



Joint statement of the German Federal Government and the Länder on EU cohesion policy beyond 2027

1. No preemptive decisions on the MFF

This statement does not preempt on the priorities, structural and financial decisions that will underpin the EU's future Multiannual Financial Framework. A final assessment of these will not be possible until the negotiations for the EU's next Multiannual Financial Framework have been concluded. It is against this backdrop that the Federal Government and the Länder hold the following views:

2. The weight of cohesion policy in the new MFF

More than ever, the negotiations for a new financial framework must take place against the backdrop of strategic, forward-looking priorities that are set with a rigorous focus on the future. It is imperative to ensure an effective and efficient use of Union funds as the Multiannual Financial Framework is newly adjusted. This requires a critical review as to which policy areas could best make the Union advance in what strategic fields for the future, and which policy areas and EU funding instruments are best suited to achieve this, and where there is a need for fundamental reform.

Cohesion policy supports strengthening economic, social and territorial cohesion in Europe, a harmonious development of the Union as a whole, and a functioning single market. The European Structural Funds, and within the Common Agricultural Policy (CAP) in particular the European Agricultural Fund for Rural Development (EAFRD), are important fields of Union policy in which the regions implement the priorities set in European policy in line with their own regional needs for action. The Federal Government and the Länder advocate that European cohesion policy should be rooted and further developed in the new Multiannual Financial Framework as a key instrument for long-term, sustainable and inclusive regional economic growth, for competitiveness, transition, and resilience. At the same time, the future cohesion policy must be

future-proofed and it must address the criticism expressed vis-à-vis the existing policy. Despite the many success stories of cohesion policy, this includes points such as uneven convergence, the impact of investments where the structural framework conditions have a negative impact on the environment for investment, or complex administrative procedures.

3. Funding for Member States and regions

The Federal Government and the Länder continue to advocate a cohesion policy in which all European regions are considered for funding, depending on their structural development and the regional need for action. The Union must continue to deliver on the task it has set itself in the Treaty on the Functioning of the European Union (TFEU Art. 174), namely to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Less developed areas, areas particularly affected by structural change and rural areas are to receive help so that they can catch up. Cohesion policy is to especially support those Member States and regions that are particularly affected by profound challenges, such as the need to strengthen their competitiveness, demographic change, digitisation, and decarbonisation. As the European Green Deal is being implemented, the green and digital transition and the transition to a digital, climate-neutral economy present the regions with manifold challenges on an enormous scale. The opportunities and risks of the transition are not shared equally between the regions. The same is true of institutional capacities for managing the regional tasks of the transition and for generating long-term, sustainable and inclusive regional growth and added value. This is the starting point for region- and place-based policy design.

4. Priority fields of action

It is the view of the Federal Government and the Länder that there is a need for greater long-term and forward-looking efforts to focus regional investments on the digital, green and demographic transition, on competitiveness and resilience so as to remain in line with the objective of strengthening economic, social and territorial cohesion as per Art. 174 TFEU. The Federal Government and the Länder reject any disproportionate highlighting of one of these dimensions and any resulting one-sided focus in future cohesion funding. As regards the design of cohesion policy, it is essential for the Federal Government and the Länder that, a European added value is generated with due regard to the principle of subsidiarity. It follows for the new programming period that the thematic concentration should be on digital, green and demographic transition processes, on innovation and competitiveness, and on resilience. In doing so, it is important to better take into account the differences in the preconditions and the state of structural development in the European Member States and in the regions.

5. National reforms

In future, the European Structural Funds ought to provide even stronger incentives for national reforms being conducive to the objectives of cohesion policy (Art. 174 TFEU). This also includes a review of possibilities for performance-based disbursement of funding from the European Structural Funds. The Federal Government and the Länder ask the European Commission to explain how this could be achieved within the field of cohesion policy and for the individual objectives being pursued. Furthermore, a reformed steering mechanism should create effective incentives for national reforms that serve the objectives being pursued with the respective legal basis. The relation to costs must be factored in to a sufficient degree. These elements must also work in federal systems, such as Germany's. New requirements regarding the use of the funding must not generate disproportionate burdens; also adjustment costs need to be factored in.

6. Structural principles of cohesion policy

The Federal Government and the Länder stress that cohesion policy is and must remain a policy for territorial development. This includes its structural principles of shared management of funds, the multi-level governance, the place-based approach and the partnership principle. For this reason, regional implementation of the European Structural Funds on the basis of these structural principles must continue to be ensured. The regions continue to play a central role in the design and implementation of the programmes and in the selection of projects. Therefore, the regional funding programmes must be negotiated with the regions directly. It is the view of the Federal Government and the Länder that a centralised cohesion policy is not compatible with this.

7. Rule of law

Citizens and entrepreneurs must be able to have unlimited trust and confidence that the funding from the European Structural Funds is used for the common good and that all public authorities act within the legal limits, in line with the values of the EU (especially the rule of law and democracy) and the fundamental rights, and that they are subject to the control of independent and unbiased courts, and that the financial interests of the EU are safeguarded. For this reason, the Federal Government and the Länder advocate a strong conditionality on the rule of law, including with regard to the use of structural funding. This includes taking into account the principle of proportionality and the objective of a further simplification of procedures.

8. Simplification

The Federal Government and the Länder call upon the European Commission to profoundly simplify the programming of the Structural Funds and the entire funding process, including the management and control systems that apply to applicants, beneficiaries and authorities. Good approaches that exist within the current legislative framework, such as the rules on Simplified

Cost Options and the Single Audit principle, must be implemented more rigorously and rendered easier to use. The Federal Government and the Länder speak out in favour of a more differentiated approach with regard to the application of purely national law in controls and audits, which is based on transparent, verifiable and workable criteria. The guiding principles must be high standards for the protection of the Union's budget and effective use of funds.

