economic stature or size, can partake in EU policies and initiatives.

- **Proportionality**, anchored both in the FR and the TFEU, ensures EU actions are measured and appropriate to meet the Union's policy objectives. This principle is crucial for LRAs as it protects against overly stringent regulations or financial demands that might hinder their capacity to manage and execute EU multiannual spending programmes efficiently. It promotes a balanced approach to regulation and financial management, acknowledging the diverse capabilities and situations across Europe's varied regions.
- **Subsidiarity** emphasises the importance of making decisions at the most immediate or local level feasible for effective resolution. Deeply rooted in the EU's legal framework, this principle is critically relevant for LRAs as it bolsters their independence and highlights the significance of local governance. By ensuring decisions are made as close to the citizens as possible, subsidiarity strengthens the LRAs' role within the EU governance framework, enabling them to be more proactive in executing EU multiannual spending programmes.

While these core principles are pervasive throughout the FR, they are not explicitly outlined in the specific section designated for budgetary principles (i.e., TITLE II — PRINCIPLES, Articles 6-38). Instead, they permeate the entire FR, with explicit references appearing across various titles of the Regulation, guiding its interpretation and application in multiple contexts. The principles of proportionality and subsidiarity are particularly pertinent to LRAs, influencing how financial and regulatory measures are applied at the local and regional levels, especially in areas like procurement, information management, and control. Moreover, they aim to shield LRAs from undue pressures, granting the necessary leeway and autonomy to effectively meet their communities' needs within the scope of EU multiannual spending programme delivery mechanisms.

Another perspective to consider when evaluating the relevance of the FR for LRAs involves examining the impact different provisions of the FR having both direct and indirect effects on LRAs:

Direct impacts refer to the immediate and tangible effects that the FR has on LRAs operations, funding opportunities, compliance requirements, and administrative processes. This impact is felt directly by the LRAs without intermediary steps or influence. For example:

- Access to EU multiannual spending programmes: Simplified procedures and reduced bureaucratic barriers directly affect the LRAs' ability to apply for and secure EU funding.
- Financial management and reporting requirements: Changes in financial management, reporting, and auditing requirements have a direct impact on how LRAs administer and report on EU-funded projects.

- Procurement and grants: New rules on procurement and grants directly change how LRAs must approach contracting, tendering, and grant management for EU-funded activities.

It is worth mentioning that following the 2024 revision of the FR a new category of very low-value grants, capped at EUR 15.000, has been introduced. This simplification aims at streamlining support for SMEs and individual applicants, reducing bureaucracy for both applicants and implementing partners. The requirements for presenting a declaration of honour and assessing the financial capacity have been waived. Based on a risk assessment, the authorising officer can decide that financial capacity checks will only focus on the lead beneficiary.

Moreover, the approved modifications to the FR now include the requirement to publish key details about EU fund recipients on a centralised European Commission website. This transparency measure, applicable from June 30 following the financial year of fund allocation, should significantly enhance transparency in EU spending. Additionally, social conditionality is now incorporated into the disbursement of EU funds. Compliance with essential employment and occupational safety standards is now mandatory before fund allocation. Thanks to parliamentary efforts, the revised FR now incorporates the "Do No Significant Harm" principle more effectively.

Indirect impacts refer to consequences that are not directly tied to the provisions of the FR but result from a combination of changes within the broader EU funding ecosystem, such as shifts in the operational environment and interactions with other entities affected by the FR. These impacts may be less visible in the short term, often emerging as other stakeholders—such as national governments and the European Commission—adapt to the FR or as the availability and prioritization of funding evolves. Examples include:

- *Changes in funding allocation and prioritisation*: Modifications in how the EU allocates and prioritises funding can indirectly affect the types of projects and initiatives that LRAs might undertake, as these changes often reflect shifting EU priorities or thematic focus.
- *Interactions with other entities*: As the European Commission and Member States adapt their administrative and compliance processes to align with the FR, LRAs may encounter changes in guidance, funding criteria, or reporting requirements for EU-funded projects, which can indirectly impact their planning and implementation efforts. For instance, if the FR introduces stricter financial reporting standards, LRAs might need to adjust their project management practices to meet these new requirements, potentially requiring additional administrative resources or adjustments in timelines.
- *Financial instruments*[55]: The EU's development and promotion of financial instruments can indirectly impact LRAs, requiring adjustments to project financing strategies.

[55] Articles 211 and 212.

The following table presents an assessment of the two different types of impact within the FR sections.

Table 2.2: Direct and indirect impacts on LRAs in the sections of FR

Direct impact	Indirect impact
The implementation of the budget has a direct impact by outlining the budget execution process, including the roles and responsibilities of the various actors. LRAs, in particular, are directly affected by the rules on shared management.	**General provisions** establish the overall framework within which LRAs operate when engaging with EU multiannual spending programmes.
	The establishment and structure of the EU budget can affect the availability of funds for certain programs or sectors, thereby indirectly affecting LRAs.
Common financial management rules directly impact entities managing EU multiannual spending programmes by setting out the rules for financial corrections, recoveries, and penalties. LRAs must adhere to these rules in their financial management practices to ensure compliance and avoid penalties.	**Other types of financial contributions,** while directly impacting entities such as political parties, also have an indirect impact on LRAs and NGOs by shaping the broader ecosystem of EU financial contributions, including support for external actions and expert contributions that can complement the activities of LRAs.
Delivery tools directly impact LRAs by specifying the modalities for spending EU multiannual spending programmes, including procurement, grants, and other financial tools. This section directly influences how these entities access and utilise EU funding for projects and initiatives.	**Budgetary controls** indirectly impact LRAs by establishing the framework for fiscal controls and audits conducted by the European Court of Auditors (ECA) and the European Parliament.

The following sub-chapter provides an in-depth analysis of the sections and most relevant articles with a direct impact.

2.2 Analysis of the most relevant FR articles for LRAs

Annex A includes a detailed analysis of the most relevant FR articles directly impacting LRAs. The FR provides a framework that can significantly impact LRAs, either positively or negatively, through its provisions on budget implementation, management, and oversight. These effects on the operations and management of LRAs can be broadly categorised into direct beneficial impacts and direct challenging impacts.

The **direct beneficial impacts** are:

- Reduced administrative costs and burdens: Articles 127 and 128 focus on reducing administrative costs and burdens by allowing LRAs to rely on existing audits and information. This approach minimises the need for repetitive submissions of information and redundant audits, thereby streamlining administrative processes.

- Increased flexibility in use: Several provisions, including Articles 63, 126, and 184, offer increased flexibility for LRAs. This flexibility is achieved by allowing a more adaptable use of EU funds, benefiting from previously made assessments, and simplifying the funding process through lump sums, unit costs, or flat rates.
- Increased potential access to projects: Articles 62, 125, and 211 provide LRAs with various pathways to access EU funds, opening up opportunities for a broader range of projects and beneficiaries through diversified financial instruments and budgetary guarantees.
- Increased intangible assets: Article 134 introduces mechanisms for challenging adverse decisions, which can help protect and potentially enhance LRAs' intangible assets by ensuring fairness and access to resources.

On the other hand, the **challenging direct impacts** are:

- Increased compliance risk: Articles 133, 186, and 187 increase compliance risks by imposing detailed record-keeping requirements, mandating checks and controls, and necessitating periodic assessments of financing methods. These can heighten scrutiny and potentially result in non-compliance if the methods are found to be inadequate.
- Increased administrative costs and burdens: while Articles 186 and 187 aim to increase compliance, they also inadvertently increase administrative costs and burdens due to the intensified oversight and evaluation they require.

Despite the FR's intent to reduce administrative costs and burdens, the beneficial impact is often hampered by the practice of 'gold plating' at the national level. This term refers to the addition of excessive rules and requirements by national authorities beyond what the EU mandates. Such practice leads to increased complexity and additional administrative burdens on LRAs, negating the simplifications intended by the EU regulations.

2.3 Preliminary conclusions on the FR and LRAs

LRAs are crucial for the implementation of EU policies and the effective use of EU funds at the local level. The regulatory environment, particularly the FR, plays a significant role in determining how efficiently and effectively LRAs can perform these tasks. In this context, we explore key areas where the FR impacts LRAs, providing insights into opportunities for enhanced cooperation, simplified processes, and more effective resource utilisation.

- **Recognition and integration**. Clarifying the roles and responsibilities of LRAs within the FR can foster smoother cooperation and streamline processes for project implementation and fund management at local and regional levels. Explicit recognition of LRAs would facilitate better integration into the EU's financial and policy ecosystem, enhancing their ability to contribute effectively to the Union's objectives. It is important to reinforce this integration by making more consistent references to the principle of subsidiarity both in setting the regulations and implementing the different forms of support. The principle of subsidiarity ensures that decisions are made as closely as possible to the citizens and that constant adherence to it affirms the commitment to empowering LRAs in the design and execution of programs, strengthening the overall governance and coherence of regional development strategies.

- **Simplification and efficiency** in the regulatory framework are paramount to lowering barriers for LRAs to access and utilise EU funds. Adopting simplified cost options is a significant stride in this direction and has already been widely implemented in cohesion policy. This approach streamlines the process by reducing the administrative burden on LRAs, allowing them to engage more effectively with EU funding opportunities and hasten the impact of EU investments at the local and regional levels.
- However, it is crucial for the European Commission and the Court of Auditors to remain vigilant regarding the **risk of 'gold plating'**. This vigilance ensures that efforts to simplify do not inadvertently lead to national authorities imposing additional conditions or administrative procedures that exceed the EU requirements. An example of gold plating could be the imposition of extra documentation and reporting requirements by a national authority, complicating the funding process for LRAs. Such requirements can negate the benefits of simplified cost options by creating an additional layer of complexity, leading to delays and increased costs for LRAs, thus defeating the purpose of EU-level simplification efforts.
- It is also essential to recognise that the results of supposed simplification can sometimes result in **higher workloads** or an asymmetry of potential benefits among stakeholders. For instance, both the ECA[56] and the interim evaluation of the RRF[57] have pointed out that the expected simplification brought in by using Financing-not-Linked-to-Costs (FNLC) is not always evident and apparent. Moreover, the unintended adverse effects of simplification pose a significant risk, especially when simplifications are introduced abruptly rather than incrementally. These risks associated with simplification were clearly highlighted in the interviews with the LRAs.
- **Funding combinations.** The combination of EU grants with financial instruments significantly bolsters the support framework for pivotal regional development projects. Streamlining the mechanisms for combining grants and financial instruments can amplify the efficacy of EU multiannual spending programmes, empowering LRAs to pursue a more extensive array of projects

[56] European Court of Auditors (2024), Absorption of funds from the Recovery and Resilience Facility - Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives, Special Report.
[57] European Commission (2024), Mid-Term Evaluation of the Recovery & Resilience Facility - Strengthening our Union through ambitious reforms & investments, Institutional Paper 269.

that align with local and regional advancement objectives. The FR has already made commendable strides in facilitating the combination of different funding mechanisms. Nonetheless, there is a need for explicit provisions that enhance complementarity between funds under the CPR and foster greater synergy. For instance, while the FR permits cumulative financing, there is still a lack of any clear guidance on its execution without infringing upon audit compliance. It is crucial for the FR to provide more distinct directions on fund consolidation to avoid audit complications and ensure LRAs can seamlessly and confidently utilise combined funding for maximum developmental impact. The combination of funds can also hide the danger of transferring resources from local territories or peripheral actors to more central and influential stakeholders. This poses the risk of recentralising resources in the name of supposed higher efficiency, which could ultimately undermine the goals of decentralisation and equitable regional development.

By addressing these key areas, the EU can better align the FR with the needs of LRAs. Enhancing the regulatory framework would empower LRAs to implement EU policies and projects more effectively, leading to more impactful and efficient use of EU funds at the local and regional levels. However, at the same time, there is a need to be cautious and very aware that simplification, adaptability, and combination do not always bring the expected benefits, particularly for LRAs. These measures need to be assessed not only in terms of short-term performance or efficiency but also in the wider context of cohesion and subsidiarity principles. This assessment should consider the long-term perspective in terms of time and the variety of actors involved. What might be beneficial in general for one actor could be detrimental for a small local authority. All these challenges need to be very carefully taken into account.

Finally, the issue of crisis response and Adaptability of the EU budget has become central in the debate on the MFF. LRAs need a flexible regulatory framework to help them to rapidly react in times of crisis and to be able to adapt the allocation they benefit from the EU budget to changing circumstances. As first responders to local emergencies, LRAs are crucial in meeting immediate community needs. This pivotal role accentuates the need for funding mechanisms that are both versatile and responsive to unforeseen situations. Experience gleaned from the Ukrainian conflict and the COVID-19 pandemic could be embedded within the EU budget ecosystem (MFF, IIA, FR) through a dedicated set of crisis clauses. Such provisions would enable the automatic activation of emergency measures relating to the EU budget, including flexibility in co-financing rates, the transfer of funds, and other necessary adjustments to ensure a swift and effective response to crises. Although the flexibilities introduced following the outbreak of the Ukrainian war and, especially, the COVID-19 pandemic aim to address crises timely, there are potential downsides. Extreme flexibility, for example, in Cohesion Policy, can undermine the policy by prioritising short-term achievements over long-term objectives.

3 LRAS AND THE 2021-2027 DELIVERY MECHANISMS

This chapter presents a mapping of the EU funding sources and their related delivery mechanisms, and is divided into two sections:

a. The first section describes the **mapping of the EU multiannual spending programmes**, highlighting the main differences among the EU funds based on their management modalities.
b. The second and third sections **analyse the role and level of LRA involvement in the design and implementation of the EU multiannual spending programmes** under shared management, or SMP, (section 3.2) and under direct and indirect management, or CMP, (section 3.3).

The information was primarily collected through an analysis of legal texts related to EU multiannual spending programmes, work programmes and additional documentation such as Annexes and FAQs.

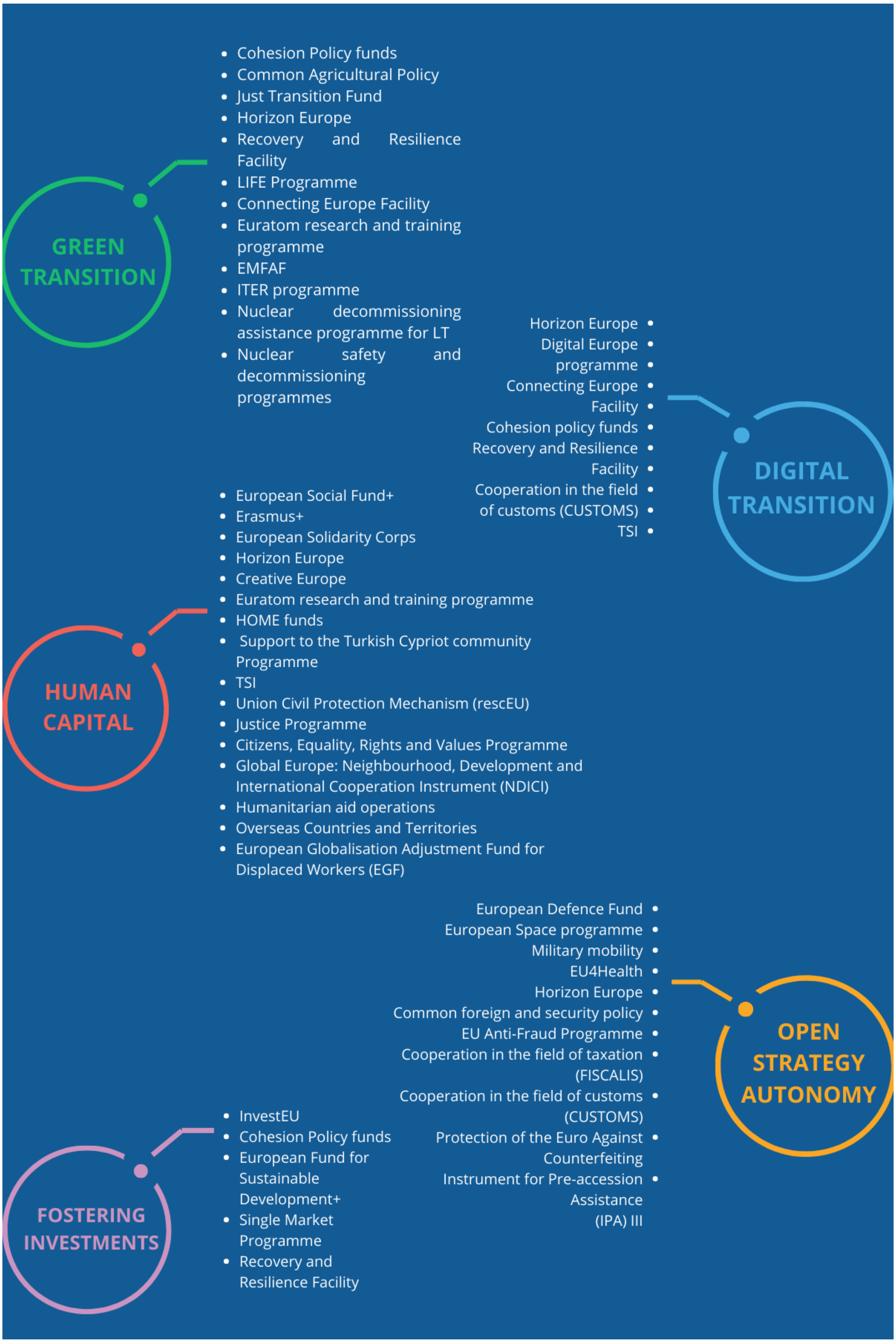
3.1 Mapping the EU multiannual spending programmes

As per chapter one, the MFF represents the EU's financial planning tool, providing an overview of its priorities from a budgetary perspective.

Programmes supported under the MFF are grouped into seven expenditure categories, each dedicated to a specific policy area. The RRF, a separate instrument not included in the MFF, was an integral part of the 2021-2027 negotiation process.

Each heading encompasses several multiannual spending programmes supporting multiple types of beneficiaries across different EU policy areas. Each multiannual spending programme can address one or more policy area(s) and group(s) of beneficiaries. As the figure below shows, cross-cutting priority areas may receive funding from several programmes.

Figure 3.1. Cross-cutting priority areas and related multiannual spending programmes



Source. Re-elaborated based on the 'European Commission. The EU's 2021-2027 long-term budget and NextGenerationEU'

The multiannual spending programmes depicted in Figure 3.1 follow three distinct management modes: direct, indirect, and shared management. These management modes differ in terms of responsibility and accountability:

- **Responsibility** involves managing and executing tasks effectively and efficiently, ensuring that EU fund allocation and utilisation align with the established objectives and regulations.
- **Accountability**, involves being answerable for the outcomes of those responsibilities, including the proper use of funds, adherence to policies, and achieving objectives. It establishes a relationship whereby entities must report, explain, and justify their actions to those who have entrusted them with resources, primarily the European Union and, by extension, its citizens. Further details are provided in the table below.

