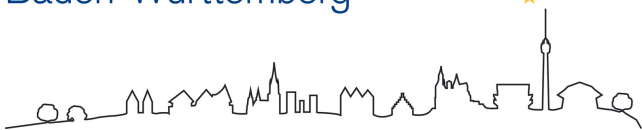


European Office
of Local Authorities of
Baden-Württemberg



FUTURE OF THE EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

Position paper of the Association of
Municipalities, the Association of Cities and the
Association of Counties in Baden-Württemberg

25 March 2024

As representatives of municipalities, cities and counties, we are determined to work in close partnership with the state of Baden-Württemberg and the European Union to make the Green Deal a success. The green and digital transition can only be successfully implemented on the ground if the relevant stakeholders are actively involved in this process and funding is guaranteed.

It is essential that all regions can continue to participate in cohesion policy in the new funding period. Funding in the new Multiannual Financial Framework (MFF) should be at least as high as in the current MFF.

With the implementation of EU structural policy by local authorities, cohesion policy becomes the most obvious example of the added value of the European Union for all citizens.

The resulting visibility of the "EU" is also an effective means of counteracting Euroscepticism and dissatisfaction. The current structure of cohesion policy, especially the ERDF, needs to be changed from a local perspective. This becomes particularly clear due to the development traps in which some Baden-Württemberg regions also find themselves.

The EU Commission's 9th Cohesion Report describes this impressively and emphasises the need to adapt cohesion policy for Baden-Württemberg and its municipalities, cities and counties.



LOCAL AUTHORITIES PLAY A CRUCIAL OPERATIONAL ROLE IN THE GREEN AND DIGITAL TRANSITION AND CONTRIBUTE SIGNIFICANTLY TO THE SUCCESS OF THIS TRANSFORMATION THANKS TO THEIR VALUABLE EXPERIENCE, IDEAS AND CONCEPTS. IN ORDER TO FIND ANSWERS TO THE TRANSFORMATION TASKS, A DE-BUREAUCRATISED, LONG-TERM AND LEGALLY SECURE EUROPEAN FUNDING POLICY IS REQUIRED.

WE CALL FOR:

- **Financial resources for all regions:** In the new funding period, all regions must continue to be able to participate in cohesion policy. Funding in the new MFF 2028-2035 should be at least as high as in the current MFF, adjusted for inflation. In particular, transition regions and regions that remain in a development trap or are at risk of falling into a development trap must receive special support in order to prevent them from falling into a sustained downward spiral of stagnation. Targeted investment in these regions helps to overcome the relative decline in GDP per capita, employment and productivity in a far more efficient way than if intervention only takes place once development in the regions has started to decline. In addition to gross domestic product, the indicators of greenhouse gas emissions and immigration should be given greater weight when calculating the allocation of funds to the Member States (transformation indicators) in order to meet the needs of the regions.
- **More support from European funding pots to tackle the transformation challenges facing local authorities:** The transformation challenges are already leading to immense financial investments by local authorities. It is unclear how the green and digital transformation is to be financed from the European level. We are calling for the adequate and sustainable provision of funds from European funding pots for measures to implement municipal transformation tasks in order to give municipalities, cities and rural districts the necessary predictability and legal certainty. Urban-rural connections and local authorities in rural areas must also be taken into account here.
- **Functioning co-financing rate:** An appropriate co-financing rate is fundamental in order to reach those local authorities in particular that urgently need the European funds for the transformation. The reduced rate often makes it impossible for potential municipal applicants to submit applications for ERDF funding due to a lack of budgetary resources, thereby creating the basis for innovative, high-quality and forward-looking projects to be selected. We therefore call on the Commission to raise the co-financing rate for local level actors in more developed regions from 40 % to at least 50 %. Significantly higher pre-financing rates of at least 15% in the first year of implementation are also essential to enable a faster programme start.

- **Performance-based funding as a paradigm shift:** We need performance-based models in which funding is based on the fulfilment of previously agreed milestones and targets. This enables measures to be implemented more quickly and leads to a significant increase in efficiency. Involving the local level is crucial for identifying site-specific needs and measures.
- **Simplify procedures and cost options:** Funding recipients must once again be able to focus entirely on the actual impact of the measures to achieve the funding objectives - and not, as has unfortunately often been the case in the past, primarily on compliance with the complex procedural requirements. The use of simplified cost options, such as standard unit costs for personnel costs or flat rates for residual costs or overheads, simplifies the processing of funding programmes. In addition to the existing standardised simplified cost options, further cost options should therefore be defined in advance in order to minimise the bureaucratic effort and susceptibility to errors.
- **Reliable funding:** A programme's budget must be available in full from the outset so that it can be used in a targeted and timely manner in line with programme planning and forward-looking management to ensure a continuous outflow of funds. The programme managers should be fully responsible for assessing and reviewing performance at the mid-point of programme implementation. The ERDF Monitoring Committee should serve as a central place for discussions and decisions. Since we as local authorities cannot achieve a return on investment and cannot repay funding, the use of grants must continue to be prioritised in cohesion policy. Loans alone do not fulfil this purpose.
- **Institutional improvements:** These should rank equally with other priorities as a cornerstone of development to enable the strengthening and empowerment of local authorities and greater involvement of stakeholders, including civil society. This includes improving the capacity (technical assistance, skills, resources) of local authorities to effectively engage in the development process.

Please also allow us to point out the fundamental challenges that local authorities and local decision-makers are currently facing on the ground:

Local authorities are affected by a large number of ambitious legislative projects at state, federal and EU level. At the same time, they - as well as politics and society as a whole - have been facing a dynamic and veritable crisis landscape for over a decade: from various geopolitical, global financial, economic and health crises to the climate and energy crisis. The ongoing effects of the Covid-19 pandemic, the very strong inflationary trend in the eurozone and the Russian war of aggression in Europe are also impacting the municipalities' ability to guarantee democratic participation and provide the many vital services for their citizens.

To enable the local level to play its part in meeting the challenges, we are calling for a focus on what is essential, necessary and, above all, feasible.

In this context, it is essential that the ERDF supports the urgently required and realisable needs of our local authorities in the context of the transformation challenges.

The European Office of Local Authorities of Baden-Württemberg is available for dialogue.



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