9. European Territorial Cooperation and interregional cooperation

The cooperation between the Member States and the regions across the three dimensions of cross-border, transnational and interregional cooperation shows the European added value of cohesion policy in a very prominent way. Therefore, the Federal Government and the Länder hold that the Interreg programmes ought to be continued in their existing forms and programme areas. The Federal Government and the Länder request that the European Commission conducts an assessment as to how the Interreg programmes can be given a greater focus on the issues of transition, competitiveness and resilience. The Federal Government and the Länder also speak out in favour of extending the scope of funding in interregional cooperation under the ERDF to include the transition. Thereby, regions should co-invest in interregional transition projects and increase their dialogue on best practices.

10. Strategic orientation of investments towards regional needs for action

It is the view of the Federal Government and the Länder that successful investments by the European Structural Funds hinge on having the regions strategically assess the needs for investment in line with the regional needs and on the basis of the priorities for European policy as set out in the legislative package.

11. Crisis intervention

From the point of view of the Federal Government and the Länder, cohesion policy is not a crisis instrument, but must be focused on long-term objectives and investments. In the past, it has proven its ability to appropriately respond to socioeconomic crises. It is not the task of cohesion policy, however, to respond quickly to undefined and unpredictable events. At the same time, cohesion policy must be designed in such a way that it can help overcome new challenges when needed.

12. Comments by the Federal Government and the Länder

Beyond this position, the positions of the Federal Government and the Länder can be found in the

- Statement by the Federal Government of Germany on EU cohesion policy beyond 2027 (Part 1) and
- Statement by the German Länder on EU cohesion policy beyond 2027 (Part 2).

Part 1: Statement by the Federal Government of Germany on EU cohesion policy beyond 2027

I. The Multiannual Financial Framework and Guidelines on Cohesion Policy

1. Current challenges around the Multiannual Financial Framework

More than ever, we need an EU with a geopolitical focus, one that pools its strengths and ensures cohesion within. We need a competitive EU that strengthens its resilience and security. A continued prioritisation on forward-looking investments to foster the transition and on financing European public goods is part of this. This must also be sufficiently reflected in the EU budget. A future enlargement of the Union is another imperative for why the budget needs to be future-oriented.

2. Need for a readjustment of the Multiannual Financial Framework

Parallel to this, the repayment of the liabilities from NGEU, in particular, creates additional challenges in a situation where the financial scope of the Member States will remain limited for the foreseeable future. The negotiations for the new financial framework will therefore – and more than ever before – have to be guided by strategic, forward-looking priorities set with a rigorous focus on the future and in a way that keeps the financial burden bearable for all Member States. It is therefore essential to ensure an effective and efficient use of Union funds as the Multiannual Financial Framework is being readjusted. This requires a critical review as to which policy areas could best help the Union to advance in which strategic fields for the future; as to which policy areas and EU funding instrument are best suited to achieve this; and as to where there is a need for fundamental reform. It is also necessary to make the next Multiannual Financial Framework sufficiently flexible to be able to respond to unforeseen challenges without a review and without additional contributions by the Member States.

3. No preemptive decisions on the MFF, content-related positioning on cohesion policy

The Federal Government would like to clarify that the heads of state and government of the Member States will take the decision on the priorities and the financing of the Multiannual Financial Framework in their negotiations on the new Multiannual Financial Framework. The Federal Government will position itself on the readjustment of the MFF and on the financial envelopes of individual programmes in due time and in the overall political context; there will be no financially relevant preemptive decisions on individual issues. It follows from this that

this statement represents an initial positioning by the Federal Government on the substance of a readjusted cohesion policy and does not contain a positioning on other EU policies or programmes.

4. The weight of cohesion policy in the new MFF

Cohesion policy, and within the Common Agricultural Policy (CAP) in particular the European Agricultural Fund for Rural Development (EAFRD), are important fields of Union policy in which the regions implement the priorities set in European policy in line with their own regional needs for action. Cohesion policy supports and strengthens economic and social cohesion in Europe, a harmonious development of the Union as a whole, and a functioning single market. The Federal Government advocates that European cohesion policy should be rooted and further developed in the new Multiannual Financial Framework as a key instrument for long-term, sustainable and inclusive regional economic growth, for competitiveness, transition, and resilience.

5. Derived need for reform

At the same time, the EU's future cohesion policy must address criticism expressed vis-à-vis the existing policy. These notably include slow absorption of the funds, complex administrative procedures and a mismatch between administrative requirements and local capacities. Regional investments need to have a stronger long-term, forward-looking focus on the transition, competitiveness and resilience. Also, cohesion policy must prepare for a future EU enlargement.

Beyond this and despite the many success stories of cohesion policy, there is uneven convergence within the Union and the impact of the investments in advancing towards the objective of convergence is called into question. This is especially true where there are negative effects of structural conditions on a region's investment environment. All of the above reasons substantiate a need for fundamental reform of European cohesion policy.