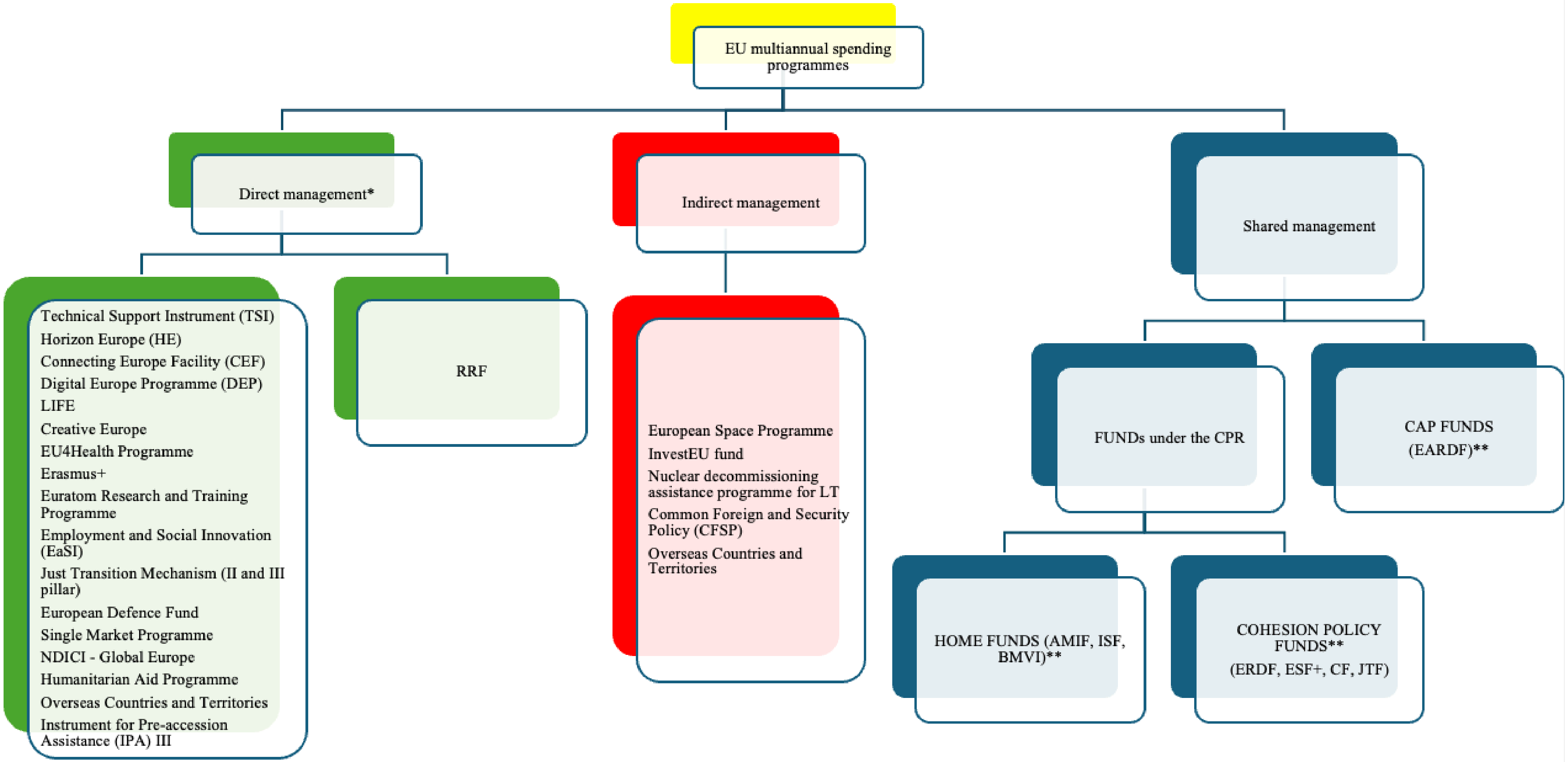
Table 3.1: Responsibility and accountability

	Responsibility	**Accountability to**
Direct Management	The European Commission (or its executive agencies) is directly responsible for managing the multiannual spending programmes, which include tasks such as project selection, fund allocation, and monitoring implementation.	The European Commission is accountable to the European Parliament and EU citizens. It ensures effective and policy-aligned use of multiannual spending programmes while maintaining transparency and accountability in its operations.
Indirect Management	Third parties, including EU countries, international organisations, public bodies, and NGOs, are responsible for managing the multiannual spending programmes. However, despite these entities managing the day-to-day tasks, the European Commission retains ultimate responsibility.	These third parties, accountable to the European Commission, are required to adhere to EU standards and regulations and are subject to audits to ensure compliance. The European Commission, in turn, is accountable to the European Parliament and EU citizens for the overall management and effectiveness of the multiannual spending programmes.

Shared Management	Responsibility for managing the multiannual spending programmes is shared between the European Commission and the Member States, who are tasked with selecting and managing projects, distributing the funds, and ensuring that the contributions align with the EU's objectives.	Member States are accountable to the European Commission for ensuring adherence to EU policies, objectives and regulations, as well as for maintaining efficiency, effectiveness, and transparency in multiannual spending programme management. The European Commission monitors MS management of the multiannual spending programmes to ensure compliance with EU standards. In turn, it is accountable to the European Parliament and EU citizens for the overall management and success of the multiannual spending programmes.

The illustration below maps the main EU multiannual spending programmes according to their management modality, while Annex B provides a more exhaustive list and description.

Figure 3.2: Map of the main EU multiannual spending programmes

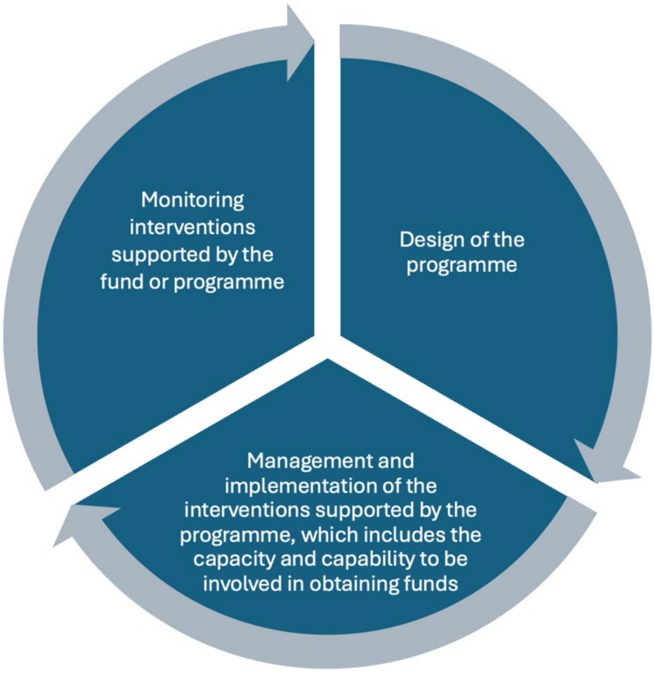


*Many multiannual spending programmes under direct management, such as EU4Health, CEF, DEP, TSI, Erasmus+, and LIFE, can also be managed partially or implemented through indirect management under certain circumstances. Part of IPA III is also implemented under shared management.
** These multiannual spending programmes include some specific strands which fall under direct and indirect management.

3.2 The role of LRAs in designing, accessing, managing and implementing SMP: the example of cohesion policy funds

The relevance of LRAs in SMP can be analysed based on their **role(s) in the various phases of the programming cycle, as illustrated in the figure below.**

Figure 3.3: Life cycle of programme implementation



LRAs play a role in the **design phase of the implementation of SMP under the CPR.** The CPR[58] ensures significant LRA involvement, particularly through Article 8 on Partnerships and multi-level governance. Building on this multi-level governance approach, each Cohesion Policy programme must involve LRAs, economic and social partners, and all other relevant stakeholders in the design of the Partnership Agreement. This article ensures that LRAs are actively involved in the design of the Partnership Agreement.

Notes from the interviews with LRAs

'It is recognised that the LRAs are integral to the system of designing policies, formulating programmes, and negotiating them (...) Even if the process is not yet fully satisfactory to everybody, LRAs are clearly part of it'.

[58] REGULATION (EU) 2021/1060 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy

‘The regulatory framework plays a crucial role in involving relevant stakeholders in this process. The difference with the other funds under direct management is clear, as they are less involved and do not incorporate the territorial dimension as significantly as funds like Horizon Europe or LIFE.’

In the programme design phase, sub-regional authorities participate in the consultation process to assess the territorial needs and challenges. LRAs can influence the identification of territorial challenges and provide insights into key economic and social policy areas for investment. For example, the definition of the Smart Specialisation Strategy (S3) demonstrates how and to what extent LRAs can shape the design process. According to the European Commission's ‘Guide to Research and Innovation Strategies for Smart Specialisations (RIS 3)’[59], regional development agencies, cities, regions, regional environment agencies, regional employment agencies, and regional innovation agencies are key stakeholders involved in the governance of the S3. These actors offer valuable political and administrative expertise and help strengthen professional networks. Moreover, the involvement of regional and local actors in the design of the S3 aids in identifying interventions for inclusion in cohesion policy programmes.

Regarding **the implementation phase**, regional authorities (and, to a lesser extent, municipalities) serve as managing authorities for cohesion policy programmes in many MSs (13), assuming pivotal responsibilities in the governance of the cohesion policy funds. This means that they are responsible for designing the programme and implementing the interventions[60]. Their role involves direct participation in strategic planning, such as designing regional development strategies, establishing the overall programme governance structure, and acting as primary interlocutors in dialogues with national and sub-national stakeholders. Additionally, these authorities negotiate directly with the European Commission to finalise the content of their programmes, thereby determining the mechanisms through which funds will be delivered.

This responsibility not only enhances the autonomy of regional authorities but also significantly bolsters their institutional status within the national framework, positioning them as key players in regional development. Their role as managing authorities empowers them to shape the strategic direction of development in their regions, tailor interventions to local needs, and foster a more integrated approach to addressing regional challenges.

In other cases, especially when referring to cities, they may function as intermediate bodies[61] - either public or private entities that operate under the responsibility of a managing authority or perform tasks on its behalf. However, especially capital cities in Eastern Europe, strongly advocate for direct access to EU funds and budgets, as

[59] EC (2012). Guide to Research and Innovation Strategies for Smart Specialisations (RIS 3).
[60] Articles 72 and 74 of the CPR Regulation (EU) 2021/1060.
[61] Article 2(8) of the CPR Regulation (EU) 2021/1060.

reported in an interview with a representative of the European Parliament. This demand is linked to their desire for independence from regional and national governments and greater autonomy in deciding budget allocations and prioritising investment areas.

In the case of Integrated Territorial Strategies (ITS), LRAs may be responsible for the implementation of Integrated Territorial Investments (ITI).

Box 3.1: CLLD and ITI

ITI and Community-Led Local Development (CLLD) are strategic approaches within the European Union's Cohesion Policy, designed to encourage a more integrated and community-driven approach to regional development. More specifically: **ITI** is a tool that allows for a more targeted approach to regional development by combining funding from the different priority axes of one or more programmes (PRs) under the CPR. It addresses the specific development needs of a territorial strategy, which could be for a city, sub-region, or functional area. It aims to achieve a more integrated approach to economic, social, and environmental challenges. The key aspect of ITI is its flexibility in funding allocation and its focus on territorial specificities, encouraging a holistic approach to development that cuts across various sectors and policy fields. **CLLD** is a grassroots approach to addressing development challenges in urban and rural areas. CLLD allows local communities to lead the way in designing and implementing strategies that use EU funds, such as the EARDF, European Maritime, Fisheries and Aquaculture Fund (EMFAF), ERDF, and ESF+, to meet their unique needs and opportunities. This method is characterised by its bottom-up approach, involving local stakeholders, including NGOs, businesses, local authorities, and residents, in the decision-making process. The aim is to empower communities, foster local partnerships, and encourage innovative solutions to local challenges. CLLD is particularly effective in tackling complex issues that require a nuanced understanding of the local context, promoting social inclusion and local development, and enhancing the capacity of local actors. These approaches underscore the importance of local knowledge and participation in achieving cohesive growth and development across the EU.

The active role of LRAs in governance and strategic planning underscores the unique nature of shared management in the EU Cohesion Policy. It reflects a deliberate effort to involve regional and local actors in the design and implementation of EU funding strategies, recognising the value of their insight and their capacity to tailor approaches to the specific contexts of their territories. This approach not only enhances the relevance and effectiveness of EU interventions but also empowers LRAs, giving them a pivotal role in shaping the future development of their regions.

Shared management and multi-level governance are not necessarily synonymous. While CAP funds remain under shared management, their delivery mode has dramatically shifted recently. This is particularly true concerning the EAFRD, which was part of the previous CPR[62]. This fund has in the past played a pivotal role in shaping rural development across the European Union, supporting a broad range of initiatives promoting sustainable agriculture, environmental protection, and rural vitality. Traditionally, the rural development programs (RDPs) under the EAFRD were managed at the regional level, affording regional authorities significant influence in tailoring programmes to fit the unique characteristics and needs of their territories[63]. This decentralised approach was regarded highly for its ability to harness local expertise and insight, thereby facilitating more targeted and effective interventions by considering regional diversity[64].

The new programming period (2023-2027) has shown a notable shift toward centralising the management of the programmes for rural development. While all existing regional management authorities in the Member States with former regional RDPs have been maintained, their areas of competence have been limited, with some responsibilities being taken over by the national authorities[65]. This transition to national management diminishes the direct involvement of regional authorities in the decision-making processes, which could potentially lead to a failure to adequately reflect the diverse realities of Europe's rural areas and weaken the ability to tackle specific regional challenges effectively.

Notes from the interviews with LRAs

> *'Before we had regional programmes for the EAFRD, the second pillar of the CAP, and now we have national plans including some regional measures, but the way they are implemented is much more centralised. Now, the regions do not have direct access to DG AGRI. Before, the regions could directly contact Geo units within DG AGRI, and it was possible to discuss and modify the programmes of the second pillar of the CAP'.*

3.3 The role of LRAs in designing, accessing and implementing CMP

This section analyses the role of LRAs in designing, accessing and implementing a sample of the EU CMP:

- Technical Support Instrument Programme (TSI);

62 Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.
63 European Committee of the Regions (2021), *Heavy centralisation risks shifting new Common Agricultural Policy away from citizens and business needs*, Press Release 23 April 2021.
64 Coalition of European AgriRegions (2023), *Joint Hearing on the Territorial Implementation of the CAP.*
65 European Committee of the Regions (2023), *The regional dimension of the CAP Strategic Plans – First consultation phase.*

- Horizon Europe (HE);
- Connecting Europe Facility (CEF);
- Digital Europe Programme (DEP);
- InvestEU Fund;
- LIFE;
- EU4Health Programme;
- Erasmus+.

The assessment, conducted through an analysis of the CMP regulations and work programmes, identifies potential opportunities and bottlenecks within the regulatory framework that affect access to, management of and benefits from the CMP from the LRA perspective. The following research questions and criteria were used to conduct the analysis:

Tab 3.2: Assessment criteria

Question	Criterion: Involvement
Were LRAs consulted before funding programme regulations and decisions came into force, and is this explicitly mentioned in the regulations/work programmes?	Level:
No	0 (unmet criterion)
Yes, but it is only briefly mentioned, for instance, through an EU stakeholder/association	1 (low)
Yes, proper consultation is detailed in the document	2 (high)

Question	Criterion: Relevance
Have local and regional specificities been considered?	Level:
No	0 (unmet criterion)
The local/regional specificities are explicitly mentioned in the reg/work programme, but only in general terms	1 (low)
The local/regional specificities are explicitly mentioned in the reg/work programme, and detailed information is provided	2 (high)

Question	Criterion: Eligibility
Are LRAs beneficiaries of the funds?	Level:
No	0 (unmet criterion)
Yes, but not directly	1 (low)
Yes, directly	2 (high)

Question	Criterion: Appropriateness
Are delivery tools foreseen in the regulations/work programmes to facilitate LRA access to the fund?	Level:
No	0 (unmet criterion)
Yes, but these are not described	1 (low)
Yes, they are detailed in the document	2 (high)

Question	Criterion: Governance
Are there any governance mechanisms involving LRAs?	Level:
No	0 (unmet criterion)
Yes, but they are only briefly mentioned, for instance, through an EU stakeholder/association	1 (low)
Yes, and they are detailed	2 (high)

Question	Criterion: Complementarity
Are there any provisions ensuring complementarity with Cohesion Policy funds?	Level:
No	0 (unmet criterion)
Yes, but they are not described	1 (low)
Yes, and they are detailed	2 (high)

3.3.1 How LRAs have been involved in the design of CMP

The analysis of LRA involvement (see below table) takes three different aspects into account:

- The manner in which LRAs were consulted on the specific programme regulations and the work programme.
- Whether the territorial specificities were encompassed.
- Their eligibility as beneficiaries.

Table 3.3: Assessment of LRA involvement in the design phase.

Programme	Have LRAs been involved?	Is the LR level considered?	Are LRAs beneficiaries of the fund?
Technical Support Instrument Programme (TSI)			
Horizon Europe (HE)			
Connecting Europe Facility (CEF)			
Digital Europe Programme (DEP)			
InvestEU Fund			
LIFE			
EU4Health Programme			
Erasmus+			

LRA Involvement. There is no clear indication of how LRAs were involved in the consultations for the design of CMP regulations and the drafting of these EU multiannual spending programmes, and their overall impact appears to be limited. The regulations laying down the CMP multiannual spending programmes merely mention that the opinion of the CoR was considered and transmitted to the national parliaments of the Member States in advance.

However, the interviews generally confirmed that LRAs were not consulted in the design of EU CMP regulations. The representatives of two LRAs reported that they were in close contact with the national government but that any room for manoeuvre was limited as the decisions and 'lobbying' took place at the national government level.

All interviewees confirmed that the LRAs acted and lobbied principally through the CoR and stakeholders at the EU level.

The relevance of LR needs. In general, the CMP **are highly relevant to territorial needs**. Although it is in their nature to cover a broad spectrum of activities, with the ultimate goal of achieving the policy mix objectives established at the EU level, to do so, national, regional and local levels are considered when drafting the legislative framework and programming documents. In particular cases such as the LIFE, the focus on regional or local dimensions is particularly relevant and, as such, territorial needs and challenges are taken into account.

Although LRAs can be beneficiaries of InvestEU, they were not consulted during the design of the instrument set-up process and are not explicitly mentioned in the regulation. However, considering the policy windows in which InvestEU operates, one can infer that LRAs' needs are considered, and the InvestEU preamble describes regional needs as the backbone of the instrument.

Some key findings regarding the **consideration of local and regional specificities** when designing the programmes are:

– There are funds like LIFE, DEP, and HE, where the focus on the regional and local dimensions is more visible:
    - o All four sub-programmes of **LIFE** aim to improve governance at all levels, deploy approaches for implementing the relevant Union legislation and develop relevant policies. Thus, public authorities, including those at the regional and local levels, play a key role in achieving these results.
    - o The **DEP** established European Digital Innovation Hubs (EDIH), which bring stakeholders together, fostering networking, cooperation, and knowledge transfer activities between the EDIH, SMEs and mid-caps, the public sector (including regional and local authorities) and other relevant stakeholders and initiatives.
    - o **HE** is a key instrument financing RDI activities at the EU level. Yet, the programme area also covers national and regional levels (for example, it considers the objectives of regional smart specialisation strategies). Many of the research project results will be used by local authorities.

– Although some CMPs focus on interventions at local and regional levels, the provisions of the regulation regarding the challenges addressed are rather general. For example, the TSI regulation is mainly focused on the national level and makes reference to country-specific recommendations and country reports without offering details on how the local and regional needs were considered. However, certain interventions do show an interest in the local and regional levels – for example, by offering support for transport and mobility in urban areas and remote rural areas or technical assistance to enhance institutional and administrative capacity, also at regional and local levels.

The eligibility of LRAs. According to CMP regulations, the eligibility criteria always provide an opportunity for anyone (with responsibility and potential involvement in the designated field) interested in obtaining financing from the fund/ programme, including LRAs as direct beneficiaries or partners of the projects.

Thus, LRAs are eligible as potential applicants, depending on the level of responsibility they carry in a particular Member State and on the component of the financing and intent of the specific calls for proposals (some of which directly eliminate LRAs as beneficiaries). Moreover, LRAs might be involved to a certain extent in the implementation of the projects, as in the examples below:

- **EU4Health**. Potential applicants primarily include Member State authorities, hospitals, vaccine developers, and even NGOs in healthcare. However, there are a couple of calls for proposals which also target municipalities or regional/ local public bodies. For example, these may involve developing social services for psychosocial support and rehabilitation for children and their families in paediatric oncology clinics within Member States and countries associated with the EU4Health Programme, as well as the organisation of conferences and events.

- **Erasmus+**. Key actions of the programme include LRAs as beneficiaries, serving as providers and facilitators in the fields of education, youth and sport. Moreover, one of the programme priorities is to involve potential applicants as part of the existing regional pact for skills partnerships. In this case, the applying partnership must include regional and/or local authorities.
- **LIFE**. All four sub-programmes aim to improve governance at all levels, deploy approaches for implementing the relevant Union legislation and develop appropriate policies. Thus, public authorities, including those at regional and local levels, become principal contributors to achieving these results. The LIFE programme also finances support for Natura 2000 sites managed by local authorities.
- **DEP**. Although potential applicants are mainly represented by SMEs, research centres and institutions, technology providers, industrial actors, and national agencies, there are also calls for proposals targeting regional and local- public administrations.
- **Connecting EU Facility**. The CEF has a local and regional dimension to improve connectivity, and local authorities can apply for funding.

3.3.2 How LRAs have been involved in the implementation of CMP

The analysis of LRA involvement in the implementation of the CMP considered three different aspects:

- The existence of delivery tools in the regulations/work programmes that facilitate LRA access to financing;
- The existence of governance mechanisms for involving LRAs in the management of EU policy and consulting LRAs or other local and regional stakeholders, beneficiaries and social partners during the implementation phase;
- The existence of regulatory provisions to ensure complementarity between the CMP and the Cohesion Policy funds (ERDF/ESF+/CF/JTF).

During the implementation phase, LRAs are involved to a moderate extent, depending on the specifics of each CMP. Generally, delivery tools are available to facilitate access to financing for all beneficiaries, primarily through the NCP or information providers. However, these tools are designed for all types of beneficiaries, and no specific instrument is tailored to LRAs. In terms of involvement in governance, only some CMP include LRAs in the process (TSI, CEF, DEP). Lastly, while synergies and complementarities are addressed in all the CMP analysed, only a few offer specific tools to address the issue.

The following table and section highlight the main findings for each criterion.

Table 3.4: Assessment of the involvement of LRAs in the implementation phase

Programme	Are there appropriate delivery tools?	Are there governance/communication mechanisms?	Are there provisions ensuring complementarity?
Technical Support Instrument (TSI)			
Horizon Europe (HE)			
Connecting Europe Facility (CEF)			
Digital Europe Programme (DEP)			
InvestEU Fund			
LIFE			
EU4Health Programme			
Erasmus+			

Delivery mechanisms. The analysis indicates that most CMP provide 'moderate' delivery tools to facilitate access to financing for all beneficiaries (including LRAs). The primary delivery mechanism for accessing financing and subsequently implementing projects is through the NCPs or information providers (for example, EDIHs, Invest EU Advisory Hub). However, these mechanisms apply to all types of beneficiaries, and no specific mechanisms are tailored to enhance the implementation capacity of LRAs (ex-technical assistance, different eligibility criteria, co-financing instruments, etc).

