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Policy conditionality – a new instrument in the EU budget post-2020?

Abstract

The negotiation of the Multiannual Financial Framework (MFF) post-2020 is a crucial feature on the EU agenda for the next few months. The EU is facing a range of significant long-term challenges: strengthening Europe's economy and social framework; ensuring security inside the EU and at its external borders; managing migration; and addressing the causes and consequences of climate change. Moreover, Brexit will leave a hole in the budget. However, it seems to be a common understanding among EU institutions and Member States that the next MFF will be more focussed on programmes delivering European added value and programmes that respond to new challenges (e.g., addressing the refugee crisis and security concerns). EU spending after 2020 may also become more linked to the respect for the rule of law and economic recommendations.

Currently no clear strategy exists on how budget support can be used to leverage (short-term) policy challenges and to promote long-term EU treaty based objectives within the MFF post-2020. There is also ambiguity surrounding criteria for determining the criteria for policy conditionality and how an asymmetric impact on Member States could be avoided, as well as which institution has the right to decide about reducing financial support or adopting positive incentives. In the context of this debate, the present text will analyse the existing conditionality mechanisms in the MFF 2014-2020 in order to present some reflection regarding policy conditionality in the MFF post-2020.

1 Introduction

Although policy conditionality was not the subject of discussion during the recent MFF mid-term review procedure, there seems to be a broad understanding among EU institutions and Member States about the need to reinforce and improve conditionality of EU budgetary spending after 2020, such as fulfilling recommendations of the European Semester, the respect for the rule of law, as well as responding to new challenges (e.g., addressing the refugee crisis and security concerns).[1] The rationale for this approach is not only based on recent debates on solidarity in the EU, but on longstanding experience of the achievement of EU re-distributive policies, deficits of existing conditionality mechanisms and insights from practices in federal countries.

Using the EU budget as a policy instrument not only means budgetary spending according to non-obligatory guidelines and soft governance, but requires tying budget support more strictly to political conditions. Although small in size, the EU budget can play an important role as a leverage instrument and increase its impact by being attached to conditions that lead to changes in (national) policymaking. This policy conditionality follows a different logic than

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1 European Commission, Mid-term review/revision of the multiannual financial framework 2014-2020. An EU budget focused on results, SWD (2016) 299 final.

the infringement procedure or the fulfilment of regulatory requirements but may also, in case of violation, lead to the suspension of EU funding. Policy conditionality can foster the cooperation between Member States in areas where economies of scale and/or externalities are significant and will be paramount to address current and future challenges facing the EU. Conditionality as a policy tool used by the EU to attain specific governance goals could contain positive as well as negative incentives. Positive incentives could help to generate additional initiatives to overcome specific and long-term problems. The suspension of European Structural and Investment (ESI) Funds,[2] which will directly affect infrastructure expenditures and environmental actions, or agricultural or fisheries aid, may create additional pressure on Member States to comply with strategic (long-term) EU objectives.

Currently no clear strategy exists on how budget support can be used to leverage (short-term) policy challenges and to promote long-term EU treaty based objectives within the MFF post-2020. There is also ambiguity surrounding criteria for determining the criteria for policy conditionality and how an asymmetric impact on Member States could be avoided, as well as which institution has the right to decide about reducing financial support or adopting positive incentives.

In this paper, the context of the current debate on the EU-budget and policy conditionality will be analysed and some (critical) insights from the existing conditionality mechanisms in MFF 2014-2020 presented before examining the ongoing negotiation on the MFF post-2020.

2 The context of the debate on the EU budget and policy conditionality

In the political economy, conditionality describes the use of conditions attached to the provision of benefits such as a loan or bilateral aid.[3] These conditions are typically imposed by regional organisations and are intended to improve economic conditions within the recipient country. In federal countries, unconditional funding is only given through revenue sharing or the allocation of grants on the basis of formulae that reflect fiscal capacity or other criteria. However, many grants are considered positive incentives and include some elements of conditionality. Federal governments use their spending power to impose conditions with the intention of influencing behaviour of constituent units and/or providing efficiency or to coordinate policies among governments. Overall, in 2010, the upper level of government in federal countries earmarked around half of all transfers while the other half was distributed with no conditions attached.[4]