6. Funding for Member States and regions

The Federal Government continues to advocate a cohesion policy in which all European regions are considered for funding, depending on their structural development and the regional need for action. As per Art. 174 TFEU, the EU's cohesion policy is to serve the objective of strengthening economic, social and territorial cohesion within the EU and to strengthen harmonious development of the Union as a whole. The Union has notably set itself the objective of reducing disparities between the levels of development of the various regions and the backwardness of the least favoured areas. This is to be achieved by reducing the structural disparity between individual regions and by fostering balanced regional development. Less developed areas, areas particularly affected by structural change and rural areas are to receive help so that they can catch up. Cohesion policy is to especially support those Member States and regions that are particularly affected by profound challenges, such as demographic change, digitisation and decarbonisation. In adopting the European Green Deal, the European Union along with its Member States became

the first economic area to commit to shaping a strategy for reaching climate neutrality by 2050 and for countering the growing risks associated for example with climate change, environmental impacts and resource consumption. The green and digital transition and the transition to a digital, climate-neutral economy present the regions with enormous and very diverse challenges. The opportunities and risks of this transition are not shared equally between the regions. The same is true of institutional capacities for managing the regional tasks of the transition and for generating long-term, sustainable and inclusive regional growth and added value. This is the starting point for a place-based policy design and the cooperation between economically advanced and weaker regions. In all this, it is key to place a greater focus on the need for investments in regions that are structurally weak, on strengthening the structural policy framework for a successful catch-up process and on preventing the emergence of new imbalances.

7. Priority fields of action

The Federal Government continues to firmly believe in strengthening economic, social and territorial cohesion within the Union. The Federal Government rejects any disproportionate highlighting of one of these dimensions and any resulting one-sided focus in future cohesion funding. In the Federal Government's view, it is therefore essential for the new financing and programming period to target funding from the European Structural Funds to those forward-looking investments made by the Member States and the regions, which will help with the demographic, digital and green transition and foster the competitiveness and resilience of the European economy.

8. Thematic concentration

In the new programming period, a clear focus should be placed on the transition, on competitiveness and on resilience. Appropriate quotas for priority objectives should be introduced to ensure that funding is awarded accordingly. As priorities are defined, it is necessary to take into account the overall situation and the structural state of development in European Member States and regions. Finally, the thematic concentration is to be aligned with the policy objectives of the individual Structural Funds and their respective focal areas.

9. European added value

It is essential for the Federal Government that, in the implementation of cohesion policy, greater attention is again given to the generation of a European added value in conformity with the principle of subsidiarity. It follows from this that the European Structural Funds should be particularly focused on the kind of investment objectives that cannot be sufficiently met by the central, regional or local levels of government, but that can better be addressed at Union level due to their scale or impacts. These principles should also be applied as investments are prioritised in line with regional need for action (regional development strategies, interregional cooperation, partnership principle, involvement of social partners).

10. Rule of law

The European Union is built on the principle that its Member States engage in trusted cooperation on shared European objectives on the basis of shared European values. Upholding the principle of rule of law is of the essence for the success of European integration on the basis of the constitutional order of the Union and indispensable for a fair investment climate in the Member States. Citizens and entrepreneurs must be able to have unlimited faith and confidence that the funding from the European Structural Funds is used for the common good and that all public authorities act within the legal limits and in line with the values of the EU (especially the rule of law and democracy) and the fundamental rights, and that they are subject to the control of independent and unbiased courts, and that the financial interests of the EU are safeguarded. For this reason, the Federal Government advocates a strong conditionality on the rule of law, including with regard to the use of structural funding. There should be strict protective mechanisms that go beyond the existing rules protecting the rule of law (e.g. general rule of conditionality, closer linkage with the recommendations made in the Rule of Law Report and lessons learnt on the rule of law from NGEU).

11. Strengthening the linkage with the European Semester

The Federal Government considers the closer linkage established between cohesion policy and the European Semester in the legislative framework for 2021-2027 to be key progress that helps strengthen the investment climate in the Member States and contributes to an effective and efficient use of resources. A key element is a better alignment of the investments made by the European Structural Funds with the relevant country-specific recommendations of the European Semester, all in line with their funding objectives and the thematic concentration. Under the current legislative framework, the Member States and the Commission take into account the relevant country-specific recommendations as they plan the programmes and manage the funds, so as to ensure that the country-specific recommendations are implemented via suitable investments in the relevant intervention areas of the Structural Funds. Stronger linkage with the country-specific recommendations is currently being operationalised mainly through partnership agreements, programmes, the mid-term review and the flexibility amount. The Commission's investment guidelines on the Structural Funds that are published annually as part of the European Semester process constitute an important recommendation for action. It is the Federal Government's view that the measures set out in the Regulation to create a link between the impact of the funds and the orderly economic governance should be retained and further developed.

12. Strengthening the enabling conditions

It is the Federal Government's understanding the evolved enabling conditions that apply for the 2021-2027 programming period and which all Member States must comply with throughout the programming period if they want to receive structural funding have proved useful. The objective is to safeguard the set of values underpinning the Union and the *acquis communautaire* when

the investments financed from the Structural Funds are implemented. The Federal Government speaks out in favour of strengthening these enabling conditions for the next programming period. This must be done in a way that does not disproportionately increase the burden for programming and implementation and does not counteract efforts to simplify procedures.

13. Incentives for a focus on results, impact and national reforms

The Federal Government highlights the need for rendering cohesion policy more effective and more efficient and speaks out in favour of reviewing the way in which the European Structural Funds are implemented as to how this could become more performance-based. For this purpose, evidence-based insights from other EU instruments, such as the Recovery and Resilience Facility (RRF), should be used to inform these efforts. At the same time, the impact on control and audit mechanisms, the associated administrative burden and incentives created should also be taken into account.

It is the view of the Federal Government that the European Structural Funds should, in future, provide even stronger incentives for national reforms being conducive to objectives of cohesion policy (Art. 174 TFEU). It is important to review possibilities for performance-based disbursement of funding from the European Structural Funds. The Federal Government asks the European Commission to explain how this could be achieved within the field of cohesion policy and for the individual objectives being pursued.