The key points emerging from the analysis are:

- **HE** exemplifies good practice in establishing delivery mechanisms to encourage LRAs to apply for funding. The network of NCPs serves as the primary structure providing guidance, practical information and assistance on all aspects of participation in HE throughout the project life cycle, all in the applicants' native languages. As potential applicants, LRAs can access and benefit from this assistance depending on the particular component of HE and the intent of the specific calls for proposals (e.g. 'Culture, creativity and inclusive society'; 'Civil security for society'; 'Food, bioeconomy, natural resources, agriculture and environment'). They can also use NCPs to access information and guidance for reporting to local stakeholders, accessing proposals and creating and joining national and international networks. Additionally, one of the key features of HE is the establishment of European Partnerships, which bring together public and private stakeholders to collaborate and address some of Europe's most pressing challenges through concerted research and innovation initiatives. The programme leverages the Funding & tenders portal, NCP, HE NCP portal, and the Enterprise Europe Network to facilitate these efforts.

- **CEF** supports the Broadband Competence Offices (BCOs) network, which helps regions overcome the various technical, financial, and regulatory challenges that arise when planning and deploying high-speed broadband networks. The support provided to the national BCOs covers the identification and mapping of Gigabit infrastructure needs and the use of available financial resources to cover these needs.
- A central role in implementing the **DEP** is played by the EDIHs, which stimulate the widespread adoption of advanced digital technologies across industries, in particular among SMEs, public organisations, the academic community and other entities that employ up to 3.000 people. EDIHs support companies and public sector organisations facing digital challenges and competitiveness issues, combining the benefits of a regional presence with the opportunities available through a pan-European network. National and regional authorities play a central role in the selection process of the EDIHs by identifying suitable candidates to respond to the European calls for proposals.
- The NCP network supporting the implementation of the LIFE Programme stimulates cooperation and contributes to increasing the overall quality of submitted proposals.
- In the case of **TSI**, each Member State has a National Coordinating Authority through which it submits a request to the European Commission for technical support each year. The European Commission analyses the requests received and engages in dialogue with the national Coordinating Authorities to assess the country-specific needs and explore options to support the design and implementation of reforms. Before requesting technical support, the Member States consult, where appropriate, relevant stakeholders such as LRAs, social partners and civil society in accordance with national law and practices.
- **EU4Health** also makes use of the NCPs to provide information on access and equal opportunities to the Programme and ensure complementarity with other regional, national and EU policies.

Notes from the interviews with LRAs

> *'LRAs can also facilitate stakeholders, like universities and technological centres, to access funds under direct management by developing a strategic plan and preparing guidelines and a booklet for them. The region becomes a facilitator and proposes capacity-building activities and schemes to strengthen the beneficiaries' opportunities to access funds.'*

Governance mechanisms. The extent to which the criterion regarding the level of LRA involvement in governance is met varies across CMP. Some CMP, such as the TSI, CEF and DEP provide more information, while others, like HE and EU4Health, do not fully address the role of LRAs. LRA involvement depends on the specific components/ domains financed and mainly includes providing additional information on a particular topic (e.g., double financing), engaging local stakeholders, and communication activities to increase awareness of the funding opportunities or results obtained. However, details on how these mechanisms are put into practice are not given and sometimes appear somewhat situational.

Examples of CMP involving LRAs in governance are:

- **TSI**. Before requesting technical support, the Member States consult relevant stakeholders, such as LRAs, social partners and civil society, in accordance with national laws and practices, where appropriate. However, the mechanism seems to lack a proper structure, and there is no clear evidence of how the LRA level is involved.
- **CEF**. In this case, each project proposal should be supported by local and/or regional authorities in the area where deployment is foreseen.
- **DEP**. EDIHs, which facilitate the exchange of best practices across hubs in different countries/regions, include LRA involvement.

***Synergies and complementarities*.** The extent to which the criterion is met varies. In all cases, the CMP regulations mention the existence of complementarity and synergies with SMP under the CPR (ERDF/ ESF+/ CF/ JTF/ EAFRD, etc.), but not all have a clear set of rules and mechanisms to ensure their success.

One such instrument is the Seal of Excellence (SoE), designed as a quality label for high-quality proposals submitted to HE, DEP, CEF, Erasmus+, and LIFE that could not be funded under Cohesion Policy funds. This instrument enables these projects to secure financing through the evaluated funds/programmes while ensuring synergies with the other EU funds. This is evident in the cases of Horizon Europe, DEP, LIFE, EU4HEALTH, and ERASMUS+.

Another intermediary mechanism that supports LRAs in creating synergies between Cohesion Policy funds and HE is the Interregional Innovation Investment (I3) instrument, as reported by a representative of one of the EU-level stakeholders:

'I3 is an example of a bottom-up lobbying initiative by LRAs, including the Emilia Romagna region, Utrecht and the Basque Country. The I3s are based on the Avanguarde model.'

This instrument facilitates the combination of ERDF and HE funds, in particular, to support interregional innovation investment projects aligned with common S3 priorities in the following thematic areas of the participating regions: green transition, digital transition and smart manufacturing. Interviews with stakeholders and DG RTD representatives highlighted the fact that this instrument also increases the level of cooperation between LRAs.In addition, the regulatory framework for the HE programme already includes an annexe with potential synergies and a list of non-eligible activities that might be financed through other sources. Moreover, in July 2022, the European Commission published a Notice on synergies between HE and the ERDF programmes[66]. An expert group at the EU level, known as RIMA, has also been set up to bring together experts on R&I policy and managing authorities at the national and regional levels. RIMA provides recommendations on designing and implementing synergies and assists programme authorities in using the legal framework of HE and cohesion policy funds to implement synergies. It also offers guidance on the type of information required for different calls and on fostering synergies between HE and the ERDF.

However, overall, interviews with selected LRAs revealed difficulties in designing and implementing synergies between CMP and SMP, as these are managed with different modalities. The main challenges stem from the differences in the regulatory framework of the CMP and the varying implementation timelines.

Notes from the interviews with LRAs

> *'The main barrier to blending or creating real synergies between a programme under centralised management and another under decentralised management is related to the different regulatory frameworks, for example, the incompatibility of State aid rules for beneficiaries. Programmes under direct management have to comply with the State aid rules and do not have to respect the specific rules of the programmes, while in Cohesion funds, it is different. Secondly, there are no political incentives to develop synergies among funds.'*
>
> *'LRAs should have extensive expertise in planning and designing synergies among different funds and instruments and dedicate a significant amount of time to it. This can imply additional administrative burdens.'*

3.4 Key conclusions on the role of LRAs in EU multiannual spending programmes

The role of LRAs in the management of EU multiannual spending programmes varies significantly across different management modalities, with a particularly pronounced impact within the framework of SMP, especially in the context of Cohesion Policy funds.

In this realm, LRAs assume a substantial role, often serving as managing authorities for the cohesion funds under the CPR. This elevates their involvement from merely operational to strategic, entrusting them with significant responsibilities not only in the implementation of projects but also in shaping the long-term development strategies of their regions. They are tasked with designing and executing regional development

[66] Commission Notice (2022/C421/03). Synergies between Horizon Europe and ERDF programmes.

programs that align with both EU objectives and local needs, thereby influencing the socioeconomic trajectory of their territories.

Moreover, within the ERDF, LRAs play a crucial role in governance and strategy design through Territorial Integrated Strategies, such as the ITI and CLLD. These initiatives allow local stakeholders to design and implement strategies that address specific territorial challenges and opportunities, leveraging EU funds in a way that is more directly informed by local knowledge and priorities.

Interviews with LRAs and stakeholders at the EU level highlight the importance of legal obligations to involve LRAs and support a change of approach to better integrate their needs and demands in policy design. This has been evident in the development and implementation of the S3 strategy, which adopts a place-based approach, building on the assets and resources available to regions and their specific socio-economic challenges to identify unique opportunities for development and growth. This approach also fosters the involvement of all relevant stakeholders in 'entrepreneurial discovery'.

Under CMP, LRAs primarily act as beneficiaries or recipients of funds. Their involvement is generally focused on applying for funding and implementing projects in line with the European Commission's guidelines and objectives. While important, these roles position LRAs more as implementers rather than strategists or decision-makers at the policy level.

In the design phase, the European Commission opts for stakeholder consultation to collect feedback, which is then forwarded to the European Commission and executive agencies by pan-European stakeholders and EU institutions, like the CoR. NCPs also collect suggestions and comments from LRAs to influence the design of CMPs. In the context of EU regulations and work programmes, territorial needs are acknowledged and considered, albeit in a broad and general manner rather than with any detailed specificity. LRA involvement during the design phase tends to be more indirect, with their input and the specific needs of their territories being taken into account in a somewhat generalised way.

In the implementation phase, LRAs act as the beneficiaries of financial resources. They can access funding sources through national bodies, such as NCPs or European desks, that provide facilities, know-how and support. In some cases, the EU legislation framework for CMP fails to include specific delivery mechanisms to facilitate LRA access to funding.

The EU funding landscape is characterised by multiple funding sources that are mostly managed in multiple modalities, involving different actors at diverse governance levels playing different roles depending on the specific funds and programmes. Considering this scenario, it can be quite challenging for LRAs to identify the most appropriate funding opportunities and assess how to access financial resources. Moreover, LRAs may face difficulties understanding the most effective ways to provide input and suggestions during the design phase of the programming life cycle.

Overall, the LRAs emphasise the need to simplify and reduce the administrative burden associated with programme implementation, both for SMP and CMP. This need is primarily related to control and audit procedures, which can deter LRAs from accessing and implementing EU-funded projects. 'Less control and more trust' is the main commonality shared by all the LRAs interviewed.

The stability of the regulatory framework is a crucial support factor for LRAs accessing, managing and implementing the EU budget. Indeed, LRAs highlight the complexity of interpreting regulations and decisions, which can also change during the programming periods. This complexity and instability in the legislation hinders their ability to access, manage and implement the EU budget effectively.

Finally, LRAs admit to having limited knowledge of the management and implementation mechanisms of certain funds and instruments, especially CMP. This hampers their positioning and ability to access these funds and, thus, limits the effectiveness of local and regional actors. This issue is even more pertinent when considering political actors, who often lack a holistic view of the CMP mechanisms. For this reason, LRAs and stakeholders at the EU level stress the need for a more structured dialogue between the EU institutions and political actors at the local and regional level in order to clarify the overall EU budgetary architecture and involve all administrative, technical and political actors from the local level in the process.

4.QUESTIONNAIRE RESULTS

This chapter presents the results of a questionnaire shared with 26 LRAs[67] (see Annex I for details). The questionnaire investigated the LRAs' views and opinions on:

- Their experience with EU multiannual spending programmes (both SMPs and CMPs) and their current engagement with them.
- The extent to which the LRAs are consulted on the design and delivery of CMPs and their role in the implementation of said programmes.
- LRA experience in applying for support in relation to CMP.
- Challenges and facilitating factors when implementing CMP.
- Potential suggestions from the LRAs regarding actions from EU institutions to support LRAs and measures that can be taken.

Each of the following sections presents the results according to the criteria listed above. The final section of the chapter analyses the information based on the six criteria used for the documental analysis in Chapter 3: involvement, relevance, eligibility, governance, appropriateness of the delivery mechanism, and complementarity.

4.1 LRA experience with EU multiannual spending programmes

Regarding the experience with SMP over the last 20 years (Figure 4.1), the vast majority of the respondents engaged with the ERDF (22 out of 26 respondents), followed by the CF (13 respondents) and CAP (12 respondents). None of the respondents engaged with the ESF+, the Instrument for Financial Support for Border Management and Visa Policy (BMVI), the Internal Security Fund (ISF).

Among the CMP (Figure 4.2), most respondents engaged with ERASMUS+ (17 out of 26), HE (15 respondents), and the RRF (12 respondents). The funds with the least engagement (1 out of 26) were the Single Market Programme, rescEU, the European Solidarity corps, the Justice Programme, and the Neighbourhood, Development and International Cooperation Instrument (NDICI).

[67] The questionnaire was conducted in two waves between April and June 2024. The first wave lasted from the 15th of April until the 13th of May and gathered replies from 9 respondents. The second wave lasted from the 16th of May until the 4th of June and gathered replies from an additional 17 respondents. The questionnaire was distributed through an online platform. It has been translated into French, Spanish, Italian, German, Polish and Romanian to facilitate LRA's access to the questionnaire and therefore increase the response rate.

Figure 4.1: SMP the LRAs have engaged with in the last 20 years by number of respondents

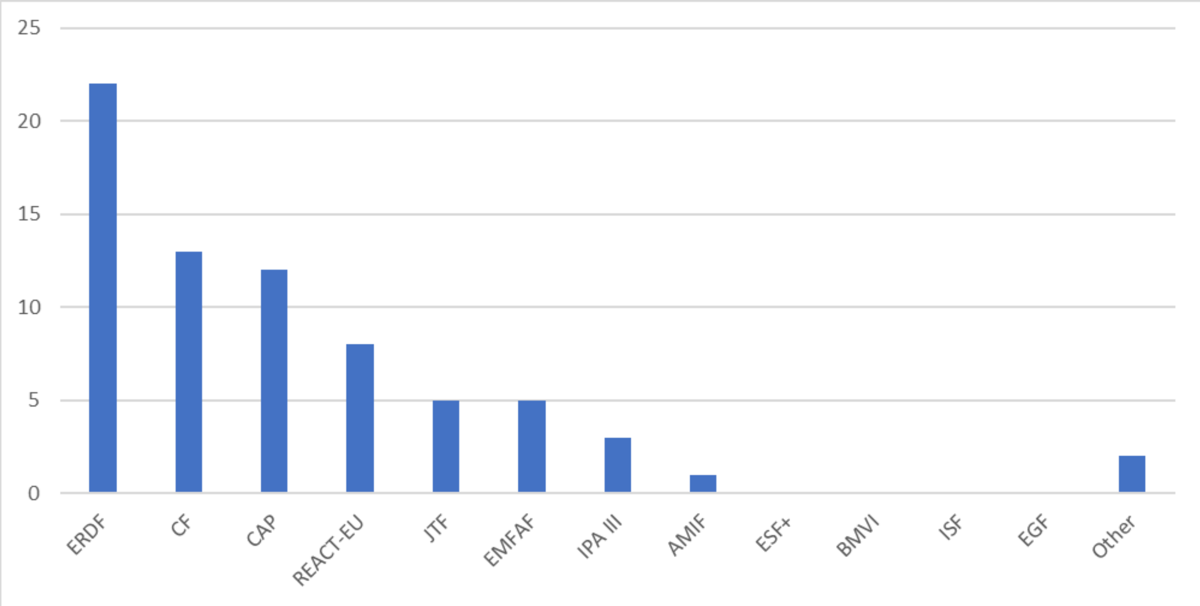
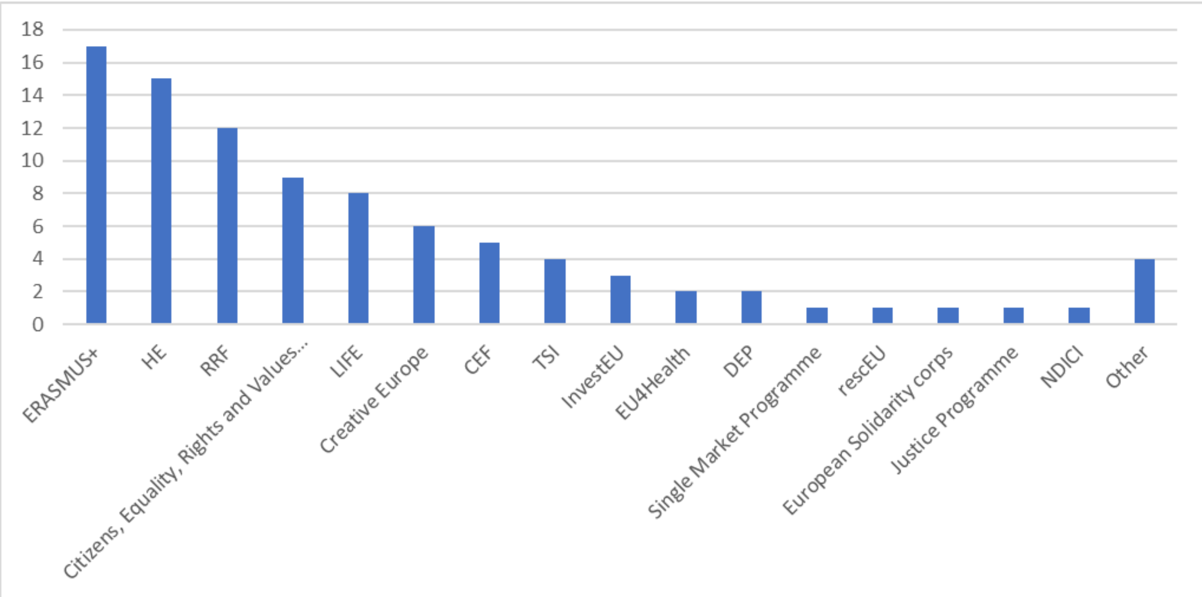


Figure 4.2: CMP the organisations have engaged with in the last 20 years by number of respondents



A similar distribution can be found among the multiannual spending programmes the respondents are currently engaged with. Since 2021, the ERDF, CF, and CAP have been the most cited among the SMP (19, 10, and 10, respectively), and ERASMUS+, HE, and RRF among the CMP (18, 11, and 8, respectively).

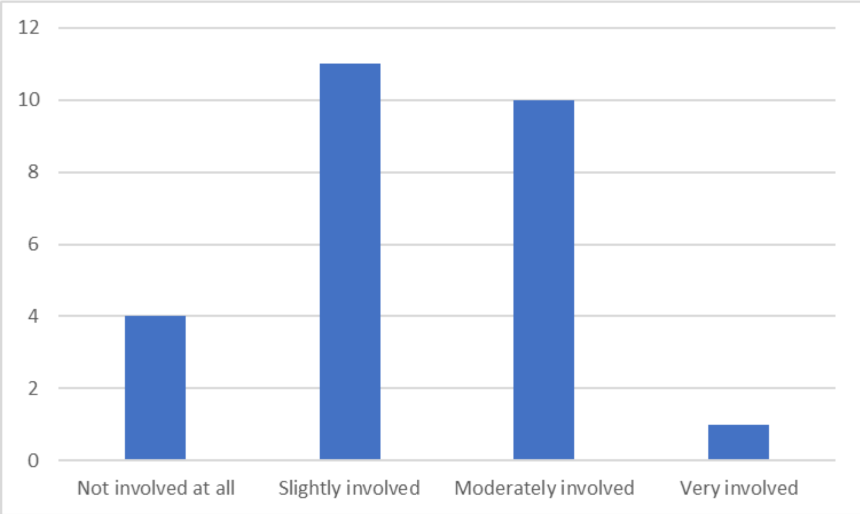
When looking at the data from a geographic perspective (Figure 4.3), respondents from France are currently engaged with several different multiannual spending programmes (25), followed by the Spanish and Croatian LRAs (18 each). On the other hand, the Latvian LRA is currently engaged with only 3 multiannual spending programmes, while the Maltese and Germans are engaged with 2 multiannual spending programmes each. A comprehensive overview is provided in the figure below.

Figure 4.3: Number of multiannual spending programmes LRAs are currently engaged with (since 2021)

4.2 LRA consultation in the design of CMP

Most respondents (15) indicated that **LRAs have had a low level of participation in the design of CMP** (either 'not involved' or 'slightly involved'), and 10 out of 26 felt that their organisations had been 'moderately involved'. Only 1 reported to have been 'very involved'.

Figure 4.4: Level of consultation during the design of EU CMP, number of respondents



Despite limited involvement in the consultation process, **most respondents believe that the specific needs of their territory are taken into account**, with 15 out of 26 expressing an opinion that the current EU regulations address the needs of their territory either 'Very well' or 'Adequately'.

However, a **variety of challenges have been identified regarding the consultation process.** Most respondents found that the limited involvement represented an obstacle alongside time and resource constraints. They also cited administrative and bureaucratic burdens, organisational issues, difficulties communicating with fund management bodies, and the lack of coordination and involvement of other stakeholders. The absence of tailored programmes was also identified as a challenge limiting the impact of policies at the local level and undermining the potential activities supported.

Notes from the survey

'The consultation was mainly through online surveys. Although we try to reply to all of them through our main needs and opinions, our organisation lacks the time to address all the tasks involved in the preparation, management and implementation of European projects to better participate in the consulting process.'