At the EU level, there are several lessons learnt from Cohesion Policy performance. One aspect is that funds have not always reached the objectives they were created for. Moreover, they have not been flexible enough to address the specific challenges the EU is facing. The Sapir report labelled in 2003 the EU budget as a historical relic,[5] considering that expenditures, revenues and procedures are not always consistent with the present and future state of EU integration. Based on this experience, the Sapir report concluded already in 2003 that the key principle of conditionality should be strengthened. Furthermore, the legal and institutional framework, the respect for the rule of law, has been crucial for the efficient implementation of EU investments. In addition, since 2007 the EU budget has changed from a budget based on the rationale that richer EU countries help poorer EU countries in exchange for their engagement in the process of economic integration (and because economic development of the EU has positive economic returns for them), to a rationale that all Member States and the EU are confronted with the same challenges and risks including specific conditions for EU investments.[6]

Currently the debate is ongoing about which principles should determine future re-distributive policies. This debate was launched after some EU countries refused to apply EU ‘solidarity’ during the 2015-2016 refugee crisis. It was also triggered by concerns about the rule of law in some Member States and was heated up further by the prospect of less funding being available after Brexit. Among several Member States, there is potential for a coalition in favour of reducing spending through an overall reform of EU Cohesion Policy. This overall reform may include specific positive and negative conditionality mechanisms which could interlink the Cohesion Policy post-2020 with the fulfilment of specific policy objectives.

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2 The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

3 Watts, Ronald, Comparing Federal Systems, Third edition, McGill-Queen’s University Press, 2008.

4 OECD, Statistics, 2016.

5 Sapir, André (et al.), An agenda for a growing Europe - Making the EU Economic System Deliver, Report of an Independent High-Level Study Group established on the initiative of the President of the European Commission, 2003.

6 Kölling, Mario, “How much Solidarity is in the EU Budget?”, Perspectives on Federalism, Vol. 7, issue 3, 2015.

3 Existing conditionality 2014-2020

There have always been certain levels of conditionality (positive and negative) within EU re-distributive policies (e.g., the underlying principles, procedures and agreed objectives of spending programmes). However, this conditionality was self-imposed and compliance was based on soft mechanisms, as well as related to national characteristics and not always to the EU objectives. Until the MFF 2007-2013, only the Cohesion Fund was subject to macroeconomic conditionality[7] and allocation was related to compliance with the Maastricht criteria – the Stability and Growth Pact. The conditions were adopted by the Council and not legally binding for beneficiary countries[8] and enforcement mechanisms had a voluntary character (such as peer pressure).

Since the MFF 2007-2013, conditionality has been expanded and deepened, but it was still applied very carefully. The MFF 2007-2013 also included positive incentives to develop specific programmes focussing on key European priorities, such as employment, social inclusion, innovation and energy efficiency. Specifically, the Cohesion Policy was reoriented from focussing only on the goal of achieving economic and social cohesion but also to promote the objectives of the Lisbon agenda.

The MFF 2014-2020 opened the way for reformed budgetary policies, focussing on the goal of strengthening economic, social and territorial cohesion, but also with a clear link to the goals of the Europe 2020 strategy.

Moreover, as a lesson from the economic crisis, political governance turned into a clear objective of EU budget support and was included in general policy guidance. Unlike the previous programming period, all five ESI Funds became conditional in light of economic governance objectives and procedures. The Common Strategic Framework (CSF) implemented conditionality through three instruments: ex-ante conditionality, macroeconomic conditionality and ex-post conditionality.

Ex-ante conditionality[9] are conditions which have to be in place before funds were disbursed in order to facilitate successful performance and could be considered as an instrument to strengthen governance for core priorities. Ex-ante conditionality was especially important for the establishment of the institutional framework that was required to be in place in order to pursue the specific priorities defined for the period 2014-2020 and as a system for assessing progress in meeting targets.[10] Over the first years of the current programming period, 48 ex-ante conditionality criteria were established in the framework of the ESI Funds, not only related to the institutional framework to implement spending programmes but also specific proposals on how to carry out structural changes and policy reforms. All Member States had to provide detailed argumentations concerning the ways in which they would comply with these reforms before receiving ESI Funds.