A reformed steering framework ought to meet the following requirements and unequivocally resolve the following issues: A reformed steering mechanism should create effective incentives for national reforms. New requirements for the use of funding should not generate a disproportionate additional burden and take the cost of adjustment into account. At the same time, the relevant elements must also work in federal systems, such as Germany's. It would have to be ensured that the relevant level of government is responsible for the implementation of investments and reforms under the system of multi-level governance. The regional implementation of cohesion policy in line with its structural principles (place-based approach, shared management, partnership) must be ensured. This is not compatible with comprehensive centralisation. The regions should continue to play a central role in the design and implementation of the programmes and in the selection of projects.

It is also important that any requirements attached to the implementation of the European Structural Funds are proportionate to the amounts of funding being used (principle of proportionality). On the basis of the lessons learned from the RRF, it is necessary to see whether and for which programmes or projects a performance-based approach using milestones and targets could be used. Where a performance-based approach to disbursement is taken, it would be necessary to ensure that targets are workable, comparable and measurable, that special effects of experimental or long-term measures are taken into account, and that administrative requirements are realistic. Finally, in the event that RRF governance should be transferred, it would also be necessary to sufficiently retain a cost-relation, including if a performance-based approach is taken, and to ensure that the reforms/investments called for serve the purpose pursued by

the relevant legal basis. The introduction of a performance-based approach to disbursement of funding and the necessary readjustment of management, control and IT systems requires a clear response from the European Commission to these questions.

14. Combating fraud and corruption

The Federal Government holds that the EU institutions and the Member States must take comprehensive action to protect the financial interests of the Union in the implementation of the European Structural Funds. The Federal Government therefore speaks out in favour of uniform standards on risk management, so that the competent implementing authorities can better combat fraud and corruption. At the same time, it is important to further strengthen cooperation with the EU institutions (especially reporting to the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office) and cooperation between the EU institutions. The European Commission should therefore assess ways in which quality standards for Member States' cooperation with the European Anti-Fraud Office and the European Public Prosecutor's Office can be defined and established as an enabling condition in the Common Provisions Regulation on the European Structural Funds. Beyond this, the Federal Government invites the European Commission to make proposals on strengthening cooperation between the European Court of Auditors, the European Public Prosecutor's Office and the European Anti-Fraud Office. The European Commission should also look into ways in which anti-fraud strategies and integrated IT risk assessment tools (e.g. ARACHNE) can improve the management verifications used in project selection and how they can help raise awareness around fraud and prevent it. The European Commission ought to make proposals on how the user-friendliness of integrated IT risk assessment tools (e.g. ARACHNE) can be improved. The Federal Government also invites the European Commission to assess whether and how the legislative framework for reporting irregularities in the system of the European Anti-Fraud Office can be improved in the sense of establishing a uniform reporting practice.

15. Co-financing by the Union

The Federal Government stands by the principle that calls for any funding made available from the European Structural Funds must be complemented by a substantial amount of national funds. This substantial amount of national funding ensures that Member States and regions assume responsibility for themselves, sets incentives for prioritising investments and increases the overall funding volume available under cohesion policy. The recent tendency to waive the requirement for national co-financing (e.g. in some crisis intervention tools) runs counter to the principle of national responsibility and of an efficient use of the European budget and should therefore, in the Federal Government's view, be rejected.

16. Use of funds

The Federal Government welcomes the application of the n+2 rule in the last year of the 2021-2027 programming period. For the next programming period, it is important to return to the n+2 rule for all years funding to ensure quick investments by ensuring that funding is earmarked early and disbursed continuously.

17. The respective proportions of long-term strategic investments and crisis intervention

From the point of view of the Federal Government, it is to be welcomed, in principle, that flexibility measures under cohesion policy have contributed to the efforts to overcome urgent challenges within the Union and that they have ensured local help in a spirit of solidarity. This is especially true of the response to the impact of Russia's war of aggression against Ukraine and of the crisis response during the COVID-19 pandemic. However, cohesion policy is not a crisis instrument, but needs to be focused on long-term objectives and investments. Swift response to undefined and unforeseeable events is not a task for cohesion policy. At the same time, cohesion policy must be designed in a way that allows it to make a contribution to prioritisation under the MFF where new challenges arise.

II. Legislative framework

18. Need for reform, overview of priorities

The Federal Government considers a comprehensively modernised legislative framework to be necessary for the new programming period starting in 2028. Reforms to this framework should take place in areas beyond the aspects listed in the Chapter "I. Multiannual Financial Framework", and should focus on the following policy cornerstones:

- The strategic focus of European cohesion policy should lie in the digital, green and demographic transitions, competitiveness and resilience.
- The evaluation system should be oriented towards a targeted assessment of the impact of cohesion policy in the regions and for the beneficiaries in order to enable continuous, evidence-based further development of the policy.
- The programming of the Structural Funds and the entire funding process, including the management and control systems, need to undergo profound simplification with regard to applicants, beneficiaries and authorities.

1. Transition, competitiveness and resilience

19. Regional development concepts, RIS3

The Federal Government considers the success of investments of the European Structural Funds in transition, competitiveness and resilience, as well as long-term sustainable regional development, to be inextricably linked to the regions' ability to derive their investment needs from regional development concepts that they themselves have put together in alignment with the European priorities as determined in the legislative package. Regions should prioritise their specific need for action with the involvement of regional stakeholders via the establishment of regional development concepts and thus proactively plan Structural Funds investments in key fields of action in the medium to long term. This serves to strengthen the place-based approach and partnership principle, and contributes to higher effectivity of the investments. The Federal Government sees the Regional Innovation Strategies for Smart Specialisation (RIS3) already in use by the ERDF as generally suitable for developing solutions in the design of regional transition and driving these solutions forward in a targeted manner.

20. Further development of RIS3 for transition

The Federal Government finds the Regional Innovation Strategies for Smart Specialisation (RIS3) to be suitable for further thematic development into strategies for regional transition. Appropriate qualitative standards and criteria that involve the elements and processes necessary to create a practical and targeted strategy for the regions should be anchored in the new legislative framework.