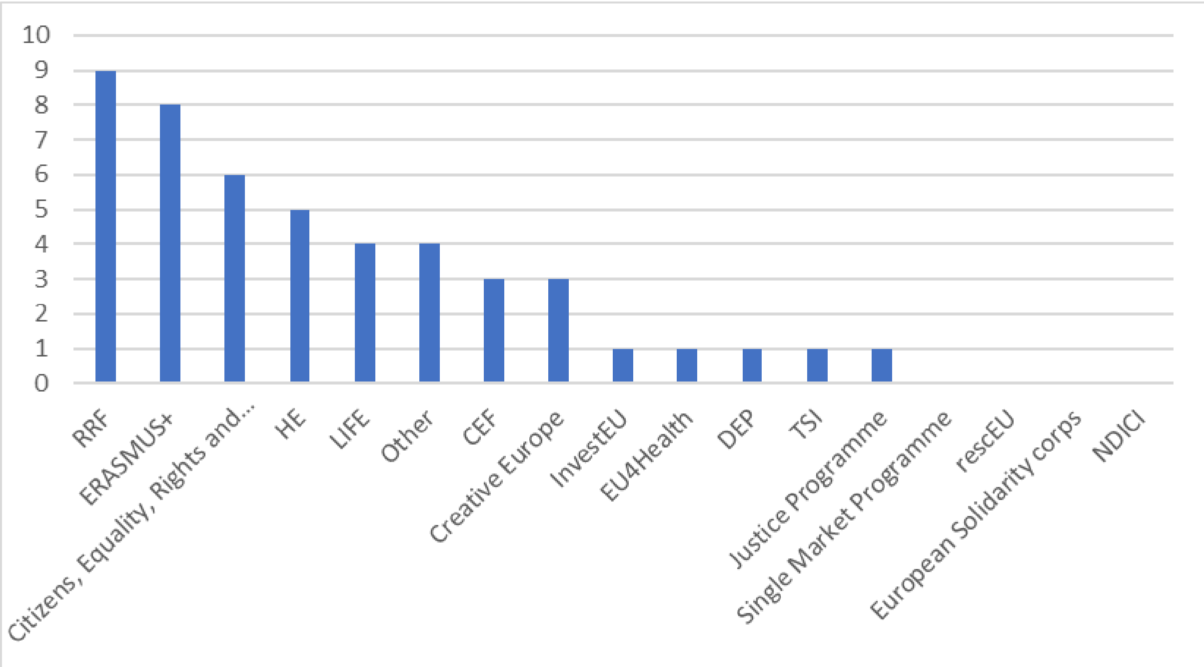
'Direct management does not consider the specific needs of LRAs, resulting in a limited impact of the policies. While evolving into programmes more linked to milestones and targets, instruments must maintain a place-based approach that allows LRA-tailored solutions. Despite participating in forums or open consultations, the final involvement of LRAs is not as strong as expected in terms of input consideration. A multi-level governance scheme must be kept.'

4.3 The LRA role in the implementation of CMP

LRA involvement in implementing CMPs varies across the respondents. **Half of the survey participants indicated they had not been involved in the implementation phase** (13 out of 26). This lack of involvement at the implementation stage is not homogeneous at the national level since there are both LRAs that have been involved and others that have not been involved within the same country where there was more than one reply.

Most of the respondents are currently involved in implementing the RRF (9 out of 13), Erasmus+ (8), Citizens, Equality, Rights and Values Programme (6) and HE (5). On the other hand, no LRA from the survey is currently involved in the Single Market Programme, rescEU, European Solidarity corps, or the NDICI.

Figure 4.5: The CMP in which LRAs are involved in implementation by the number of respondents



Among those LRAs that have been involved, **a variety of activities were implemented by the authorities, depending on the multiannual spending programme**. These activities include the identification, preparation and implementation of projects, applications for EU subsidies, execution of deliverables, monitoring and reporting, provision of opinions, distribution of support, coordination of partnerships with stakeholders, and the drafting of regional operational plans.

Almost all the respondents flagged their organisation as a beneficiary of CMPs (23 out of 26), and 24 **have some sort of coordination mechanism in place** to liaise with the relevant national/EU organisations involved in EU-funded intervention implementation. The most common coordination mechanism is with national institutions/governmental organisations, followed by coordination mechanisms through the NCP and direct coordination with EU institutions.

Several challenges have been identified regarding the implementation of EU CMP. The most mentioned challenges concern the presence of administrative bureaucracy and process-related burdens, the lack of coordination and participation, procedural issues, the lack of technical capacity, time and resources (both financial and human resources), the lack of targeted controls and stable rules, and issues when communicating with European institutions. One respondent also highlighted the fact that few funds take the needs of disadvantaged areas into account.

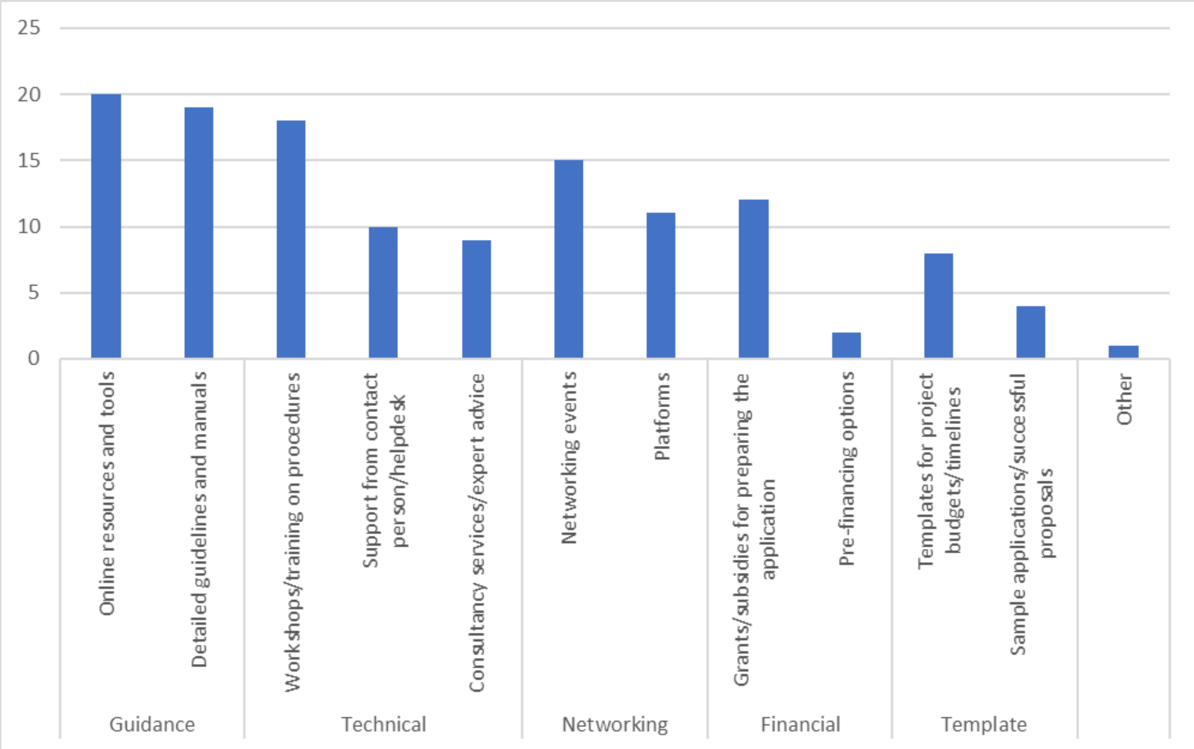
Notes from the survey

> *'The main challenge is the administrative burden. We hope for greater simplification and fewer audits and controls. However, the coordination mechanisms work well overall, with the exception of the RRF. We were not consulted in the design phase nor adequately during the implementation, which has created competition between funds and the risk of overlap.'*
>
> *'The main difficulty lies in executing the RRF since the rules of the game are constantly changing, and we feel that our concerns are not really taken into account when (and if) the European Commission organises consultations. There is a disconnect between the Commission and the reality of the coordinating body/management authority, as well as the project managers. Additional challenges concern the burdensome monitoring/reporting system and changing/additional obligations.'*

4.4 Experience with applying for support from CMP

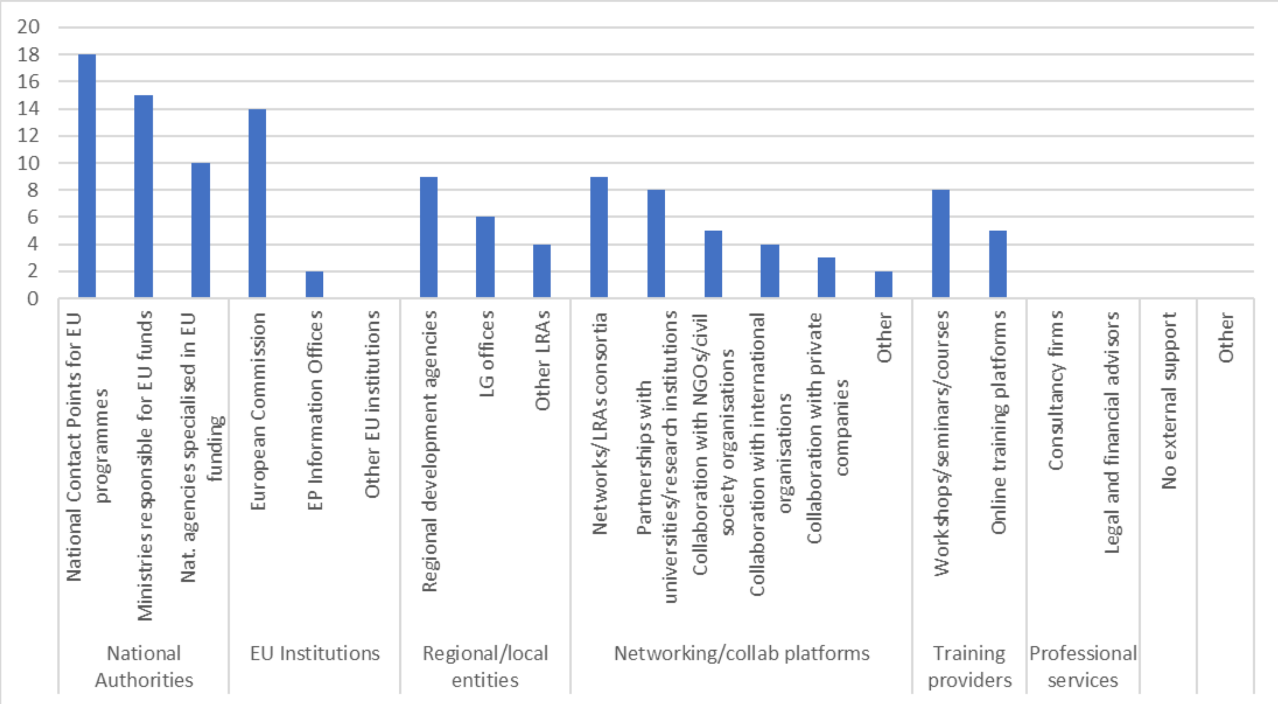
Grants are the most common form of support LRAs have applied for, with 22 respondents flagging them. These are followed by financial instruments (5) and prizes (2). Regarding the preparation of the applications (figure 4.6), **LRAs have access to a variety of forms of support, such as guidance, technical assistance, financial support, networking opportunities, and access to templates and examples**. LRAs mostly utilise guidance and access information such as online resources and detailed guidelines and manuals. These were indicated as a form of support by 20 and 19 respondents, respectively. Technical support in the form of workshops and training sessions follows closely, with 18 respondents, while networking events and grants and subsidies covering the cost of application preparation were reported by 15 and 12 respondents, respectively. Among the networking events, one respondent also flagged the Info sessions organised by the European Commission services or national authorities.

Figure 4.6: The type of support received for preparing applications by the number of respondents



LRAs received **support from a variety of entities and authorities** (Figure 4.7). The majority of the LRAs have received support from national authorities, including the NCP for specific CMP and the ministries or government departments responsible for CMP (see section 3.3.2 in chapter 3 for additional details). 14 LRAs have received support from the European Commission, while 9 LRAs have received support from regional development agencies. Similarly, 9 LRAs state that they have received support from networks or consortia of LRAs, while 9 have received support through workshops, seminars or courses offered by educational institutions.

Figure 4.7: Support provided to LRAs by various entities for preparing applications, by the number of respondents

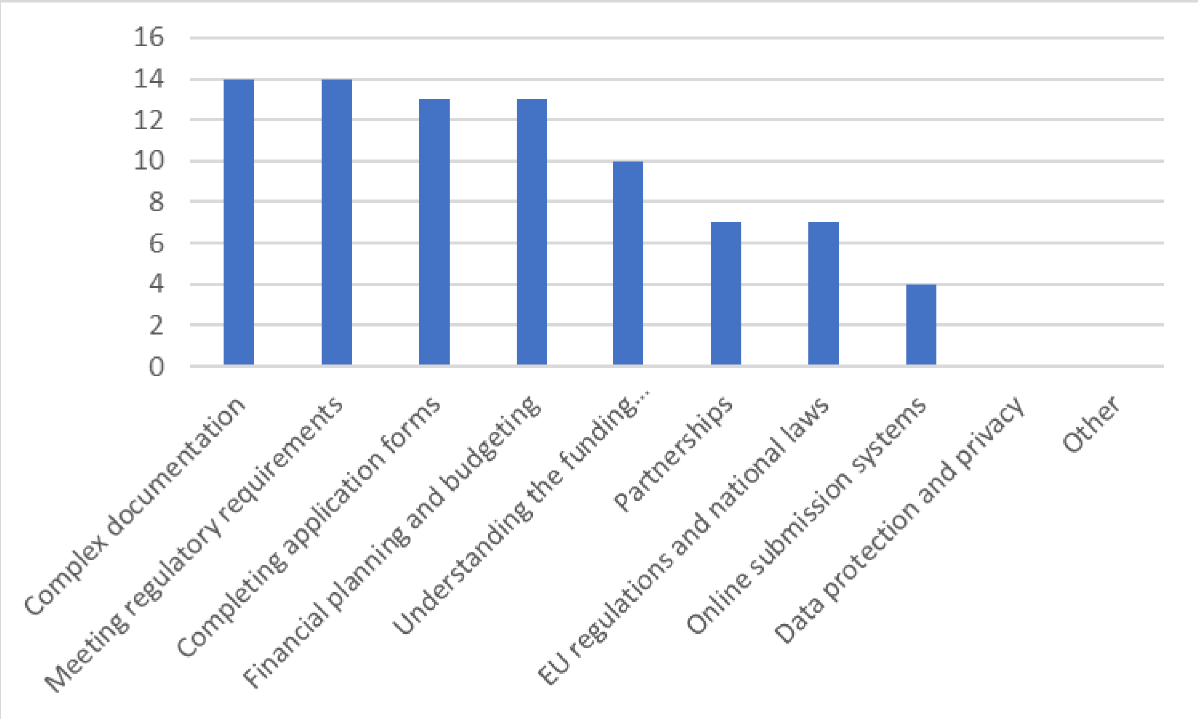


Regarding the application process, the questionnaire identified **several external and internal challenges that may arise during the process**.

Among the external challenges, some factors are perceived as more problematic than others (Figure 4.8). More than half the respondents (14 out of 26) identified the complexity of the documentation and regulatory requirements as the most challenging aspects. These were followed by the complexity encountered when completing the application form (13). On the other hand, ensuring data protection and privacy standards during the application process is not perceived as a challenge.

The internal challenges identified are, in most cases, related to a lack of experience and expertise and limited in-house experience with CMP applications (identified by 10 and 6 respondents, respectively). Other problems mentioned related to issues such as the mismatch between the opportunities available and the LRA's capacity, challenges regarding application eligibility, suitability of the opportunities, compliance with EU and national legislation, the lack of funds at the onset of the projects, difficulties during the implementation phase of the projects, and the lack of reliable partners.

Figure 4.8: Challenges during the application process, number of respondents



Notes from the survey

'Although progress has been made in recent years to enhance the LRA application process to different EU programmes, there is still room for improvement. Local governments have a high capacity for scalability and transferability, and also have a leverage effect on European funds.'

'The main challenges and difficulties faced by the Municipality in applying for EU funds include complex application documentation; lack of planning for indicators and their proper achievement; the sustainability of projects; complex, formalised, lengthy public procurement procedures; complex documentation with environmental attachments'.

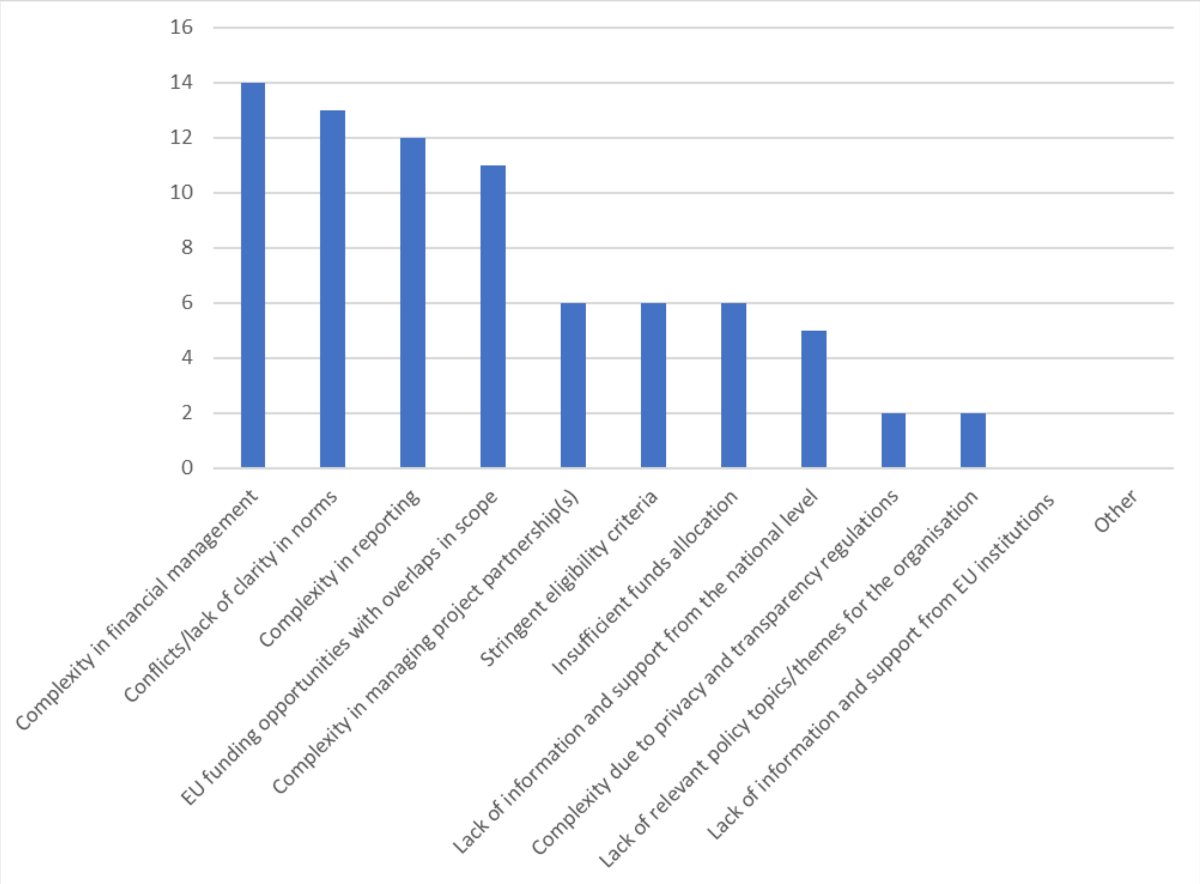
'Our region is a rural area with a low population density. There are few funds to which our region can successfully apply. The calls for proposals often do not take the needs of disadvantaged areas into account. These calls often increase the backlog of disadvantaged regions'.

'After applying to different funds, and upon project approval, many institutions and organisations encounter unexpected implementation difficulties. Even though the funds are approved, beneficiaries soon realise that access to the funds is far from reach. Most activities will again depend on the financial resources of the organisation itself, which puts the implementation process at enormous risk'.

4.5 Challenges and facilitating factors when managing EU projects under CMP

Managing projects under CMP may present a variety of challenges. From an external perspective, the LRAs identified the complexity of the financial management of projects (identified by 14 out of 26 respondents) as the primary external challenge. This was followed by complexity caused by the presence of conflicts and the lack of clarity in national and/or regional norms (13 out of 26), challenges in reporting (12 out of 26), and the multiplication of CMP opportunities without clear demarcation in scope (11 out of 26).

Figure 4.9: Challenges in managing CMP by number of respondents



Internally, the LRAs report understaffing and the lack of internal resources for co-financing as the most relevant challenges (16 and 14 out of 26, respectively). Other pertinent issues include the lack of expertise and understanding of the EU legislative framework and specific regulations governing the EU fund(s) LRAs are working with, as well as potential overlaps between existing programmes (both flagged by 10 out of 26 respondents).

However, **managing CMP projects also generates positive outcomes for LRAs**. The most common benefits reported include increased interaction with stakeholders, improved knowledge of thematic sectors, and enhanced administrative capacity (17, 15, and 15, respectively, out of 26).

The LRAs generally agreed on the key factors facilitating their involvement in managing CMP. **Support from national coordination bodies and capacity-building activities organised at different levels (regional/national/European) are seen as the main supporting elements for LRAs** (each identified by 18 respondents out of 26). More than half (14 out of 26) also identified networking activities as a facilitating factor, while less than a third of the LRAs (7 out of 26) perceived involvement in the SMP Monitoring Committees as helpful.