The evolved Cohesion Policy rationale, the reinforced EU economic governance and the pessimistic economic context at the beginning of the current MFF have been the main reasons for the extension of *macroeconomic conditionality*.[11] According to article 121 of the Treaty on the Functioning of the European Union (TFEU), Member States have the obligation to regard their economic policies as a matter of common concern and to coordinate them within the Council, with a view to contributing to the achievement of the objectives of the EU. However, the Treaties only foresee warnings or recommendations for Member States whose economic policies are inconsistent with their respective medium-term objectives or risk jeopardising the proper functioning of the Economic and Monetary Union (EMU). Moreover, as already mentioned, the 2007-2013 regulation was only related to the Cohesion fund and allowed only the Commission to propose the suspension of funds in the context of the excessive deficit procedure.[12] The MFF 2014-2020 legislative framework strengthened the regulation and included two dimensions of macroeconomic conditionality.[13] The first is related to the reprogramming of the ESI Funds. In this sense the Commission may request a Member State to re-programme part of its Partnership Agreement when this is justified by the economic and employment challenges identified under the economic governance procedures. If the Member State fails to undertake appropriate actions, the Commission shall request that the Council suspends part or all payments related to ESI Funds. The second condition relates to non-compliance within eco-

7 Article 4 of Regulation (EC) 1084/2006.
8 Article 121 of the Treaty on the Functioning of the European Union.
9 European Commission, The Value added of Ex ante conditionalities in the European Structural and Investment Funds (ESI funds), Brussels, SWD (2017) 127 final.
10 Barca, Fabrizio et al., An agenda for a reformed cohesion policy - A place-based approach to meeting European Union challenges and expectations, Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, 2009.
11 Piattoni, Simona; Polverari, Laura, Handbook on Cohesion Policy in the EU, 2016.
12 Ibid.
13 Article 23 of Regulation (EU) 1303/2013.

nomic governance procedures. In this context, the Commission is obliged to propose a suspension of ESI Funds when certain stages in the various economic governance procedures are reached,[14] e.g., when no effective action has been undertaken by the Member State to correct the excessive deficit. Nevertheless, the European Commission (EC) also analyses on a case-by-case basis other factors that may give rise to a decision not to initiate suspension procedures, e.g., high unemployment, recession and high poverty or social exclusion, as well as potential contractions of the national GDP. Moreover, specific programmes such as the youth employment initiative are excluded from suspension.

'Ex-post' conditionality are conditions which focus on policy outcomes and have already been in place for several programming periods. The EU's new approach to policy evaluation is characterised by a focus on closing the policy cycle (linking ex-ante and ex-post appraisal) and by applying evaluation to all types of policy intervention, whether expenditure or regulatory policy.[15] However, 'ex-post' conditions are not only a performance reserve but interlinked to results and the achievement of the Europe 2020 objectives. In MFF 2014-2020, 5% of the cohesion budget was set aside and has been allocated after the mid-term review to the Member States and regions whose programmes have met the programme objectives related to Europe 2020.

4 Lessons learnt so far and some reflections regarding the MFF post-2020

Many may welcome the tendency for increased policy conditionality as a positive step forward to foster the EU budget as a policy instrument. However, several concerns have been raised, e.g., the legal basis between specific conditionalities and financial support; the thematic link between conditionality and financial support and the level of support which could be reduced in case of non-compliance. Since there is no explicit treaty mandate for conditionality spending, conditionality cannot be used as an alternative or even substitute for general treaty procedures. Moreover, the 'democratic' legitimacy of conditionality opens room for discussions since EU re-distributive policies could become politicised and neglect the fundamental elements and the treaty objectives of Cohesion Policy.

Regarding the concrete experiences of the 2014-2020 programming period, conditionality tools are far more sophisticated than in the previous 2007-2013 term, but the procedures are also more complex and subject to criticism. The three instruments – ex-ante, macroeconomic and ex-post conditionality – are considered less than convincing effective incentives because they involve considerable time lags and offer little potential for application. Nevertheless, there may be some potential for establishing a better link between conditionality and solidarity.