21. Impact, improvement of empirical basis and evidence-based decisions

The Federal Government is of the view that the existing monitoring and evaluation system which serves to achieve a modern, evidence-based funding policy should more strongly target the assessment of regional or target-group-oriented impact of investments, including on an inter-regional basis. The monitoring and evaluation of the programmes is currently largely limited to the individual measures and is not sufficiently taken into consideration in cohesion policy design. The Federal Government calls for the European Commission to review how the quality and accessibility of funding data for evaluating programme impact can be improved and how uniform standards for comparable evaluative designs can be introduced. This review should take the experiences gained via the various evaluation approaches employed over the preceding programming periods into account. The results of the evaluations should also play a stronger role in the establishment of programmes for the upcoming programming period.

22. Intervention logic, focus on transition, competitiveness and resilience, integrated concept

It is the view of the Federal Government that the future funding spectrum of the European Structural Funds should focus on the digital, green and demographic transition, competitiveness and resilience. The current profile of the Structural Funds should be more strongly oriented towards key future investments, and incentives for investments towards targeted, clearly defined objectives and results should be put in place. The current intervention logic, with its five separate policy objectives, is characterised by a strongly sector-specific approach. This encumbers the implementation of integrated projects that address both innovative economic change as well as climate action and environmental protection or issues such as securing skilled labour, strengthening the level of qualification or integration of employees. The new legislative framework should also contain a more strongly integrated concept for the intervention logic of the Structural Funds. In alignment with the Territorial Agenda 2030, cross-fund approaches and projects should be made possible in a non-bureaucratic implementation framework.

2. Funding spectrum in regions and Member States

23. Economic change, convergence

The Federal Government advocates for better consideration of the differing stages of development in different regions and the correspondingly associated need for action in the funding priorities of the European Structural Funds. In regions facing structural challenges and in rural areas, the business-related infrastructure should be improved and greater emphasis should be placed on offsetting place-based disadvantages. This especially applies in regions that are particularly affected by demographic change. At the same time, the potential for sustainable growth and competitiveness must be harnessed with investments that aim for innovation and technological progress in specialised fields of economic activity. European Structural Funds can be used to achieve this in alignment with the objectives of a European competition strategy. Overarching objectives should include modern, digital, climate-neutral and circular production processes, building up training and qualification levels and securing skilled labour, especially for SMEs.

24. Regional innovation potential, research and development

Investments in research and in technological and social innovation are key to strengthening the competitiveness of European regions, creating jobs and income and actively utilising the opportunities for growth provided by the green and digital transition. In order to achieve long-term and sustainable growth, regions should aim to fully harness their economic potential and strengthen the ability of research institutions and SMEs to innovate. This especially applies with a view to key technologies for the green and digital transition, including highly innovative experimental approaches. The innovation potential of social enterprises in the search for social

and sustainable solutions is also to be considered. Technology transfer and cooperation between universities, research institutions and companies, especially SMEs and startups, needs to be expanded.

25. Digital and green transition

The unequal division of opportunities and risks in the digital and green transition requires funding priorities tailored to given regional challenges and potential in order to support balanced spatial development. The deployment of digital technologies should continue to be supported, and the funding should in particular strive to create incentives for the implementation of sustainable digital solutions that add value for the beneficiaries. The expansion of digital infrastructures and creation of modern connectivity options should also continue to be funded. Digital technologies that address both energy efficiency and resource efficiency should be prioritised for funding. In the field of the green transition, cohesion policy should in particular seek to address renewable energy, energy efficiency and smart energy systems, a resource-efficient circular economy, the preservation of natural resources and ecosystem services. Synergetic, integrated projects that link these topics in intelligent ways (e.g. solutions for climate action and climate adaptation) should be specifically prioritised in the interest of efficient allocation of funding.

26. Demographics and skilled labour, social Europe

There is an increasing need for (skilled) labour in all regions and sectors to combat demographic change and the shortage of skilled labour, and as well significant investments in social inclusion will be required in the coming decade. The European Social Fund Plus (ESF+) plays an important role in strengthening sustainable and socially inclusive regional growth and in securing (skilled) labour for Germany and for Europe. This also involves supporting the development of a skilled workforce capable of handling the digital and green transition, ensuring that disadvantaged groups are integrated into the workforce and providing access to continuing education and training. The Federal Government holds that, a socially minded Europe should combine and strengthen the social investments of the Member States and regions in employment, education and social inclusion now and in the future. A socially minded Europe should contribute to designing transition processes in a socially just way, and implementing the European Pillars for Social Rights in practice. The European Social Fund Plus (ESF+) plays a key role in this.

27. Sustainable urban development

Future cohesion policy should continue to address and strengthen sustainable and integrated urban development according to the New Leipzig Charter. Cities are significant places of transition. Territorial flexibility, including the consideration of urban-rural relationships, should be maintained in the definition of area classifications. The possibilities for choice regarding the instruments of an integrated approach should also remain in effect. Further administrative simplification is to be sought. An integrated cohesion policy approach that considers the key policy fields of action is to be prioritised over selective funding via special programmes.