Other points raised by the LRAs concern a variety of aspects, highlighting both limitations and good practices in dealing with EU CMP. One respondent from Spain pointed out that the NDICI programme lacks a budget to support decentralisation, governance, and local development, which in turn hinders local and regional government contributions to the sustainable development goals (SDGs). A respondent from Romania flagged challenges linked to bureaucracy and regional disparities in knowledge and skills, which affect the ability of less developed regions to attract and implement CMP effectively. A municipality from Greece stressed the fact that smaller municipalities, in particular, have limited resources and managerial capacity for preparing proposals and managing CMP. Lastly, an LRA from Belgium indicated that a facilitating factor in managing the RRF projects was that these were managed by the ERDF managing authority, which ensures the follow-up of the RRF and thus is able to use and adapt existing practices and procedures.

4.6 Suggestions from respondents

The LRAs were ultimately asked to provide their point of view on measures that EU institutions could take to assist LRAs in effectively participating in CMP. The majority (21 out of 26) identified **simplification of the application process** as a key measure to improve the effectiveness of implementing CMP interventions. Other measures, such as **enhanced flexibility in funding criteria and the establishment of direct dialogue with EU institutions**, were also indicated by many respondents (17 and 16 out of 26, respectively) as potentially helpful.

Other suggestions from the LRAs emphasise **the importance of involving local authorities and regional stakeholders in the consultation processes** and of enhancing communication and support for local authorities to improve the effectiveness and responsiveness of EU programmes. Key points included:

- The need for more direct and timelier LRA involvement to ensure that programmes meet actual, local needs, for instance, by bringing consultation processes closer to the local administrations and citizens and enhancing existing mechanisms like Regional Hub Network (RegHub) and the European Community of Practice on Partnership (ECoPP).
- Increasing engagement and local stakeholder networking.

- The provision of more effective multi-level governance at different levels to help LRAs learn from each other.
- The establishment of capacity-building programmes and workshops for LRAs.
- Simplification of the rules, processes, administrative procedures and control of results, and the elimination of excessive bureaucracy to allow for more flexibility based on local needs.
- Imposing stricter follow-up on project evaluation and monitoring alongside more straightforward communication at the LRA level.

4.7 Results analysis

In terms of *involvement,* the survey findings indicate that **most organisations had a limited role in designing EU CMP**. This limited involvement is mainly due to time and resource constraints, administrative and bureaucratic burdens, and organisational issues such as communication difficulties with fund management bodies and the lack of coordination between stakeholders.

Although almost all the LRAs in the survey have been beneficiaries of some CMP, their overall **role in the implementation stage is marginal**. In this context, the challenges identified were the administrative bureaucracy, lack of coordination and participation, procedural issues, lack of technical capacity, insufficient time and resources, lack of targeted controls, and communication issues with European institutions.

Despite the limited involvement, CMP are perceived as *relevant*, i.e. **current EU regulations adequately consider territorial needs**. However, several criticisms were raised when addressing correspondence between the programme aims and the local and regional specificities. These include the absence of tailored programmes, which limits the impact of the policies at a local level, and the lack of support for decentralisation, governance, and local development. Overall, the LRAs highlight the importance of involving local authorities in the process of designing CMP to ensure that programmes meet real local needs.

Moreover, some respondents raised concerns about *eligibility* (as beneficiaries) in the different stages. A **broader scope of eligibility would benefit local governments and support their capacity for scalability**. Additionally, it was emphasised that better involvement of local-level representatives is crucial to boost the eligibility of less developed regions and ensure that they are not excluded. Overall, documentation **complexity and regulatory requirements** are seen as key obstacles for LRAs' applying for CMP. These findings suggest that administrative tasks are particularly challenging for LRAs, especially when coupled with **limited in-house experience in the application process**.

In relation to the *delivery tools*, the LRAs **primarily coordinate with national authorities**, including the NCP for specific CMP and ministries or government departments responsible for CMP. Support from regional development agencies, networks or consortia of LRAs is used less frequently.

However, participation in the *governance* of EU CMP can be improved through **better communication and coordination between EU and national-level institutions and LRAs.** This would enhance clarity in the information provided, ensure regulatory certainty, and reduce the administrative and bureaucratic burden. For example, the lack of coordination could be improved through coordination forums, while the provision of detailed information could streamline the application process. Additionally, external evaluations could identify specific problems and offer recommendations to the managing authorities of the funds on how to improve LRA participation in the design and implementation of CMP. It was also noted that more effective multi-level governance at the EU, national, and local levels would help LRAs to learn from each other by exchanging best practices and solutions.

Finally, better communication and coordination **could enhance the effectiveness and efficiency of using different funds in *complementarity***. The lack of coordination at the design stage and the poor LRA involvement at the implementation stage can, in fact, create competition between funds and increase the risk of overlap between multiannual spending programmes.

5. CONCLUSIONS AND RECOMMENDATIONS

This chapter summarises the conclusions drawn from the desk analysis, interviews and survey. It then offers recommendations for the European Commission, CoR, Member States, LRA associations and LRAs.

5.1 Conclusions

An analysis of the literature and official documents indicates that **LRAs are crucial to implementing European policies in general, and the overarching strategy of the Green Deal**. LRAs naturally play a crucial role in Cohesion Policy[68], but their importance extends beyond this. They are key in supporting the interventions of the RRF[69] and various directly managed funds and initiatives[70]. Ultimately, they play a significant role in the implementation of the European Semester, particularly in relation to reforms[71].

However, the desk and field analysis performed in the study reveals that **LRAs still have a marginal role** in shaping the allocation of overall EU budget resources. They are not significantly involved in the negotiation and establishment of the MFF. They also have limited influence in the political and technical fora where the budget allocation of the EU multiannual spending programmes is proposed. Moreover, the EU legislative acts ruling the EU CMP only indirectly consider LRA specificities. In terms of how these resources are spent, LRAs see their primary role in Cohesion Policy. However, new and growing EU multiannual spending programmes, such as the RRF, assign minimal importance to the regional and local dimensions, limiting LRAs to the role of mere implementers.

More specifically, regarding the **MFF,** although EU resources are vital for many LRAs, their involvement remains limited both at the consultation level and in general governance. LRAs can only influence the process through unstructured or informal means. The first method is through national governments but depends heavily on the institutional and constitutional setup, which varies greatly across Member States. Secondly, they can lobby directly through their representatives in Brussels, but these representations are generally seen as having limited influence in representing LRAs in the MFF negotiation process. Thirdly, LRAs can exert influence through associations and the CoR. This method is generally more efficient, especially in relation to the European Parliament. However, there is no institutional routine that allows LRAs to maintain a systematic relationship

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[68] European Commission (2021). Eighth report on economic, social and territorial cohesion, p.272.
[69] CoR (2020). Regional and local authorities and the National Recovery and Resilience Plans, p.2.
[70] CoR (2020). Boosting the Capacity of LRAs to implement the Green Deal: a toolbox for the climate pact, p.10.
[71] CoR (2020). Active subsidiarity and the European Semester, p.59.

because while the BUDG Committee is in charge of MFF negotiations, the natural institutional 'hub' for LRAs is the REGI Committee. Thus, the liaison with the European Parliament is indirect and depends on the sensitivity of individual MEPs.

Having a low LRA representation in the negotiation phase impacts both the allocation of resources and their delivery. There is growing concern that, in the overall re-centralization process following COVID-19, LRAs will see their role diminish significantly due to the setup of new direct-managed instruments that increasingly bypass multilevel governance, establishing a direct relationship between the European Commission and Member States.

The **FR** significantly influences how efficiently LRAs can utilise these resources. The study includes several proposals to modify the FR from an LRAs perspective including:

- Clarifying the roles and responsibilities of LRAs within the FR could enhance cooperation and streamline processes for project implementation and fund management. Currently, LRAs are not fully recognised as institutional entities and are often equated with other stakeholders such as NGOs, which undermines their institutional role in the EU's multilevel governance structure.
- Simplifying the regulatory framework is essential to lowering barriers to LRAs in accessing and utilising EU funds. The implementation of Simplified Cost Options (SCO), already used in the Cohesion Policy, reduces administrative burdens and accelerates the impact of EU investments. The 'financing not linked to costs' method of payment introduced by the RFF could be a step forward. However, as evident with the RFF, simplification requires time and adequate capacity building. Introducing such methodologies without proper preparation can present an additional obstacle for LRAs rather than a solution.
- Combining EU grants with financial instruments strengthens support for regional development projects. However, this combination could risk diverting resources from territorial to national goals, harming the cohesion process. Therefore, such combinations need to be handled with care.

A flexible regulatory framework is essential for rapid and adaptive EU fund allocation during crises across the entire EU budget ecosystem (MFF Regulation, IIA, FR). As first responders, LRAs play a critical role in meeting community needs and driving recovery. Embedding crisis clauses in the regulatory framework, drawing lessons from the Ukrainian conflict and COVID-19, would allow for the automatic activation of emergency measures, ensuring swift and effective responses. However, the COVID-19 crisis has also led to increased centralization of decision-making. While this may be necessary in urgent situations, it must be carefully balanced to avoid disrupting the EU's multilevel governance system.

Maintaining clear distinctions between immediate emergency response and longer-term recovery and resilience efforts is crucial. During emergencies, a rapid and uniform response is vital to address immediate needs with consistent, robust action. However, as the focus shifts to recovery—restoring economic and social conditions—and eventually to resilience—reorienting economic and social models to enhance future robustness—LRAs play a pivotal role due to their close ties to communities. For instance, the RRF could benefit from clearly distinguishing between 'emergency' recovery needs, primarily managed by national authorities, and the 'resilience' phase, where the involvement of LRAs is equally or even more essential due to their place-based insights and direct connection to local communities.

The role of LRAs in managing EU multiannual spending programmes varies significantly across different management modalities, with a particularly pronounced impact within shared management, especially concerning Cohesion Policy funds. **Under SMP,** LRAs assume substantial roles, often serving as managing authorities for programmes. This elevates their involvement from operational to strategic, as they design and execute regional development programmes that align with both EU objectives and local needs, thereby influencing their regions' socioeconomic trajectories.

Within the ERDF, LRAs play crucial roles in governance and strategy design through Territorial Integrated Strategies like ITI and CLLD. These initiatives enable local stakeholders to address specific territorial challenges and opportunities by leveraging EU funds, informed by local knowledge and priorities. Article 8 of the CPR ensures the effective involvement of LRAs throughout the preparation, implementation, and evaluation of programs. Interviews with LRAs and stakeholders underscore the importance of legal obligations to support LRA involvement in policy design, as exemplified by the place-based approach of the S3 strategy. This strategy fosters stakeholder involvement in ‘entrepreneurial discovery’.

Under CMP models, LRAs primarily act as beneficiaries, focusing on applying for funding and implementing projects per European Commission guidelines. While these roles are important, they position LRAs as implementers rather than strategists. In the design phase, the European Commission consults stakeholders, including LRAs, whose feedback is collected through pan-European stakeholders and institutions like the CoR. However, this involvement tends to be indirect, with territorial needs acknowledged broadly rather than specifically. During implementation, LRAs can access funds through national bodies or European desks. The EU funding landscape involves multiple sources and modalities, making it challenging for LRAs to identify appropriate opportunities and access resources.

The involvement of LRAs in EU policy-making and fund management faces several challenges at different governance levels and stages of the EU policy cycle:

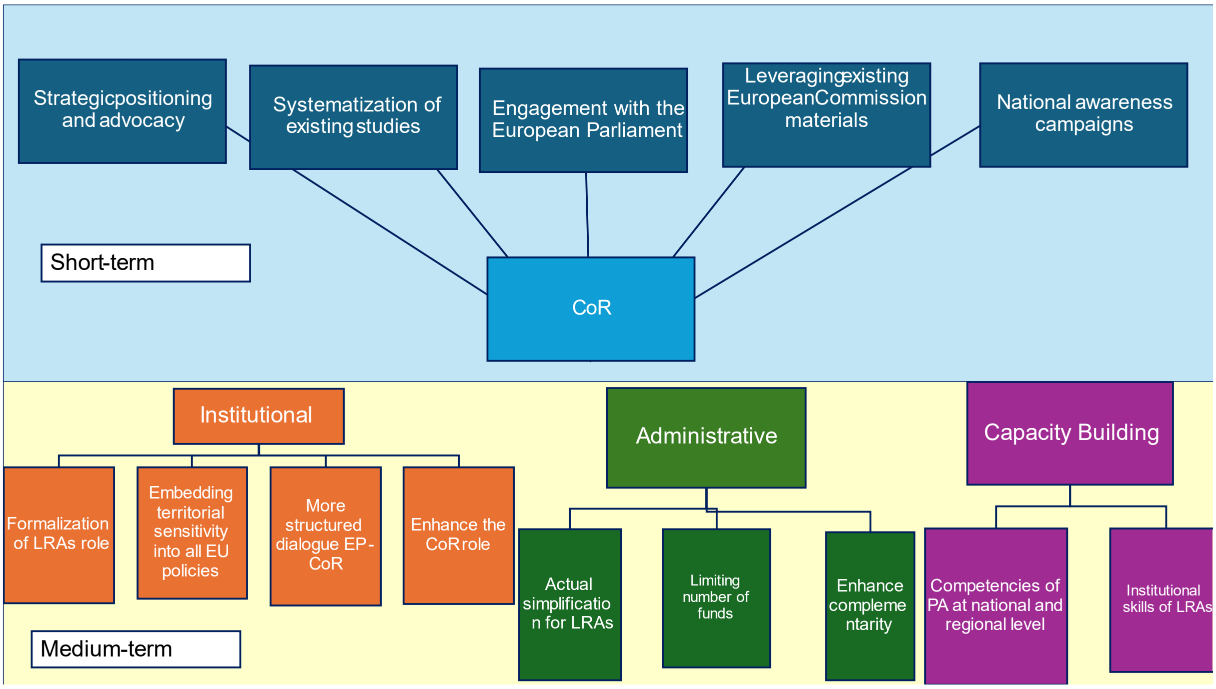
- **Policy Formulation**: the EU often overlooks the territorial dimension, and consultations are inadequate for ensuring meaningful LRA input at both national and EU levels, treating LRAs and their associations as stakeholders rather than as partners in multi-level governance. At the national level, LRA involvement is hindered by the reluctance of ministries to engage them in key EU policy processes, influenced by constitutional frameworks. Many LRAs lack the technical capacity and institutional capability to participate effectively. This, coupled with low awareness among regional and local policymakers, diminishes their willingness to engage in the process. These issues are self-reinforcing. Reluctance at the central level is compounded by low-quality inputs from LRAs, stemming from a lack of interest and capacity at the local level. This cycle does nothing to promote debate on the active role and involvement of LRAs in the EU and discourages meaningful consultation. Consequently, national governments do not feel the need to seek consensus.
- **Policy Implementation**. Neither the FR nor many EU multiannual spending programmes are designed with LRAs in mind, making implementation challenging. Notwithstanding this, and despite its limitations, Cohesion Policy remains the primary domain for LRAs to play an active role. LRAs can access financial resources, design interventions according to their development needs, and tailor the EU's twin transition vision to local realities. A dramatic change in resources or modus operandi could undermine the incremental progress built up over the last 40 years. For other multiannual spending programmes, LRAs have a more marginal role, adversely affecting the delivery of overall EU policies, particularly the twin transition objectives. The proliferation of funds and instruments, lack of a unified regulatory framework, instability and 'gold-plating' of rules, and administrative fragility are common issues. Recent history shows that flexibility and simplification, while well-intentioned, can adversely affect the capacity of LRAs to implement interventions effectively. Ultimately, limiting the role of LRAs undermines critical initiatives like the RRF and threatens the broader European construct and multilevel governance. The EU already grapples with legitimacy and ownership issues; excluding LRAs only exacerbates the political distance between European institutions and regions/cities. This exclusion could reduce the EU's efforts to a mere formal exercise or, worse, create the perception of a top-down imposition.

The study highlights that any reform of the EU financial framework and programmes cannot be viewed solely as a technical process. Marginalising or excluding LRAs from accessing EU multiannual spending programmes might have profound consequences for overall multilevel governance and, in the medium term, the European project itself.

5.2 Recommendations

2024 saw discussion of the MFF become central to the political development of the EU. Therefore, the recommendations must consider this context. The recommendations are divided into short-term, targeting the CoR, and medium-term actions concerning the overall EU institutional setting.

Figure 5.1: Overview of the recommendations



5.2.1 Short-Term Recommendations

Based on the perceptions gathered through interviews regarding the role of the CoR and its relationship with the European Parliament, the following recommendations address the immediate challenges and opportunities for enhancing the role and impact of LRAs in the ongoing MFF discussions:

1. **Strategic Positioning and Advocacy:**
    - **Context:** The new European Parliament may lack full awareness of the importance of EU policies for their constituencies. The upcoming negotiations and the vast amount of technical material could lead to ideologized discussions, with fragmented contributions from the CoR and LRAs.

  - **Recommendation:** The CoR should maintain a tactical posture while upholding its strategic role in representing LRAs effectively. This involves leveraging its status as an EU institution to ensure that the voices of LRAs are clearly and cohesively heard.
2. **Systematisation of existing studies:**
   - **Context:** Over the past three years, the CoR and EU and national LRA associations have produced extensive studies demonstrating the critical role of LRAs and the risks of their marginalization.
   - **Recommendation:** These studies should be consolidated into a single comprehensive document that substantiates a position paper. This document should be promptly circulated to all members of the new European Parliament.
3. **Engagement with the European Parliament:**
   - **Context:** The new MEPs need to be educated on the relevance of EU policies, particularly Cohesion Policy, for their territories.
   - **Recommendation:** Organise seminars to engage MEPs, making them aware of the studies and the significance of EU policies for their regions. This will help ensure that European Parliament discussions are informed by evidence and focused on regional needs.
4. **National Awareness Campaigns:**
   - **Context:** At the national level, LRA associations must advocate for the role of LRAs in the MFF.
   - **Recommendation:** National LRA associations should launch large-scale awareness campaigns among their members to advocate for the role of LRAs in the MFF. The CoR can support these efforts by capitalising on its existing materials and organising events in member states to raise public awareness.
5. **Leveraging existing European Commission materials:**
   - **Context:** The European Commission has produced several studies and brochures that provide evidence and facts about the effectiveness of Cohesion Policy, particularly in connection with the criteria of added value. Additionally, many past evaluations have highlighted similar evidence on EU value added.
   - **Recommendation:** The CoR should facilitate the dissemination of these materials, ensuring they are accessible to national LRAs and can be used to support local advocacy efforts. This includes emphasizing the effectiveness of the Cohesion Policy and the added value it brings to the EU.

By implementing these recommendations, the CoR and EU LRA associations can enhance the immediate capacity of LRAs to make their voices heard, ensuring their crucial role is recognised and supported in the ongoing MFF negotiations and beyond.

5.2.2 Medium-Term Recommendations

The mid-term recommendations focus on potential improvements across three levels: institutional, administrative, and capacity building.

The **institutional recommendations** are built around four key pillars: formalising the role of LRAs in the EU institutional framework, embedding territorial sensitivity into all EU policies, establishing a more structured dialogue between the CoR and the European Parliament, and enhancing the role of the CoR in the EU decision-making process:

- The first pillar emphasises the need to **formalise the role of LRAs** within the EU's multilevel governance structure to ensure their continuous and structured involvement in decision-making processes. This can be achieved by operationalising the principle of 'Do No Harm to Cohesion', as formulated in the 8th Cohesion Report. This principle should be made concrete and included in the impact assessment procedures of EU initiatives, using the SME test as a model. The 'Cohesion Test' should consider three dimensions: social/economic, political/institutional, and operational/administrative, with criteria such as: Does the proposal impact the existing responsibilities and roles of LRAs? Was there adequate consultation with LRAs? What is the opinion of the CoR regarding this proposal? How will this proposal affect the existing administrative capacities of LRAs? Are there initiatives to support the enhancement of these capabilities? Additionally, it is critical that the new FR recognizes LRAs as institutional partners and fully embeds the principle of subsidiarity.
- The second pillar focuses on **embedding territorial sensitivity into all EU policies** and funding mechanisms. This involves conducting regular evaluations to ensure that EU policies effectively address regional and local needs. The European Commission should be required to report annually on how the principles of partnership, multilevel governance, and subsidiarity are integrated into the budget discharge procedure.
- The third pillar calls for **more structured dialogue mechanisms** that involve both the BUDG and REGI Committees when necessary.
- Finally, the fourth recommendation emphasises the need to **reinforce the role of the CoR** as the gatekeeper of territorial dimensions by empowering the institution and ensuring its solid presence in the EU decision-making process.

Administrative Level. The Cohesion Policy is progressively moving away from the traditional disbursement principle towards more innovative financial mechanisms. The latest step is the use of FNLC, which is widely applied in the RRF and is now being experimented with in different domains of the Cohesion Policy programmes, particularly in energy and capacity building. Additionally, the current programming period has seen a reduction in the number of programming documents and reporting requirements. However, these measures have their limits and potential downsides. For example, the ECA has criticised the FNLC method, questioning whether it truly simplifies processes. Simplifying programming documents has often necessitated additional documents to better explain strategies or economic contexts.

