



Baden-Württemberg



The state of Baden-Württemberg and the Local Authorities of Baden-Württemberg - hand in hand for the further development of cohesion policy

The European Union is facing many challenges, from the implementation of the digital and green transformation to social cohesion. The cohesion policy of the European Union (EU) can make an important contribution to shaping this change locally in a future-oriented manner. In line with the partnership principle, the state government of Baden-Württemberg and the municipal state associations of Baden-Württemberg have jointly identified the challenges and opportunities of cohesion policy after 2027 as well as important aspects for better implementation and impact.

1. Developing cohesion policy in line with its strengths

The EU's cohesion policy is a reliable basis for a strategic policy with a long-term perspective that can nevertheless react to crises. It is the only EU investment policy with a **place-based approach that is** specifically geared towards the regional, i.e. subnational, level. It thus offers the regions their own place-based design options, which they can use to address their different transformation needs in a customised manner and thus become the most obvious example of the added value of the European Union for all citizens. Cohesion policy after 2027 should be further developed in full consideration of the partnership principle and in line with these strengths.

Specifically:

- In the new funding period, **all regions** must continue to be able to participate in cohesion policy.
- As the most important investment instrument, cohesion policy in the new Multiannual Financial Framework (MFF) after 2027 should have at least the same level of **funding**, adjusted for inflation, as in the current MFF.
- The reduced **co-financing rate** of 40% often prevents potential applicants from submitting funding applications due to a lack of budget funds, thereby creating the basis for innovative, high-quality and forward-looking projects to be selected. We therefore call for the co-financing rate in more developed regions to be raised from 40% back to at least 50%.
- For the successful implementation of cohesion policy, the involvement of the local and regional level is crucial for the identification of site-specific needs and measures. Any future investment instrument should be based on these principles and implemented under **shared management**, respecting the principles of subsidiarity and multi-level governance.
- Although Article 175 of the Treaty on the Functioning of the European Union (TFEU) explicitly states that the EU shall support the harmonious development of the Union as a whole through the Structural Funds and other existing financial instruments, the **European Agricultural Fund for Rural Development (EAFRD)** is strongly focussed on agricultural and environmental measures. In the coming funding period, however, adequate funding will again be needed to support rural areas. It is therefore necessary for the next MFF to provide sufficient funding both for the creation of liveable and equal rural areas and for a competitive

agricultural sector that is able to meet the current challenges. Baden-Württemberg has had very positive experiences with the LEADER regional development programme, which is financed by EU and state funds. With its bottom-up approach, which actively involves the population, LEADER also helps to raise the EU's profile in the region.

- The **European Social Fund Plus (ESF+)** is the EU's most important financing and funding instrument for investing in people. Maintaining the regional ESF working groups is of central importance here. However, this requires a minimum level of funding, which in the case of Baden-Württemberg cannot fall below the current level. The regional working groups identify regional needs as they arise and tackle them with projects in the context of existing networks. More clarity is needed here for all those involved and less effort in terms of data collection and administration due to EU requirements.

2. Overcoming transformation challenges

The EU can only become stronger if the more developed regions also remain strong and are supported in their transformation efforts. In view of global competition and the challenges in the area of green and digital transformation, which primarily affect the economically strong regions, support is needed more than ever. The transformation towards a climate-neutral Europe by 2050, which began with the "Green Deal", is far from complete and will also require considerable efforts in more developed regions in the future. These transformation challenges are already leading to immense financial investments by the state and local authorities. Successfully tackling these challenges can only be realised locally and only if the key players are actively involved in this process and needs-based funding is guaranteed.

Specifically:

- Cohesion policy after 2027 should be more focussed on the **transition regions** and have adequate funding to effectively support the transformation processes in the regions with a still strong industrial base. This can be reflected directly in the **European Regional Development Fund (ERDF)** or through a further developed **Just Transition Fund (JTF)** that takes all transition regions into account. If there is a successor instrument to the JTF, all transition regions should be able to participate and not just those that extract and convert fossil fuels.
- The urban-rural connections and the municipalities in rural areas must also be taken into account here. The cross-border, transnational and interregional cooperation programmes (**INTERREG**) are of particular importance for Baden-Württemberg when it comes to creating European added value that can be felt by citizens at municipal level.
- When calculating the **allocation of funds** to the Member States, other indicators should be taken into account in addition to gross domestic product, which take into account the framework conditions in the regions in a more differentiated way and take account of the transformation challenges.
- Human and financial resources must be taken into account in the implementation of cohesion policy. Factors such as climate change, resource utilisation and biodiversity should be taken into account in all phases and at all levels of cohesion policy implementation in order to support sustainability transformations and avoid distortions of competition both in the EU internal market and in competition with third countries. This also includes investments in green technologies and renewable energies.

3. Bureaucracy reduction and simplification

Cohesion policy has become more complex over the last three decades. Successive reforms have introduced new objectives, funds, instruments and tasks. In particular, the increase in the administrative and audit burden since the 2000s has contributed to a greater focus on compliance with the complex rules than on the actual impact of the respective funding. Fewer requirements lead to **simpler procedures** and therefore less bureaucracy and can therefore make a major contribution to increasing efficiency. It also means that more European projects can be rolled out.

Specifically:

- Legislative packages should be adopted in good time to avoid delayed programme launches.
- It is particularly important to make the selection process for projects as streamlined as possible in order to reduce bureaucracy and not deter applicants. This also includes reducing authorisation and documentation requirements to an absolute minimum.
- The use of simplified cost options, for example standard scales of unit costs for personnel costs or flat rates for residual costs, can considerably simplify the processing of funding. Cost rates that are defined in the regulation and do not require any further verification or plausibility checks by the Member State are particularly advantageous and therefore minimise the susceptibility to errors.
- The use of grants must remain possible in cohesion policy, as numerous subsidies in the form of grants serve to strengthen the competitiveness of the country and the municipalities. Revolving funds that require the reimbursement of funding are at the expense of the future investment and innovation capacity of regional and municipal players. It would also create new bureaucracy and complexity.