28. Rural areas

Rural areas play a highly important role in achieving the Union's objectives in the area of environment and climate action, implementing the green and digital transition and preserving biodiversity. The Federal Government welcomes the 2040 long term vision for the EU's rural areas set out by the European Commission. Rural areas have special challenges to overcome in the transition process in terms of infrastructure, skills, climate action, adjustment of the energy system towards fossil-free energy sources and fostering of capacities to innovate, but these challenges open up new opportunities as well. Renewable energy is largely generated in rural areas and offers space for energy-intensive companies to grow. Cohesion policy should be leveraged to make stronger contributions towards building up rural economic structure in these fields in the future. The Structural Funds and EAFRD should be synergistically aligned for the economic and societal transition of rural areas. The smart technology specialisation of regional economies and the provision of sustainable infrastructure and services of general interest necessary for this must be addressed by the relevant fund in each case, and funding instruments must interlock. The European Commission should make a proposal as to how the funding spectrum and the consistent and coherent interplay of EU funds (including the EAFRD) can be better aligned with one another in order to reach higher levels of synergies.

29. DNSH, Standards for climate action and environmental protection

The compatibility of the funding with the objectives of the Green Deal and high standards for climate action and environmental protection should continue to be ensured with the application of the Do No Significant Harm (DNSH) principle in the future. The range of measures in place to prevent funding being allotted in environmentally harmful ways (currently comprising exclusion lists, strategic environmental impact assessments, and climate proofing of infrastructure in particular) should in future be better tailored to the Structural Funds, more efficiently designed and balanced to allow the effects to unfold at an appropriate rate. Overlaps should be avoided or reduced. Exclusion lists are generally an effective and low-bureaucracy instrument to set guard rails (e.g. on funding for fossil fuel, nuclear facilities).

30. No further fund multiplication, integration of JTF into ERDF

The Federal Government is of the opinion that a further multiplication of funding instruments is to be avoided and the number of different funds and instruments in the upcoming Multiannual Financial Framework is to be reduced. A key step in achieving this is to integrate the current funding available within the Just Transition Fund (JTF) into the European Regional Development Fund and the European Social Fund Plus. The contributions of the Social Climate Fund towards the objectives of convergence are to be taken into account in this framework and with a view to the future orientation of cohesion policy.

31. Synergies with national regional policy instruments and direct management programmes

The Federal Government welcomes the European Commission's proposal from the 9th Cohesion Report to strengthen synergies between regional funding programmes at European and national level. The Federal Government emphasises that the added value of EU measures can be maximised when strong synergies are in place between different EU instruments. This requires that instruments be designed appropriately from the beginning in order to allow for a correct determination of the complementary elements between them while avoiding overlaps between their objectives and areas of intervention. Going forward, cohesion policy should continue to build on particular good experience gained with complementary support from multiple programmes, e.g. in the area of research and innovation.

3. European Territorial Cooperation (Interreg), transnational and international cooperation

32. European Territorial Cooperation (Interreg)

The cooperation between Member States and regions in the three dimensions of cross-border, transnational and interregional collaboration makes clear the added value that cohesion policy brings for Europe. The Federal Government therefore holds that the Interreg programmes ought to be continued in their existing forms. The bottom-up approach of the programmes should be retained and further relief for administrative structures should be aimed for. At the same time, the Interreg programmes should be more strongly focused on the topics of transition, competitiveness, and resilience by means of cross-border and transnational cooperation. The specific requirements for European territorial cooperation should continue to be upheld with a separate regulation.

33. Interregional cooperation

The Federal Government advocates for funding of interregional cooperation to be extended to the transition and that these elements also be integrated into the regional programmes of the ERDF. Regions should co-invest in interregional transition projects and the dialogue on best practices should be deepened. Special attention should be given to building and expanding value chains, climate action and environmental protection projects, sustainable interregional infrastructure (e.g. expanding railway transport routes, energy infrastructure) and cooperation between economically developed regions and less developed ones. The pre-existing complementary funding approaches with other EU programmes should also continue to be expanded in this area. These are an important motivator for strengthening interregional cooperation and knowledge transfer within the EU. The Federal Government calls for the European Commission to review how the experiences already gained with interregional innovation investments (I3) from the 2021-2027 MFF period can be used to facilitate this.

4. Participation

34. Participation in strategies and investments

The Federal Government supports the objective of the European Commission to better integrate local economic and social needs of citizens and local stakeholders in the design and implementation of cohesion policy on the ground, as stated in its 9th Cohesion Report. The administrative framework must remain manageable for all involved parties. The partnership principle as part of a multi-level governance is a special strength of cohesion policy when compared to other areas of European politics. The monitoring committees, which involve economic and social partners and other important stakeholders within society at large, assume an important role in advising design of policy.

35. Strengthening territorial instruments

The Federal Government considers it of utmost importance to carry out the transition in a socially just way and to involve people on the ground in the transition process. The strengths of a place-based approach should thus be fully exploited. This is especially implemented in territorial instruments by involving citizens in project selection and in the creation of regional and local development concepts. The European Commission should thus consider how integrated territorial investments and community-led local development (CLLD) can be extended beyond sustainable and climate-resilient development in urban and rural areas to the fields of action of the regional transition. Other territorial approaches beyond the instruments mentioned here should continue to be usable, in particular to respond to the specific context of transnational cooperation.

5. Simplification

36. Simplification for beneficiaries and administration, improving absorption of funds

The Federal Government considers the further simplification of the implementation of the European Structural Funds for beneficiaries and implementing authorities to be urgently necessary to enable timely absorption of funds. The ability of the target group of small (and medium-sized) enterprises, smaller municipalities and civil society stakeholders in particular to receive and utilise funding strongly depends on the extent of the bureaucratic hurdles they must overcome. Good approaches that exist within the current legislative framework, such as the rules on Simplified Cost Options and the Single Audit principle, must be implemented more rigorously and rendered easier to use. Better orientation of the regulatory framework towards the target groups should bring about effective bureaucracy reduction by enabling handling of verifica-

tion and control requirements in a way that is appropriate for the recipients (e.g. including small and non-profit project owners). The Federal Government is also in favour of a more differentiated approach with regard to the application of purely national law in controls and audits, which would be based on transparent, verifiable and workable criteria. The guiding principles here must be high standards for the protection of the Union's budget and an effective use of funds. This also applies to provisions on communication: requirements should be limited to what is necessary to effectively illuminate the use of the funding, and comprehensive detailed requirements should not be imposed. Suitable cross-fund approaches and projects should be made possible within a non-bureaucratic implementation framework.