Therefore, while LRAs welcome the simplification process, they emphasise that **it must result in actual simplification for stakeholders**. Simplification needs to be carefully designed and incrementally adopted to avoid unexpected negative impacts. Another issue raised by stakeholders is the proliferation of multiannual spending programmes. Many new multiannual spending programmes have been set up, particularly in response to emergencies, even though the types of interventions and policy objectives could be pursued within existing funds and instruments. **Limiting the number of multiannual spending programmes and establishing a unified legal framework** would represent a significant simplification for LRAs.

Overall, the need to **increase complementarity between CMP and SMP** is also essential. Simplifying complementarity processes will help LRAs navigate the funding landscape more effectively and ensure that resources are used efficiently.

Capacity Building. Several studies have confirmed that the lack of administrative capacity within LRAs is an issue not only for Cohesion Policy but also for other multiannual spending programmes. Cohesion Policy, with its explicit capacity-building schemes (e.g., Fi-compass, REGIO Peer2Peer Communities), serves as a pan-European instrument to enhance the competencies of public administrations. These **instruments need to be consolidated and reinforced in the new programming period**, not only to ensure the effective delivery of the programmes but also as a 'public good' delivered by the Cohesion Policy, representing its most important added value. Capacity building needs to be tailored to address the requirements of new implementation mechanisms, such as FNLC, ensuring that LRAs are adequately prepared for these innovations.

On the capacity-building front, besides Cohesion Policy a greater effort is required to safeguard overall multilevel governance. Promoting a structured dialogue with local and regional political actors is crucial. This includes setting up new dedicated **capacity-building platforms to help LRAs understand the EU budgetary architecture and the decision-making process**. Without massive investments in LRAs and their capacities, there is an increasing risk of declining standards in public administration across Europe, posing threats to the current democratic and open-market model.

ANNEX A - ANALYSIS OF RELEVANT FINANCIAL REGULATION ARTICLES

Table 1: Relevant articles and rationale in Regulation 2024/2509

N.	Title	Type of Effect	Rationale
62	Methods of budget implementation	Increase in potential access to projects	Outlines different methods of budget implementation, offering LRAs various pathways to access EU funds, potentially increasing their access to projects through direct, shared, or indirect management.
63	Shared management with Member States	Increase in flexibility in use	Shared management with Member States allows for a more flexible approach to budget implementation, enabling LRAs to make more tailored and adaptable use of EU funds within the shared management framework.
125	Forms of Union contribution	Increase in potential access to projects	By detailing the forms of Union contributions, this article opens up various funding avenues for LRAs, enhancing their access to projects through diversified financial instruments.
126	Cross-reliance on assessments	Increase in flexibility in use	Enables LRAs to benefit from pre-existing assessments, increasing flexibility in EU funds by reducing redundant evaluations.
127	Cross-reliance on audits	Decrease in administrative costs and burdens	LRAs can rely on existing audits, thus reducing the need for multiple audits and decreasing administrative costs and burdens.
128	Use of already available information	Decrease in administrative costs and burdens	Encourages the use of existing information, reducing the need for LRAs to submit the same information multiple times and reducing administrative effort.
133	Record-keeping	Increase in administrative burdens and costs and compliance risk	Mandates detailed record-keeping for a specified period, increasing the compliance burden and risk if records are not properly maintained.
134	Adversarial procedure and means of redress	Increase in intangible assets	Provides a mechanism for challenging adverse decisions, potentially increasing LRAs' intangible assets by ensuring fairness and recourse in funding allocation.
184	Lump sums, unit costs, and flat-rate financing	Increase in flexibility in use	Simplifies the funding process by allowing grants to be based on lump sums, unit costs, or flat rates, increasing flexibility in how funds can be applied and managed.
185	Single lump sums	Decrease in administrative costs and burdens	Facilitates grant management by allowing a single lump sum to cover all eligible costs, reducing administrative effort and cost.
186	Checks and controls on beneficiaries related to lump sums, unit costs, and flat rates	Increase in administrative burdens and costs and compliance risk	Imposes requirements for checks and controls to verify the fulfilment of conditions, increasing compliance risks due to potential scrutiny.
187	Periodic assessment of lump sums, unit costs, or flat rates	Increase of administrative burdens and costs and compliance risk	Mandates periodic assessments of financing methods, which could heighten compliance risk if methods are found to be inadequate or non-compliant.

188	Usual cost accounting practices of the beneficiary	Decrease in administrative costs and burdens	Allows the use of the beneficiaries' usual cost accounting practices, potentially reducing administrative burdens by avoiding the need for special accounting setups.
190	Affiliated entities and sole beneficiary	Increase in potential access to projects	Enables affiliated entities to participate in grant actions, potentially increasing access to projects by allowing collaborative applications.
197	Content and publication of calls for proposals	Increase in flexibility in use	Provides clear guidelines on grant applications, increasing the flexibility for potential applicants to tailor their proposals to fit EU objectives.
202	Award criteria	Increase in intangible assets	Ensures that grants promote policy objectives effectively, enhancing the value and impact of EU funding.
211	Scope and implementation	Increase in potential access to projects	Establishes a flexible framework for implementing financial instruments and budgetary guarantees, potentially increasing access to Union funding for a broader range of projects and beneficiaries.
218	Rules and implementation	Increase in potential access to projects	This article allows for the establishment of financial instruments without a basic act in justified cases, increasing potential access to projects through flexible funding mechanisms.
		Increase in flexibility through versatile funding applications	This applies to measures combining financial instruments or budgetary guarantees with ancillary budget support, enhancing funding versatility.
		Increase in administrative burdens and costs and compliance risk	Ensuring harmonised and simplified management requires adherence to various regulations, increasing the compliance risk.

ANNEX B - EU MULTIANNUAL SPENDING PROGRAMMES UNDER DIFFERENT MANAGEMENT MODALITIES

Direct management refers to mechanisms where EU funds are directly managed by the European Commission and its executive agencies. These agencies are in charge of each step in the programme implementation, namely launching the calls for proposals, evaluating submitted proposals, signing grant agreements, monitoring project implementation, assessing the results, and making payments.

The following funds and programmes fall under direct management:

- **RRF**;
- **HE**;
- **Euratom research and training programme**: a complementary funding programme to HE covering nuclear research and innovation. The JRC manages these actions under direct management.
- **roughly 0.5% of the CAP budget**, which includes:
  - administrative and technical support activities required to implement the CAP,
  - promotional activities for EU agricultural products by international organisations, executive agencies, and the European Commission itself,
  - grants for information measures relating to the CAP and contracts issued for third-party services.
- the **Employment and Social Innovation (EaSI)** strand of **the ESF+**;
- 13% of the **EMFAF** is managed under direct/indirect management through the EC or its executive agencies;
- The second and third pillars of the **Just Transition Mechanism** (the just transition scheme under InvestEU and the Public Sector Loan Facility);
- **EU4HEALTH programme**: Part of the budget is managed by the European Health and Digital Executive Agency, as delegated by DG SANTE and the European Health and Digital Executive Agency (HaDEA).
- **CEF:** Part of the budget is managed by the EC or its executive agencies in accordance with Article 69 of the FR to fulfil the CEF's optimum management and efficiency requirements in the transport, energy and digital sectors.
- **DEP**: The European Commission manages this programme directly with support from the Executive Agency for Health and Digitalisation, specifically for objectives 2 – 'artificial intelligence', 4 – 'advanced digital skills' and 5 – 'deployment and the best use of digital capacities and interoperability'.
- **Single market programme**: managed by DG GROW, DG COMP, DG FISMA, DG TAXAUD, DG SANTE, DG JUSTICE and Eurostat.

- **EU Anti-Fraud Programme**: managed by OLAF.
- **Cooperation in the field of taxation (FISCALIS):** managed by DG TAXAUD.
- **Cooperation in the field of customs (CUSTOMS):** managed by DG TAXAUD.
- **European Space Programme**: A small part of the programme can be implemented directly by the EC.
- **Support for the Turkish Cypriot community Programme:** managed by DG REFORM.
- **TSI:** implemented directly by the European Commission, which adopts work programmes by way of implementing acts and informs the European Parliament and the Council.
- **Protection of the Euro Against Counterfeiting**: directly managed by DG ECFIN.
- **Union Civil Protection Mechanism (rescEU):** led by DG European Civil Protection and Humanitarian Aid Operations (ECHO) with a certain degree of association with the Health Emergency Preparedness and Response Authority, under direct management, with some possible recourses to indirect management following a recent legislative revision.
- **Erasmus+**: Parts of the programme will be implemented under direct management through DG EAC in cooperation with DG EMPL. The European Education and Culture Executive Agency oversees the programme implementation.
- **European Solidarity corps**: Part of the programme can be implemented under direct management by DG EAC and the European Education and Culture Executive Agency.
- **Justice Programme**: under the direct management of DG JUSTICE.
- **Citizens, Equality, Rights and Values Programme**: This programme is managed by DG JUSTICE. The European Education and Culture Executive Agency implements some initiatives. Actions under the specific objective ‘to protect and promote the rights of persons with disabilities’ will be managed by DG EMPL. The European citizens’ initiative (ECI) will be managed by the European Commission Secretariat-General.
- **Creative Europe**: Part of the Programme will be jointly implemented under direct management by DG EAC, DG CONNECT and the Education, Audiovisual and Culture Executive Agency.
- **LIFE +**: Part of the Programme can be implemented under direct management. More specifically under DG ENV, DG ENERGY, and DG CLIMA. The European Climate, Infrastructure and Environment Executive Agency manages the bulk of the grants, a few procurement activities and the technical assistance scheme, supporting green investment and the greening of other investments (Green Assist).

- **European Defence Fund**: managed by DG DEFIS.
- **NDICI - Global Europe:** Parts of the programme are implemented under DG NEAR, DG INTPA, and the Service for Foreign Policy Instruments, in cooperation with the European External Action Service and line directorates-general, especially in relation to the external dimensions of internal policies such as climate, energy, trade, digital and education.
- **Humanitarian Aid Programme**: These can be implemented on the initiative of the European Commission, which delivers assistance through financial support via individual agreements with partner organisations (non-governmental organisations, United Nations agencies or other international organisations). The management mode applied to non-governmental organisations is direct management, while that applied to the United Nations and international organisations is indirect management.
- **Common Foreign and Security Policy (CFSP):** A limited part of the programme falls under direct management.
- **Overseas Countries and Territories**: Part of the programme is implemented by the European Commission from its headquarters and/or through the EU delegations and/or EU offices.
- **Instrument for Pre-accession Assistance (IPA) III**: Assistance can be implemented under direct management in accordance with the FR through the annual or multiannual action plans and measures referred to in Chapter III of Title II of Regulation (EU) 2021/947.

Indirect management refers to the management mode where programmes are partly or fully implemented with the support of entities, e.g. national authorities or international organisations. The European Commission delegates implementation of these programmes or part of them to third parties, or implementing partners, including:

- o international organisations such as the United Nations (UN) family, the World Bank, and the International Monetary Fund (IMF)
- o the European Investment Bank (EIB) and the European Investment Fund (EIF)
- o decentralised agencies such as the European Centre for Disease Prevention and Control (ECDC), the European Food Safety Authority (EFSA) or the European Border and Coast Guard Agency (Frontex)
- o public-private partnerships, including joint undertakings such as the Initiative on Innovative Medicines, Shift2Rail, and European High-Performance Computing (EuroHPC)
- o member state bodies such as the Erasmus+ national agencies, member state development agencies, and national promotional banks.

Most multiannual spending programmes related to humanitarian aid and international development are managed indirectly. In addition, the following multiannual spending programmes are managed indirectly.

- **EU4HEALTH Programme**: Part of the programme falls under indirect management.
- **Euratom research and training programme**: Part of the funding falls under indirect management, as it is undertaken by multi-partner consortia.
- **ITER programme**: The Joint Undertaking for ITER and the Development of Fusion Energy are the entities entrusted to manage and implement the programme.
- **InvestEU fund**: This fund is managed through the EIB and other selected financial partners (i.e. implementing partners), such as national promotional banks and institutions as well as international financial institutions[72].
- **CEF:** Third parties can implement CEF projects in accordance with Article 62(1), subparagraph 1c of the FR.
- **DEP:** Specific objective 1- 'High-performance computing' is primarily implemented through the joint EuroHPC undertaking. Specific objective 3, 'Cybersecurity and Trust', is implemented primarily through the European Cybersecurity Industrial, Technology and Research Competence Centre and the Cybersecurity Competence Network. Destination Earth is implemented by the European Space Agency, the European Centre for Medium-Range Weather Forecasts and the European Organisation for the Exploitation of Meteorological Satellites, while the Investment Platform for Strategic Digital Technologies is implemented by the European Investment Fund and European Investment Bank.
- **European Space Programme**: This is mainly implemented by the European Union Agency for the Space Programme, the European Space Agency, the European Organisation for the Exploitation of Meteorological Satellites and other entrusted entities.
- **TSI:** In accordance with Article 62(1) of the FR, part of the budget can be implemented indirectly by persons or entities.
- **Union Civil Protection Mechanism (rescEU):** Where justified by the nature and content of the actions concerned, part of the programme can be implemented under indirect management.
- **Erasmus+:** Part of the programme can be implemented under indirect management via the Erasmus+ national agencies.
- **European Solidarity Corps**: Part of the programme falls under indirect management via a network of national agencies.
- **Creative Europe**: Part of the programme can be implemented under indirect management through the Europe desks, which serve as local contact points and advise potentially interested candidates on funding.
- **LIFE+**: Part of the programme can be implemented under indirect management with specific activities carried out through the EIB.

[72] The actual list can be consulted here.

- **Nuclear decommissioning assistance programme for LT**: This programme is implemented under indirect management via the European Bank for Reconstruction and Development, which manages a dedicated multi-donor fund - the Ignalina International Decommissioning Support Fund. Since 2005, projects have also been managed through a national agency in Lithuania, the Central Project Management Agency.
- **Nuclear safety and decommissioning programmes**: These programmes are implemented under indirect management through the European Bank for Reconstruction and Development, which manages a dedicated multi-donor fund - International Decommissioning Support Funds for each decommissioning programme in Bulgaria and Slovakia.
- **European Defence Fund**: If justified, specific initiatives can be implemented under indirect management.
- **NDICI - Global Europe:** Part of the programme can be implemented by entities such as EU member state agencies, international organisations or partner countries, and all the entities listed in Article 62(1)(c) of the FR.
- **Common Foreign and Security Policy (CFSP):** This is mainly implemented under indirect management and addresses civilian CSDP missions and non-proliferation and disarmament actions.
- **Overseas Countries and Territories**: Parts of the programme, implemented by entities such as member state agencies or international organisations, fall under indirect management.
- **Instrument for Pre-accession Assistance (IPA) III**: Assistance can be implemented under indirect management in accordance with the FR through annual or multiannual action plans and measures as referred to in Chapter III of Title II of Regulation (EU) 2021/947.

Shared management describes the situation where both the EC and national authorities in the MSs (national authorities and LRAs) oversee a programme. The EC ensures that projects are successfully concluded, and funding is efficiently and effectively spent.

The principal funds falling under shared management include those covered by the Common Provision Regulation 2021/1060 [73], and include

- **ERDF, CF, and JTF**: mainly managed under shared management by DG REGIO and MSs.
- **ESF+**: mainly managed in shared management by DG EMPL and MS, in particular the strand including the previous European Social Fund (ESF), the

[73] REGULATION (EU) 2021/1060 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

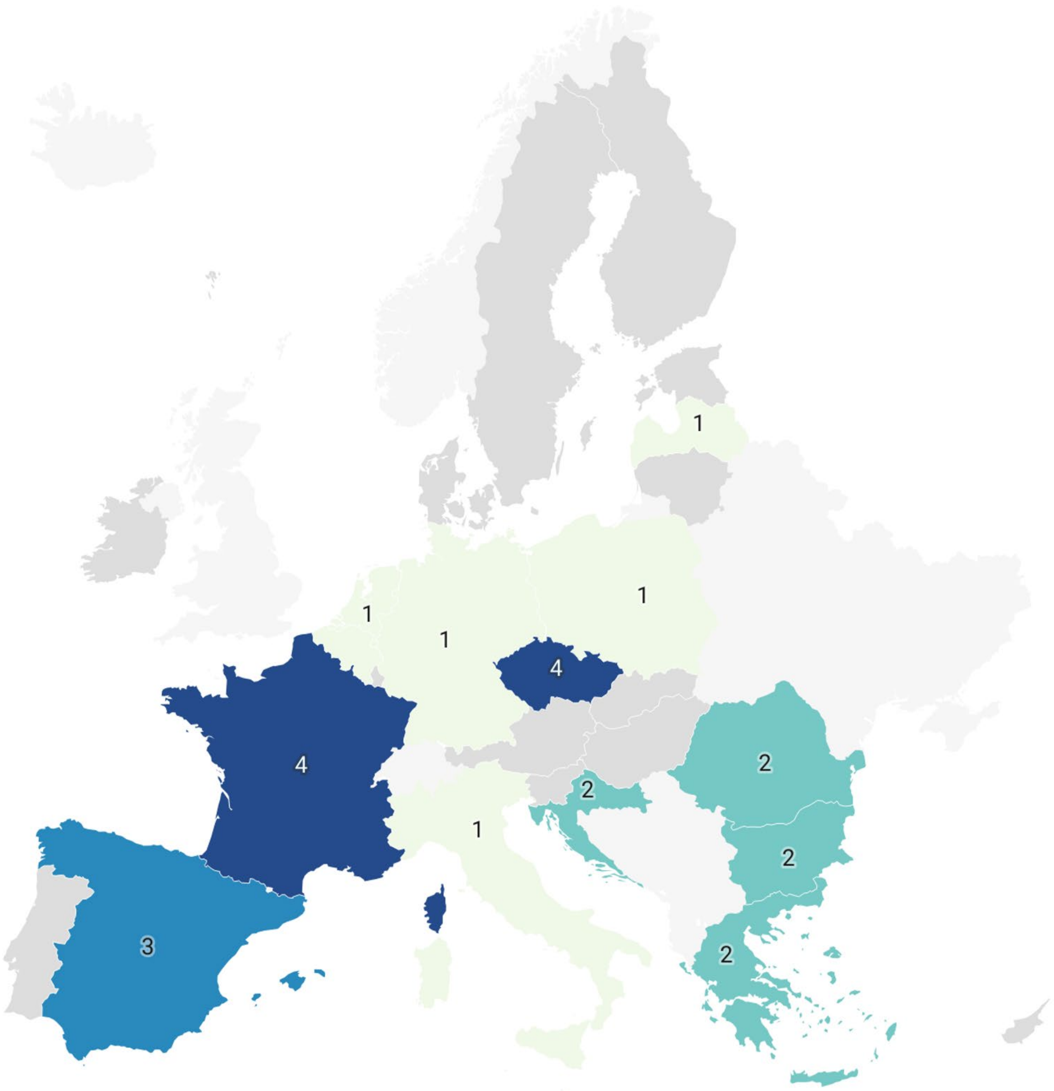
Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD).

- **EMFAF**: mainly managed by DG MARE and MS; more specifically, 87% of the financial resources fall under this management modality.
- **HOME** funds, namely the AMIF, BMVI, and ISF: mainly managed by DG HOME and MS.
    - AMIF: 63.5% of resources are allocated under shared management; the remaining funds fall under direct and indirect management and are allocated under the financial instrument 'Thematic Facility', which can be used for specific actions implemented by Member States nationally or transnationally, Union actions (direct/indirect management), emergency assistance (shared, or direct or indirect management), beneficiary transfers and applicants for international protection (shared management), resettlement (shared management) and support for the European Migration Network (direct management).
    - BMVI: 57.5% of the budget falls under shared management, while 42.5% is allocated to the financial instrument 'Thematic Facility', directly managed by the European Commission. It can also finance specific actions under indirect management.
    - ISF: 70% of the budget falls under shared management, while the remaining 30% is allocated to the financial instrument 'Thematic Facility' under direct management (technical assistance implemented by the EC) and indirect management (entrusted third-party entities).
- 99.3% of the **CAP** budget – including allocations for income support, market measures, and rural development, managed by DG AGRI and MSs. This budget supports the European Agricultural Guarantee Fund (EAGF) and the EAFRD.
- **EGF:** implemented under shared management. DG Employment, Social Affairs and Inclusion is the lead for the Commission.
- **IPA III:** This instrument is also implemented under shared management. DG NEAR is the leading service. DG AGRI is responsible for rural development programmes, and DG REGIO for cross-border cooperation programmes between IPA beneficiaries and EU Member States.

ANNEX C - QUESTIONNAIRE DEMOGRAPHICS

In total, 26 replies were collected across 14 Member States. Of these, 11 responses to the survey came from just 3 countries: France and Czechia, with 4 respondents each, and Spain with 3 respondents. The chart below indicates the number of respondents for each Member State.