37. State aid rules

The provisions of the Structural Funds regulations and the European State aid rules must work together better and their validity periods must be more closely aligned with one another again. In order for the implementation of the Structural Funds programmes to begin expeditiously, it should be ensured that a new General Block Exemption Regulation (GBER) and the de-minimis regulations in particular are available on time at the start of the programming period and have a corresponding validity period. The Federal Government also calls on the European Commission to review whether in the interest of procedural streamlining and acceleration, projects implemented within the framework of cohesion policy and already sufficiently specified within a programme can be regarded as compatible with State aid rules respectively be exempted or at least approved under easier conditions upon approval of the programmes.

Part 2: Statement by the German Länder on EU cohesion policy beyond 2027

1. The Länder emphasise that cohesion policy, as the EU's most important structural and investment policy, is of particular importance and must be strengthened as a central pillar of the EU's overall strategy. Strengthening economic, social and territorial cohesion and reducing disparities between the levels of development of the various regions in accordance with Article 174 of the Treaty on the Functioning of the European Union must continue to be the overarching objective of cohesion policy. This will also be of great importance for the period after 2027, not least because the deepening of the internal market requires measures to prevent major economic, environmental and social imbalances, and thus to ensure Europe's overall competitiveness.
2. The Länder underscore the particular importance of cohesion policy as a response to the challenges of transformation in all its facets and thus for strengthening the competitiveness, resilience and cohesion of the EU. Developing suitable solutions at regional level to tackle pressing European and global challenges represents a significant European added value of cohesion policy.
3. The Länder call for the continuation of cohesion policy in all regions. They emphasise that the major transformation challenges also affect the more developed regions and the transition regions. Cohesion policy must therefore provide targeted support to all regions to help them in addressing their individual transformation challenges.
4. A system of regional categories differentiated by developmental level should be retained. The value of the system of three regional categories has been demonstrated in the current programming period. In view of the far-reaching transformation challenges, the Länder are in principle prepared to give consideration to additional Europe-wide standardised and comparable indicators, provided that they are suitable for taking the fundamental framework conditions in the regions into account in a better differentiated and meaningful manner.
5. The regional or place-based approach respectively, multi-level governance, shared funds management and the partnership principle must be maintained in the future.
6. The Länder firmly reject the idea of having just a single plan for each Member State, which would include all cohesion policy funding programmes and centrally prescribed reforms. This blatantly contradicts the existing and proven decentralised EU regional and structural policy, which is geared towards specific locations and regions. Funding programmes must continue to be negotiated between the Commission and the regions, as this is the only way to achieve the goal of strengthening regional diversity and territorial participation. They must therefore be programmed by the regions and implemented through shared management based on partnership. The Länder emphasise that reforms of the EU budget must respect the fundamental principles of the Union, such as subsidiarity and the principle of conferral of powers, as well as EU budgetary law. Nationally managed instruments, such as

the German Recovery and Resilience Plan and the Brexit Adjustment Reserve, have hitherto failed to demonstrate greater impact, sustainability or efficiency and have been subject to clear and widespread criticism in terms of how they have been designed and implemented and also because of the insufficient involvement of the Länder by the Federal Government.

7. The mandatory introduction of a performance-based approach is viewed critically. The Länder reject the idea of linking the disbursement of funds in future to the fulfilment of centrally defined reform targets, all the more so if reform targets are not within the responsibility of the Länder. While aspirations to improve incentives for the impact of the funds used are understandable, these must not create any new bureaucratic hurdles or implementation risks and should only take effect where they bring appropriate added value. The Länder therefore demand that the introduction of a performance-based approach be preceded by a positive outcome of a comprehensive review to ensure that it will contribute to enhancing actual impact and to implementing targeted reforms. This applies in particular to current considerations to transfer key mechanisms of the Recovery and Resilience Facility to cohesion policy. Under no circumstances should there be a duplication of disbursement requirements, for example by making payments to the programmes dependent on both milestones and audited costs. In the event of a stronger link to structural reforms, it must be ensured that the regional level is appropriately involved in all important aspects (e.g. design, planning, implementation, monitoring, evaluation).
8. The Länder emphasise the great importance of cohesion policy for achieving European goals, such as those of the European Green Deal as well as for maintaining competitiveness within the internal market. However, quota requirements below the level of political objectives are viewed critically. The objective “A Europe closer to citizens” must be pursued further and all possibilities for local implementation of cohesion policy close to the citizens must be retained.
9. In order to continue to meet the objectives of the European Green Deal and to appropriately deal with the consequences its implementation has for the economy and society, targeted and appropriately funded measures will continue to be supported. In this context, the Länder believe that approaches to increase the impact of climate and biodiversity measures are generally worthy of support. As an alternative to quotas, a higher EU contribution for climate and biodiversity measures would incentivise greater commitment in these areas by rewarding committed climate action.
10. The Länder emphasise that the ESF+ is the EU’s most important funding instrument for achieving the objectives contained in the European Pillar of Social Rights and plays a central role in the areas of employment and the training of skilled workers, education, skills development and lifelong learning as well as social inclusion. They underline that the principles emphasised in the ESF+, that equality and equal opportunities should be taken into account at an early stage and consistently during the preparation and implementation of the programmes, should continue to apply to all EU structural funds within the scope of their respective possibilities and that targeted measures to promote them should be ensured. Cohesion policy should pursue a sustainable and socially equitable development of the

Union in line with the EU Gender Equality Strategy. The focus here must be on the continued promotion of gender-equitable structural change and economic equality. Aspects of gender equality must also be taken into account in the context of digitalisation.

11. The Länder emphasise the relevance of research and innovation for achieving the objectives of cohesion policy in the regions as well as for safeguarding the competitiveness and strategic sovereignty of the EU as a whole. As part of cohesion funding, reliable support for applied research and development, cooperation between science and industry, and technology transfer must continue to be a priority.
12. European Territorial Co-operation must be continued. Cross-border, transnational and inter-regional cooperation between the Member States and regions, including macro-regional strategies, clearly demonstrate the European added value of cohesion policy. Interreg makes a decisive contribution to good and trust-based community life across national borders and strongly symbolises the European idea. Any form of linking the allocation of funds to national, national reform objectives would not do justice to the tasks of European Territorial Cooperation. The Länder are in favour of an independent Interreg regulation that enables a simplified and harmonised management and preserves the opportunities for cooperation with third countries and candidate countries. In addition, the cross-regional use of cohesion policy should be further strengthened. This could be incentivised by a higher EU co-financing rate for the use of cohesion policy for cooperation across national borders.
13. Strengthening rural areas in all dimensions is essential for the success of the required transformation processes. The Länder call for the strengthening of rural areas to be recognisably established in EU policy after 2027 and backed up with appropriate funding and effective instruments. In order to ensure an integrated policy approach for rural areas and a coherent funding architecture, it is essential that, in future, there is again the option for the EAFRD to be programmed at regional level, just like the Structural Funds, and to be supported by synchronised regulations and programming periods.
14. As recently called for in the Draghi report, cohesion policy should also ensure that more cities and regions participate in the sectors that will generate future growth. In the view of the Länder, the aim must be to develop a coherent general funding architecture that promotes cohesion between urban and rural areas and strengthens the relationships between the different types of areas against the backdrop of the major transformation challenges. Experience from previous programming periods has shown that territorial instruments with place-based bottom-up approaches are also suitable for this purpose, as they can be used across topics and adapted to different spatial conditions and functional spatial contexts.
15. In order to fulfil its objectives, cohesion policy after 2027 requires funding at least on the same level as before plus compensation for inflation. The Länder are therefore in favour of ensuring that cohesion policy continues to play a prominent role in the Multiannual Financial Framework (MFF) after 2027. To ease the burden on the regions and beneficiaries, the EU co-financing rates for more developed regions and transition regions should be increased by at least 10 percentage points compared to the current programming period. Subject to

the decision on the future MFF taken by the heads of state and government of the Member States, the Länder point out that the future cohesion policy must be designed in a way that it does not have any negative effects on the budgets of the Länder.

16. The Länder call for all possibilities to simplify the current regulations to be harnessed. Requirements that have a major impact on the implementation of the programmes and the European added value achieved by them must be critically reviewed and lowered to an acceptable level. Increasing administrative hurdles in the implementation of cohesion policy also have negative consequences in terms of how the EU's activities and impact are perceived. The Länder emphasise that the various climate and environment-related audits should be better coordinated, so that duplication and additional effort in preparation, implementation and monitoring are reduced.
17. Furthermore, the requirements for data collection should be reduced again and the use of integrated IT risk assessment systems should remain voluntary in the future. New enabling conditions or other mandatory framework requirements complicate and delay the implementation of the programmes and should therefore not be imposed.
18. The Länder emphasise the need for a high level of planning security and therefore support maintaining the seven-year term for the MFF including after 2027. The congruence of the MFF and the duration of the EU funding programmes should be maintained in any case in order to ensure the financing for the programmes. Long-term planning must not be jeopardised by the European Semester. It should be made possible for programmes to be transferred to the next programming period through amendments to the programmes. With regard to financial flexibility, the n+3 rule should be reintroduced for the entire programming period for both the Structural Funds and the EAFRD. Radical changes to the way in which cohesion policy is implemented should be avoided as they would delay the rollout of funding.
19. It is key to ensure the timely adoption of regulations for cohesion policy, at least one year before the start of the new programming period, and of implementing regulations, which are to be in place in good time before the start of the programme.
20. The provisions of the Structural Fund regulations and European state aid law must be better aligned and more closely harmonised in terms of their content and validity periods. In particular, it must be ensured that the legal basis for state aid has been established as well as the required period of validity by the time that the programming period starts, and that the corresponding approval procedures are coordinated with one another. The challenges of global competition should be given greater consideration in state aid law in order to also be able to support companies in more developed regions and transition regions. In addition, it should at least be examined whether an additional de minimis limit should be introduced in the area of application of de-minimis subsidies, which would mean that there is no offsetting against the total amount of aid granted, without any obligation to comply with additional formalities.

21. The Länder suggest that, in order to provide flexibility for programming, a certain proportion of the budget of each programme should be made available for 'regional resilience' to support only project types that have been defined by each region and which focus on specific needs that are not necessarily reflected in the priorities of the Union as a whole.
22. The Länder are of the opinion that cohesion policy is not a crisis instrument. Should any mechanisms be made available for crisis intervention as an exception, these must not undermine the long-term objectives and basic principles associated with the programmes. A rapid, flexible and low-bureaucracy response and implementation must be guaranteed.
23. The Länder refer to the decisions of the Conference of Ministers for European Affairs of the Länder, the Conference of Minister-Presidents and the Bundesrat on the future of cohesion policy of 27 October 2023, 6 November 2023 and 24 November 2023 respectively (BR 297/23 decision), the Conference of Ministers for European Affairs of the Länder of 12 June 2024 and the Conference of Minister-Presidents of 25 October 2024.