Figure 1: Respondents by Member States

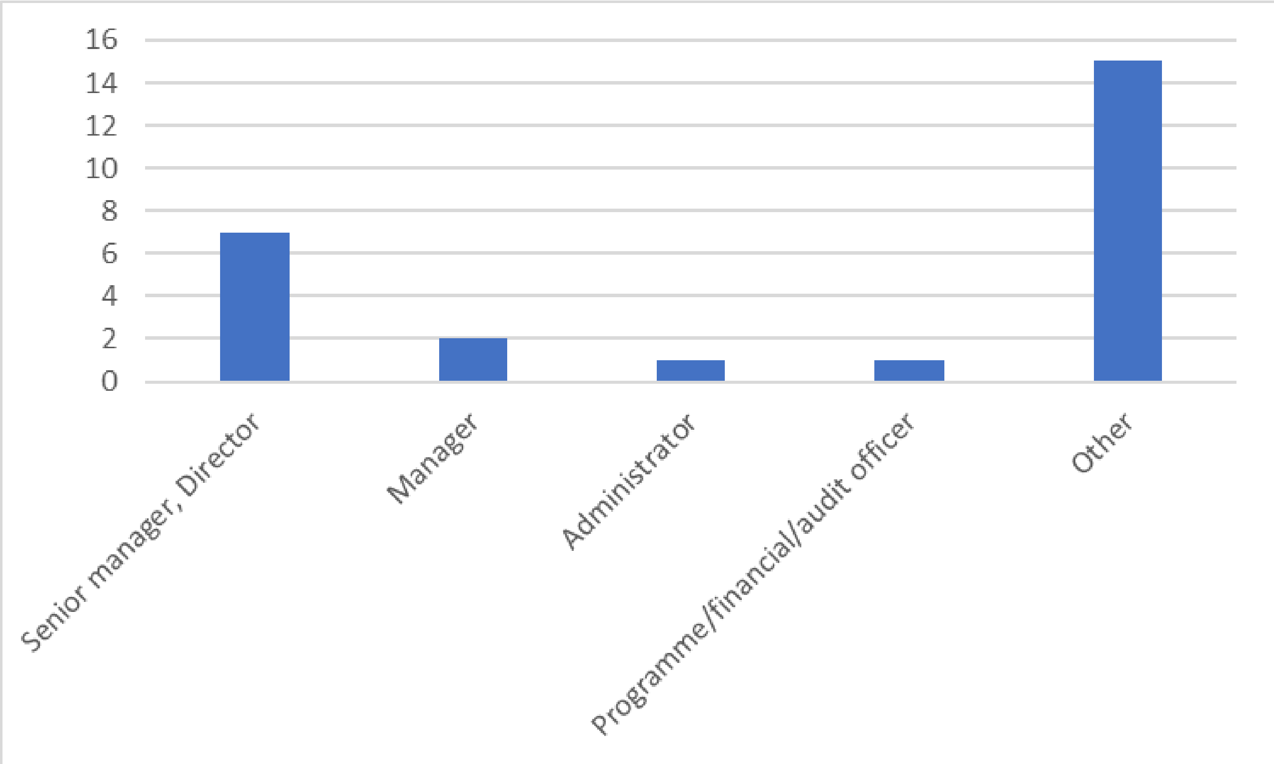


The respondents come from a variety of LRAs. These include entities at different levels, including:

- regional authorities
- rural districts
- municipalities
- city administrations
- associations of local councils.

The respondents who participated in the survey had different roles within the LRAs. The “Other” category was indicated most often, with 15 respondents choosing this option. The second most popular option was senior manager or director, with 7 respondents indicating such a role in their respective LRA. The figure below depicts the roles represented by the respondents.

Figure 2: Role of respondents



- Among the respondents in the “Other” category, there are various roles and, where applicable, different types of entities. These roles and entities include: head of office in a provincial council
- head of department in the regional authority development agency
- president
- employee
- mayor
- head of the representative office
- councillor and city councillor
- employees in a non-profit organisation working with local authorities
- regional representation
- strategic advisor
- elected president
- diverse teams with different profiles.

ANNEX D – QUESTIONNAIRE FOR LRAS on EU MULTIANNUAL SPENDING PROGRAMMES

Question	Type of answer
Please select your Member State.	A drop-down menu with the list of 27 MS
Please provide the name of your Local Regional Authority (LRA):	Free text
What is your current role within the LRA?	*(Closed question)* ☐ Senior manager, director ☐ Administrator ☐ Manager ☐ Programme/financial/audit officer ☐ Other, please specify
LRA experience with EU funding programmes	
In the last 20 years, which **EU funds primarily managed under shared management** has your organisation been engaged with?	*(Multiple choice answer)* ☐ European Regional Development Fund (ERDF) ☐ Cohesion Fund (CF) ☐ Just Transition Fund (JTF) ☐ European Social Fund Plus (ESF+) ☐ Asylum, Migration and Integration Fund (AMIF) ☐ Border Management and Visa Instrument (BMVI) ☐ Internal Security Fund (ISF) ☐ European Maritime and Fisheries Fund (EMFAF) ☐ Common Agricultural Policy (CAP) ☐ Recovery assistance for cohesion and territories of Europe (REACT-EU) ☐ European Globalisation Adjustment Fund (EGF) ☐ Instrument for Pre-accession Assistance (IPA III)

	☐ Other, please specify
In the last 20 years, which **EU funds mainly managed under direct/indirect management** has your organisation been engaged with?	*(Multiple choice answer)* ☐ Recovery and Resilience Facility (RRF) ☐ Horizon Europe (HE) ☐ InvestEU ☐ EU4Health ☐ Connecting European Facility (CEF) ☐ Digital European Programme (DEP) ☐ Single Market Programme ☐ Technical Support Instrument (TSI) ☐ Union Civil Protection Mechanism (rescEU) ☐ ERASMUS+ ☐ European Solidarity corps ☐ Justice Programme ☐ Citizens, Equality, Rights and Values Programme ☐ Creative Europe ☐ Programme for the Environment and Climate Action (LIFE) ☐ Global Europe: Neighbourhood, Development and International Cooperation Instrument (NDICI) ☐ Other, please specify
What programming period does your experience cover?	*(Multiple choice answer)* ☐ 2000-2006 ☐ 2007-2013 ☐ 2014-2020 ☐ 2021-2027 ☐ 2020-2026 (NGEU)
Which EU fund(s) is your organisation currently (since 2021) engaged with?	*(Multiple choice answer)* ☐ European Regional Development Fund (ERDF) ☐ Cohesion Fund (CF) ☐ Just Transition Fund (JTF) ☐ European Social Fund Plus (ESF+) ☐ Asylum, Migration and Integration Fund (AMIF)

	☐ Border Management and Visa Instrument (BMVI) ☐ Internal Security Fund (ISF) ☐ European Maritime and Fisheries Fund (EMFAF) ☐ Recovery assistance for cohesion and territories of Europe (REACT-EU) ☐ European Globalisation Adjustment Fund (EGF) ☐ Instrument for Pre-accession Assistance (IPA III) ☐ Recovery and Resilience Facility (RRF) ☐ Horizon Europe (HE) ☐ Common Agricultural Policy (CAP) ☐ InvestEU ☐ EU4Health ☐ Connecting European Facility (CEF) ☐ Digital European Programme (DEP) ☐ Single Market Programme ☐ Technical Support Instrument (TSI) ☐ Union Civil Protection Mechanism (rescEU) ☐ ERASMUS+ ☐ European Solidarity corps ☐ Justice Programme ☐ Citizens, Equality, Rights and Values Programme ☐ Creative Europe ☐ Programme for the Environment and Climate Action (LIFE) ☐ Global Europe: Neighbourhood, Development and International Cooperation Instrument (NDICI) ☐ Other, please specify
LRA consultation in the design and delivery of EU funding programmes	
How would you rate your organisation's level of consultation for the set-up of EU funds and programmes under direct management?	☐ Very involved ☐ Moderately involved ☐ Slightly involved ☐ Not involved at all

Please specify the EU fund(s) you were involved with:	*Displaying only if "Very involved" or "Moderately involved" are selected above* *(Multiple choice answer)* ☐ Recovery and Resilience Facility (RRF) ☐ Horizon Europe (HE) ☐ InvestEU ☐ EU4Health ☐ Connecting European Facility (CEF) ☐ Digital European Programme (DEP) ☐ Single Market Programme ☐ Technical Support Instrument (TSI) ☐ Union Civil Protection Mechanism (rescEU) ☐ ERASMUS+ ☐ European Solidarity corps ☐ Justice Programme ☐ Citizens, Equality, Rights and Values Programme ☐ Creative Europe ☐ Programme for the Environment and Climate Action (LIFE) ☐ Global Europe: Neighbourhood, Development and International Cooperation Instrument (NDICI) ☐ Other, please specify
How well do you feel the current EU regulations and work programmes address the specific needs of your territory?	☐ Very well ☐ Adequately ☐ Poorly ☐ Very poorly
What were the main challenges encountered during the consultation process? What lessons have been learned from this process? How can your organisation enhance its involvement in future consultations?	Free text box (max 500 characters)

LRA role in the implementation of EU funding programmes	
Is your organisation involved in the management and implementation of EU funds under direct/indirect management?	☐ Yes ☐ No
Please specify the fund(s) your organisation is involved with:	*Displaying only if "Yes" is selected above* *(Multiple choice answer)* ☐ Recovery and Resilience Facility (RRF) ☐ Horizon Europe (HE) ☐ InvestEU ☐ EU4Health ☐ Connecting European Facility (CEF) ☐ Digital European Programme (DEP) ☐ Single Market Programme ☐ Technical Support Instrument (TSI) ☐ Union Civil Protection Mechanism (rescEU) ☐ ERASMUS+ ☐ European Solidarity corps ☐ Justice Programme ☐ Citizens, Equality, Rights and Values Programme ☐ Creative Europe ☐ Programme for the Environment and Climate Action (LIFE) ☐ Global Europe: Neighbourhood, Development and International Cooperation Instrument (NDICI) ☐ Other, please specify
Please describe your role in the management and implementation of EU funds:	*Displaying only if "Yes" is selected above* Free text box (max 500 characters)
Is your organisation beneficiary of some of the EU funds under direct/indirect management?	☐ Yes ☐ No
Do you have mechanisms to coordinate with relevant	*(Multiple choice answer)*

national/EU organisations involved in the EU-funded interventions implementation?	☐ Yes, with national institutions/ governmental organisations ☐ Yes, directly with EU institutions (e.g. European Parliament, European Commission) ☐ Yes, with the National Contact Points ☐ Yes, others (please specify) ☐ No
What are the primary challenges your organisation encounters in managing these EU funds and programmes? How can coordination mechanisms be enhanced to tackle those challenges?	Free text box (max 500 characters)
LRA experience with applying for support from EU funding programmes (direct/indirect management)	
Which form(s) of support have you applied for?	*(Multiple choice answer)* ☐ Grant ☐ Financial instrument ☐ Technical assistance / support ☐ Prize ☐ Other, please specify

What kind of support do you receive to prepare the application? *Please select all the catgory(ies) and sub-category(ies) of support that apply.*	*(Multiple choice of groups and subgroups)*
	☐ Guidance and informational resources:
	    ☐ (Detailed guidelines and manuals)
	    ☐ Online resources and tools (websites, webinars, instructional videos)
	☐ Technical Assistance:
	    ☐ Workshops and training sessions on application procedures
	    ☐ Individual consultancy services or expert advice

	☐ Support from a designated contact person or helpdesk ☐ Financial Support: ☐ Grants or subsidies to cover the costs of preparing the application ☐ Pre-financing options to initiate project development before approval ☐ Networking and partnership opportunities: ☐ Networking events to find project partners or share best practices ☐ Platforms for partnership building and exchange of experiences ☐ Templates and examples: ☐ Sample applications or successful project proposals ☐ Templates for project budgets, timelines, and other required documents ☐ No Support ☐ Other (please specify):
From whom do you receive support? *Please select all the category(ies) and sub-category(ies) of stakeholders that apply.*	*(Multiple choice of groups and subgroups)* ☐ European Union Institutions: ☐ European Commission (direct support or through its executive agencies) ☐ European Parliament Information Offices ☐ Other EU institutions or bodies (please specify) ☐ National Authorities: ☐ National Contact Points for specific EU programmes

	☐ Ministries or governmental departments responsible for EU funds ☐ National agencies specialised in EU funding ☐ Regional or local entities: ☐ Regional development agencies ☐ Local government offices or departments ☐ Other local or regional authorities ☐ Professional services: ☐ Consultancy firms specializing in EU funding ☐ Legal and financial advisors ☐ Networking and collaborative platforms: ☐ Partnerships with universities or research institutions ☐ Collaboration with NGOs or civil society organisations ☐ Participation in networks or consortia of LRAs ☐ Collaboration with private companies ☐ Collaboration with international organisations ☐ Others, please specify ☐ Training and education providers: ☐ Workshops, seminars, or courses offered by educational institutions ☐ Online training platforms or e-learning resources ☐ No external support ☐ Other (please specify):

Which themes are most relevant to you?	*(Multiple choice answer)* ☐ Innovation and technology ☐ Support to SMEs & enhancing regional competitiveness ☐ Capacity building and training ☐ Climate change and environmental sustainability ☐ Promotion of sustainable practices and renewable energy ☐ Job creation and labour market improvements ☐ Social inclusion and equality ☐ Education and training ☐ Digital Transformation ☐ Public health and safety ☐ Cultural heritage and tourism ☐ Infrastructure and transport ☐ Agriculture and rural development ☐ Other (please specify):
Which aspects of the application process do you find most challenging?	*(Multiple choice answer)* ☐ Understanding the funding criteria ☐ Complex documentation ☐ Completing extensive and detailed application forms ☐ Financial planning and budgeting ☐ Forming and managing partnerships ☐ Using the online submission portals and systems ☐ Meeting compliance and regulatory requirements ☐ Understanding and adhering to EU regulations and national laws ☐ Ensuring data protection and privacy standards

	☐ Others, please specify
What were the primary internal challenges encountered during the application process?	☐ Language and communication barriers ☐ Lack of experience or expertise ☐ Limited prior experience with EU funding applications ☐ Lack of in-house expertise in writing and submitting competitive proposals ☐ Other (please specify)
Please feel free to provide any additional comments regarding challenges or difficulties your organisation has faced in applying for EU funds, as well as any lessons learned from these experiences.	Free text box (max 500 characters)
Challenges and facilitating factors in implementing EU projects (direct/ indirect management)	
What are the main internal challenges faced in implementing EU funds under direct/indirect management?	*(Multiple choice answer)* ☐ Lack of human resources in the organisation ☐ Lack of interests form the hierarchy ☐ Lack of expertise and understanding of the EU legislative framework and specific regulations governing the EU fund(s) the LRA is working with ☐ Risk of overlapping with existing programme(s) (EU/ national / regional) ☐ Lack of internal resources for co-financing ☐ Other, please specify
What are the main challenges in implementing EU funds under direct/indirect management?	*(Multiple choice answer)* ☐ Complexity in managing those EU-funded projects because of conflicts and lack of clarity in national and/or regional norms ☐ Complexity in financial management ☐ Complexity in reporting

	☐ Complexity in managing project partnership(s) ☐ Complexity due to privacy and transparency regulations ☐ Lack of information and support from EU institutions ☐ Lack of information and support from the national level ☐ Multiplication of EU funding opportunities without clear demarcation in scope ☐ Stringent eligibility criteria ☐ Lack of relevant policy topics/themes for the organisation ☐ Insufficient funds allocation ☐ Other, please specify
Are there any positive elements or lessons learned from the LRA's involvement in the implementation of EU-funded interventions that strengthen the LRA, and support the implementation of other regional/national programmes in your region/province/city?	*(Multiple choice answer)* ☐ Enhanced understanding of the EU legislative framework ☐ Strengthened knowledge and competences in thematic sectors (R&D&I, transport, climate change and adaptation, education, etc..) ☐ Access to additional financial resources ☐ Supported policy and political debate for the next programming cycle ☐ Strengthened bottom-up approach and involvement of relevant territorial stakeholders ☐ Provision of innovation to be mainstream in the existing national/ regional programme/ instruments ☐ Participation in the management/implementation of these funds strengthens the administrative capacity of the LRA ☐ Being a beneficiary of these funds strengthens the administrative capacity of the LRA ☐ Other, please specify
What are the key facilitating factors that can support LRA	*(Multiple choice answer)*

involvement in accessing EU funds under direct/indirect management?	☐ Support from national coordination bodies ☐ Support from National Contact Points and European desks in Brussels ☐ Involvement in the Monitoring Committee of programmes under shared management, as it provides experience in the management of other EU funds ☐ Networking activities with other LRAs at national and European level ☐ Capacity building activities organised at regional/national/European level ☐ Internal expertise ☐ Other, please specify
Please provide any additional comments on the LRA's experience in implementing EU-funded projects.	Free text box (max 500 characters)
Suggestions	
How can EU institutions better support LRAs in participating in the consultation process to design the next EU funds and programs?	Free text box (max 500 characters)
What measures should EU institutions take to assist LRAs in implementing EU-funded interventions effectively?	*(Multiple choice answer)* ☐ More targeted information ☐ Simplified application processes ☐ Increased flexibility in funding criteria ☐ Capacity building programmes ☐ Direct dialogue with EU institutions ☐ Other, please specify

ANNEX E - LIST OF INTERVIEWS

MS	Institution (MS, EP, European Commission, Stakeholders)	Name of the institution	Interview date (2024)
PT	EP	MEP	16 May
PL	EP	MEP	13 June
EU	EP	DG for Internal Policies of the EU - Directorate for Budgetary Affairs	13 June
EU	EC	JRC	19 April
EU	EC	DG BUDG - Units 0.1, 0.2, A.2, B.1	06 June
EU	EC	DG EMPL - Units A.3, E.5, D.4	14 June
EU	EC	DG RTD	20 June
EU	Stakeholder	CEMR - Council of European Municipalities and Regions	18 April
EU	Stakeholder	EUROCITIES	22 April
EU	Stakeholder	CPMR – Conference of Peripheral Maritime Regions	30 April
FR	MS	Ile de France region	13 May
ES	MS	Basque Country	03 June
BE	MS	Flanders region	4 June
ES	MS	Madrid region	written replies on 11 June
IT	MS	Lazio region	17-06

ANNEX F – SLIDES: PRESENTATION OF THE MAIN FINDINGS AND POLICY RECOMMENDATIONS

The study aims to understand:

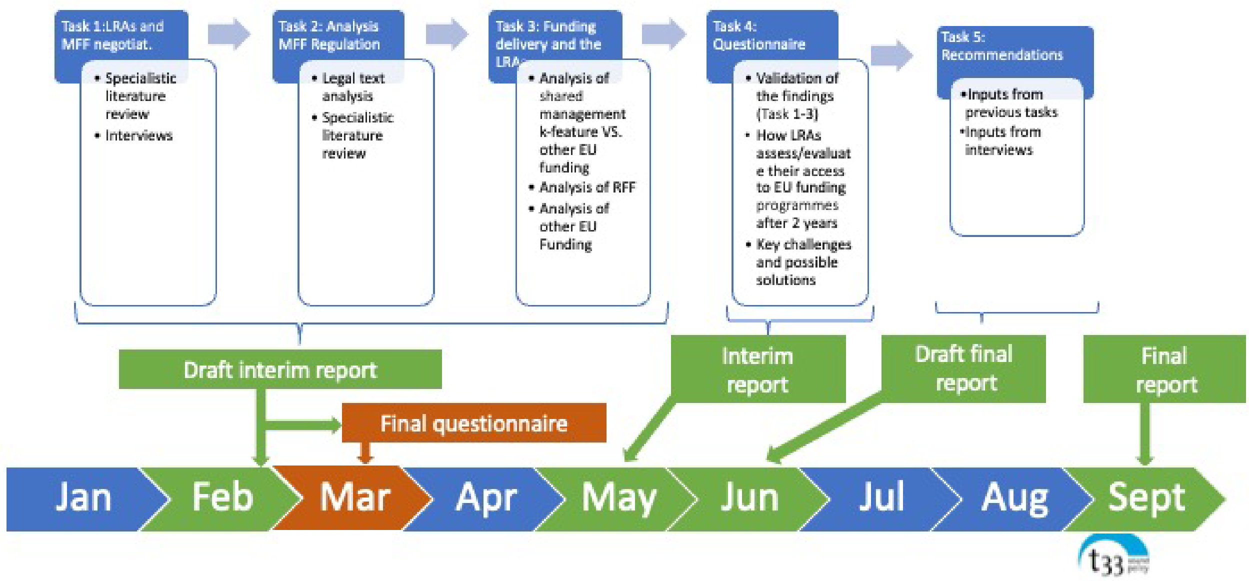
- whether and how LRAs have been taken into account in the preparation and negotiations on the Multiannual Financial Framework (MFF) 2021-27;

- to what extent the role of LRA in EU Multiannual Spending Programmes is addressed in the design and delivery mechanisms of the various EU funding programmes;

- which delivery mechanisms are specifically included to facilitate the access of LRA to EU Multiannual Spending Programmes and to which degree place-based elements play a role in the delivery mechanisms of these;

- how LRA assess/evaluate their access to EU multiannual funding programmes after 2 years of implementation of the MFF 2021-2027.

Methodology and deliverables



Key messages from the MFF analysis

Overall, the analysis of the 2021-2027 MFF negotiation process reveals a low involvement of LRAs

- The European Commission, during the negotiation process, has established relations mainly with the Member States and there was not a structured and direct dialogue or a political mandate for a discussion with LRAs.
- The voice of LRAs remains insufficiently heard in the MFF negotiation process, as well as in the preparation and design of EU multiannual spending programmes.

Indirect LRA's involvement

LRAs voiced their concerns to:

- national parliaments and governments, either individually or through national LRA associations.
- representations in Brussels, though these representations are generally seen as having limited influence in the MFF negotiation process.
- EU-wide LRA associations However, finding common ground among many regions within these European associations can be challenging.
- LRAs established relationships with Members of the European Parliament (MEPs),
- Committee of the Regions (CoR). The CoR has played a crucial role in continuously monitoring relevant issues and raising awareness through its formal opinions.

Key message from the Financial Regulation analysis

The current FR lacks a clear recognition and integration of the roles and responsibilities of LRAs

Lack of:

- streamlined processes for project implementation and fund management at local and regional levels, and a more consistent reference to the principle of subsidiarity.
- simplification, efficiency, and flexibility, in order to lower barriers for LRAs to access and utilise EU funds.
- explicit provisions are also needed to enhance complementarity between Shared Managed Programmes (SMP), and between the latter and the Centrally Managed Programmes (CMP), and foster greater synergies.

Relevance for LRAs

Financial Regulation (FR), the report highlights its crucial role—both direct and indirect—in shaping how efficiently and effectively LRAs can utilise EU funds, and consequently, implement EU policies

Key messages from the EU multiannual spending programmes analysis

SHARED Management Programmes

LRAs play a pivotal role in both the design and implementation phases,

- Take on responsibilities in fund governance and key roles in accessing and managing financial resources.
- They actively participate in the design and implementation of EU shared management programmes

CENTRALLY Managed Programmes

LRAs primarily serve as implementers rather than strategists or decision-makers at the policy level. It emerges that, despite the high relevance of CMP to territorial needs, there is a significant lack of proper involvement of LRAs in the design phase, both at the EU and national levels. But also regarding the implementation phase of CMP, LRAs are involved to a marginal extent.

LRAs highlight the complexity of interpreting regulations and decisions, which can also change during the programming period, and may hinder their ability to access, manage and implement the EU budget effectively. Moreover, LRAs often have limited knowledge and in-house experience of the management and implementation mechanisms of CENTRALLY Managed Programmes

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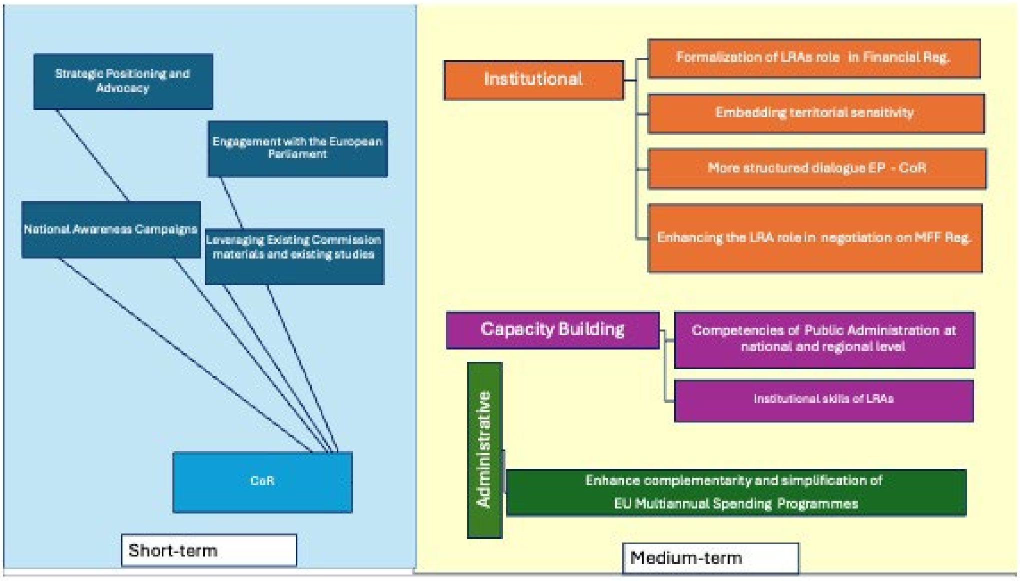
Recommendations



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ANNEX G – SOCIAL MEDIA SHARABLES AND VISUALS

K-fact 1

- 🌍 Climate at the forefront! The 2021-2027 EU budget allocates at least 30% of its funding to climate action, aligning with the EU's ambitious climate reduction targets. #GreenEurope #ClimateActionKey

K-fact 2

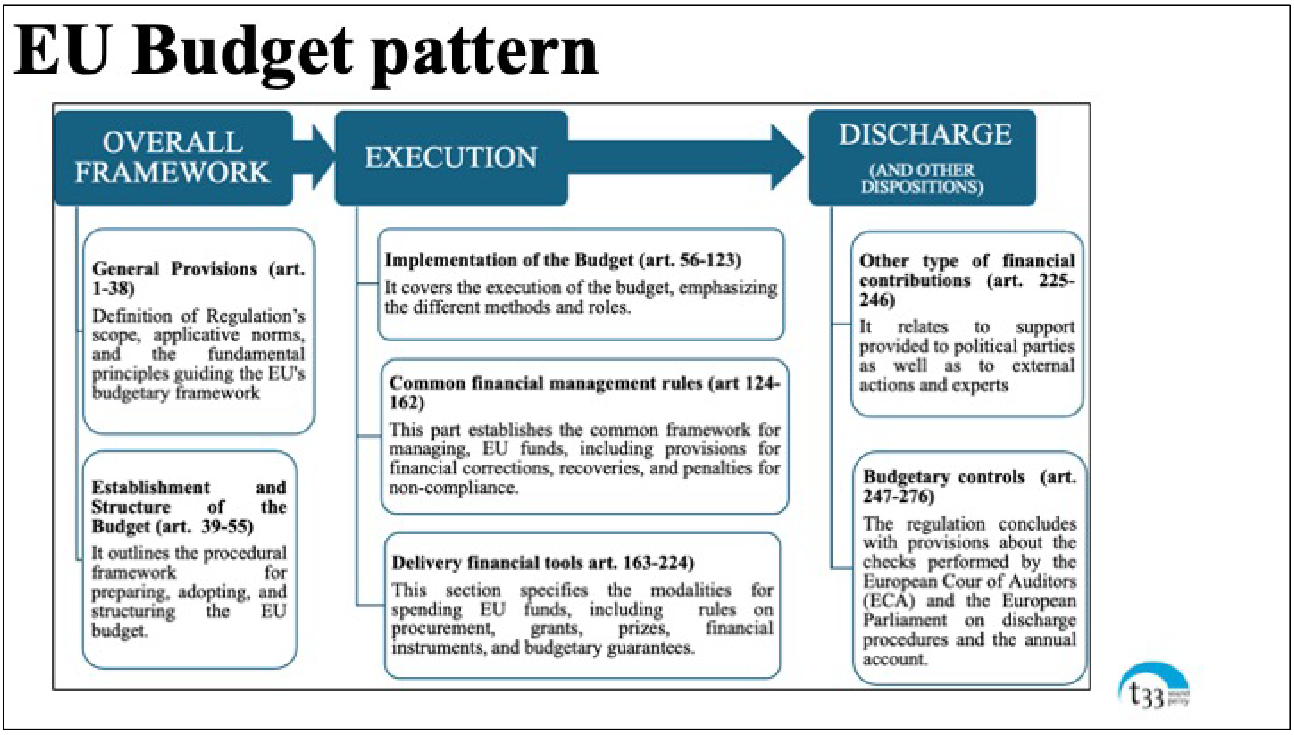
🤝 Stronger Partnerships: The CoR successfully maintained the strong partnership principle and the European Code of Conduct on partnership in the Common Provisions Regulation (CPR), ensuring LRAs remain key players in shaping EU funding. #LocalAuthorities #EUCollaborationKey

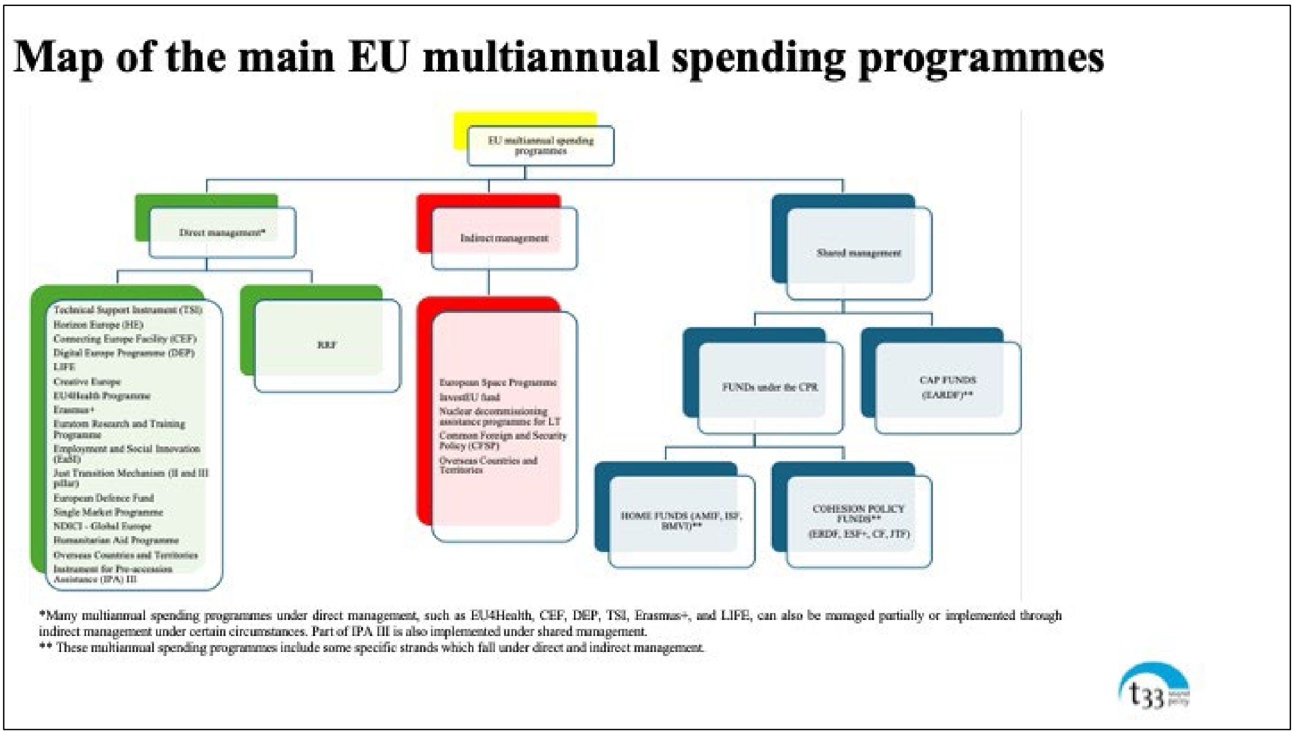
K-fact 3

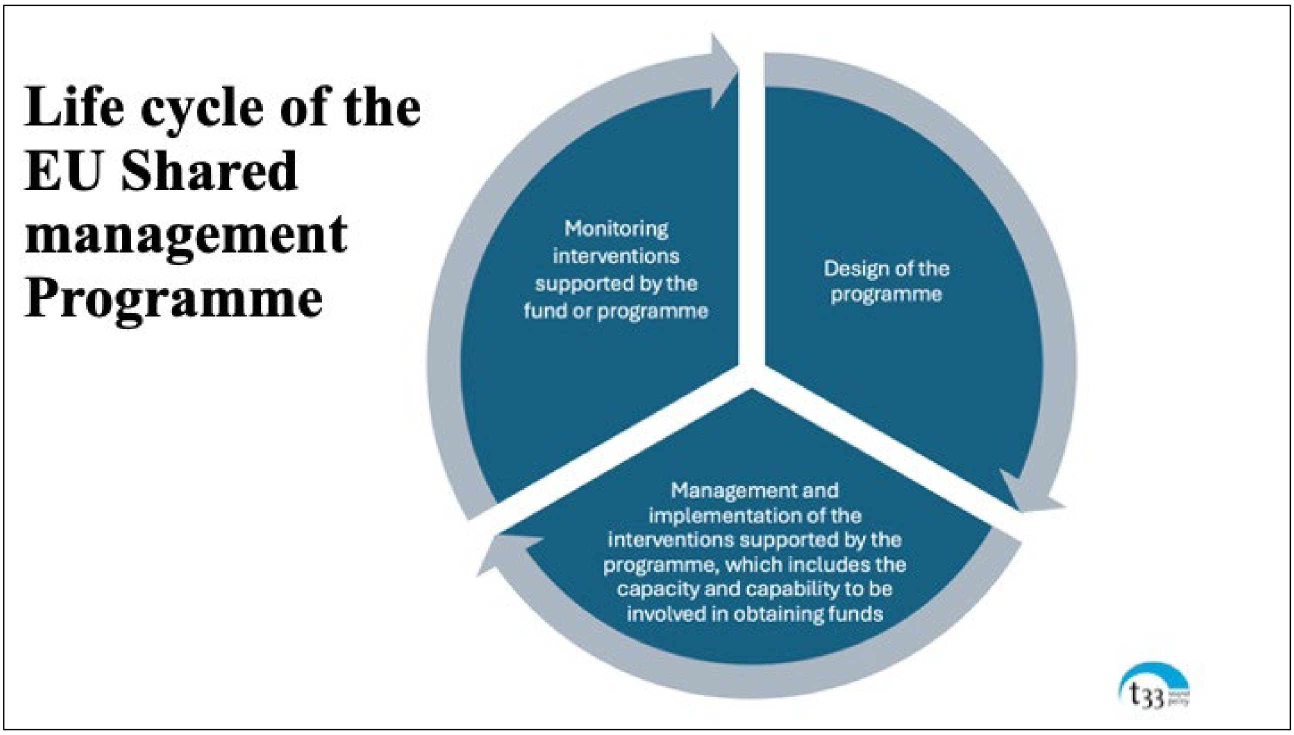
🏘 Supporting Regions in Need: The European Regional Development Fund (ERDF) now includes special provisions for territories suffering from demographic decline, thanks to CoR's advocacy. #RegionalDevelopment #ERDF #EUFundingKey

K-fact 4

💡 Cohesion Policy influence: While CoR has a strong voice in influencing cohesion-related aspects of the MFF, its impact is less pronounced in broader programs like InvestEU and EU4Health, signaling areas for further engagement. #EUFunding #MFF


EU Budget pattern
OVERALL FRAMEWORK
EXECUTION
DISCHARGE
(AND OTHER DISPOSITIONS)
General Provisions (art. 1-38)
Definition of Regulation's scope, applicative norms, and the fundamental principles guiding the EU's budgetary framework
Establishment and Structure of the Budget (art. 39-55)
It outlines the procedural framework for preparing, adopting, and structuring the EU budget.
Implementation of the Budget (art. 56-123)
It covers the execution of the budget, emphasizing the different methods and roles.
Common financial management rules (art 124-162)
This part establishes the common framework for managing, EU funds, including provisions for financial corrections, recoveries, and penalties for non-compliance.
Delivery financial tools art. 163-224)
This section specifies the modalities for spending EU funds, including rules on procurement, grants, prizes, financial instruments, and budgetary guarantees.
Other type of financial contributions (art. 225-246)
It relates to support provided to political parties as well as to external actions and experts
Budgetary controls (art. 247-276)
The regulation concludes with provisions about the checks performed by the European Cour of Auditors (ECA) and the European Parliament on discharge procedures and the annual account.


Map of the main EU multiannual spending programmes
EU multiannual spending programmes
Direct management*
Indirect management
Shared management
Technical Support Instrument (TSI)
Horizon Europe (HE)
Connecting Europe Facility (CEF)
Digital Europe Programme (DEP)
LIFE
Creative Europe
EU4Health Programme
Erasmus+
Euratom Research and Training Programme
Employment and Social Innovation (EaSI)
Just Transition Mechanism (II and III pillar)
European Defence Fund
Single Market Programme
NDICI - Global Europe
Humanitarian Aid Programme
Overseas Countries and Territories
Instrument for Pre-accession Assistance (IPA) III
RRF
European Space Programme
InvestEU fund
Nuclear decommissioning assistance programme for LT
Common Foreign and Security Policy (CFSP)
Overseas Countries and Territories
FUNDs under the CPR
CAP FUNDS (EARDF)**
HOME FUNDS (AMIF, ISF, BMVI)**
COHESION POLICY FUNDS** (ERDF, ESF+, CF, JTF)
*Many multiannual spending programmes under direct management, such as EU4Health, CEF, DEP, TSI, Erasmus+, and LIFE, can also be managed partially or implemented through indirect management under certain circumstances. Part of IPA III is also implemented under shared management.
** These multiannual spending programmes include some specific strands which fall under direct and indirect management.


Life cycle of the EU Shared management Programme
Design of the programme
Management and implementation of the interventions supported by the programme, which includes the capacity and capability to be involved in obtaining funds
Monitoring interventions supported by the fund or programme
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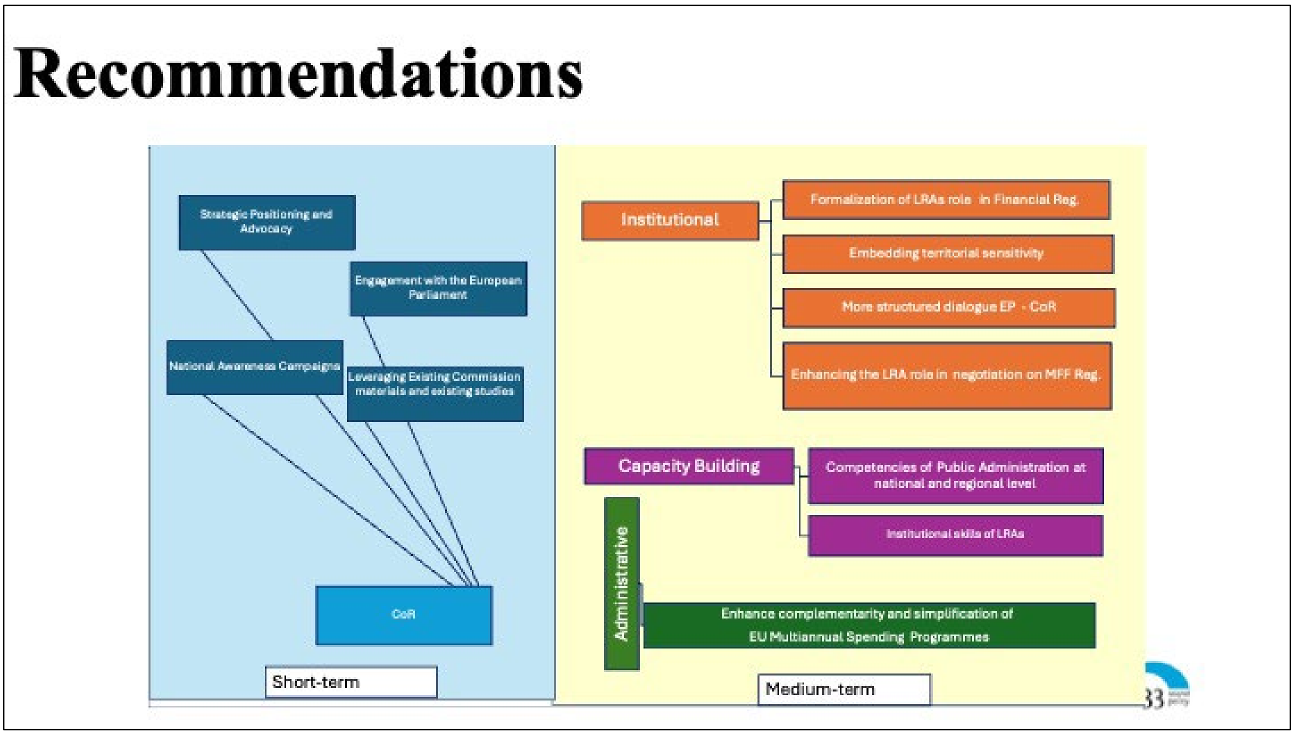
Recommendations
Strategic Positioning and Advocacy
Engagement with the European Parliament
National Awareness Campaigns
Leveraging Existing Commission materials and existing studies
CoR
Short-term
Institutional
Formalization of LRAs role in Financial Reg.
Embedding territorial sensitivity
More structured dialogue EP - CoR
Enhancing the LRA role in negotiation on MFF Reg.
Capacity Building
Competencies of Public Administration at national and regional level
Institutional skills of LRAs
Administrative
Enhance complementarity and simplification of EU Multiannual Spending Programmes
Medium-term

ANNEX H – BIBLIOGRAPHY

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