According to the initial evaluation reports, most ex-ante conditionality criteria have been relevant for all Member States' specific objectives and the fulfilment rate is very high. Ex-ante conditionality resulted in a more effective and structured deployment of ESI Funds; and provided incentives for Member States to implement policy reforms.[16] Nevertheless there are also important difficulties. The main critiques on ex-ante conditionality have been in the complexity of the process and the administrative burden. The number and focus of the different conditions have increased the density and, to a certain extent, watered down the link between the budget and the overall policy recommendations.[17] A very broad spectrum of criteria (e.g., from waste water management to reforms in the pension system) may undermine the trend toward more transparency and simplification. A clear link between the ex-ante conditions and financial support could overcome this situation. Regarding the ongoing debate on the Cohesion Policy post-2020, the EC underlined the clear relationship between the rule of law and an efficient implementation of investments supported by the EU budget. In a sense, compliance with certain criteria related to the respect of principles of supremacy of EU law and protection of fundamental rights from public authorities may increase the EU added value. Although the rule of law could be considered as ex-ante conditionality criteria, it is a basic principle of the EU. Reducing funding because of the violation of the rule of law could have dramatic political consequences, e.g., undermining the potential role of opposition parties to subnational governments opposed to the national government.

However, reducing ESI Funds may only be one possible option in this context. Positive conditionality, e.g., specific spending programmes, and the strengthening of

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14 Ibid.

15 Smismans , Stijn, Policy Evaluation in the EU: The Challenges of Linking Ex Ante and Ex Post Appraisal, EJRR, 2015.

16 European Commission, The value added of ex ante conditionalities in the European Structural and Investment Funds (ESI funds), Brussels, SWD (2017) 127 final.

17 European Commission, The implementation of the provisions in relation to the ex-ante conditionalities during the programming phase of the European Structural and Investment (ESI) Funds, Directorate-General for Regional and Urban Policy, 2016.

the incentives regime could be linked to the fulfilment of specific ex-ante conditionality, e.g., in line with the youth employment initiative, which may concentrate on the specific budgetary burden related to migration. In this sense, specific spending programmes could link the legal basis between the need to fulfil conditions with financial support.

The inclusion of macroeconomic conditionality was one of the keys to unlocking the final EU budget deal for 2014-2020, however it was one of the most controversial aspects discussed during the adoption phase of the Common Provisions Regulation at the end of 2013. It opened up the (ongoing) debate on new policy objectives and long-term treaty based objectives, e.g., the original role and objectives of the Cohesion Policy and its importance as a solidarity instrument. The EU Cohesion Policy goals are enshrined in Article 3 of the Treaty on European Union and in Articles 4, 162, 174 to 178 and 349 of the TFUE. In this sense, the budget could only be re-oriented without undermining these treaty based objectives of the EU re-distributive policies. The gross (regional) domestic product per capita is presently the only criterion for eligibility among the less developed or intermediate regions in the framework of the ESI Funds. According to its rationale, the Cohesion Policy has a long-term policy goal which, at least according to the current cohesion approach, is opposed to short-term policy challenges.

Nevertheless the entitlement to financial assistance under different EU policies can be made conditional on Member States' compliance with certain obligations or objectives.[18] Conditionality means in this sense a situation where the Member States are obligated to comply with clearly identified legislative acts and where the failure to comply entails the loss of entitlement to financial assistance. Conditionality must rest on objective factors which are amenable to judicial review including, in particular, the aim and the content of the measure.[19] Conditionality rules related to the disbursement of Cohesion Policy support need to be directly linked to the operation of the Cohesion Policy and be established on the same legal basis as that on which the different funds have been adopted.

The reception of migrants and refugees under international protection as well as their social and economic integration may have little to do with the territorial dimension of ESI Funds but be linked to the objective of the European Social Fund (ESF). The ESF played an important role in mitigating the consequences of the economic crisis – especially the rise in unemployment and poverty levels, which may be a starting point for mitigating the consequences of the refugee crisis.

Critiques on policy conditionality are also concentrated on the application of measures which will lead to the loss of entitlement to financial assistance. Reducing financial aid would be detrimental to the solidarity principle of the Cohesion Policy and its re-distributional nature. Given that the ESI Funds support medium-term investment strategies, reprogramming could have negative effects on the overall priorities. Furthermore, reducing financial aid may further hinder the achievement of specific objectives and may lead to financial uncertainty and instability, worsening an already precarious situation, particularly in disadvantaged regions or those which were hardest hit by a specific crisis. The policy conditionality in the Cohesion Policy may also imply that the prospective victim of the cuts would be different from the level of government responsible for these policy decisions. For example, in the case of macroeconomic conditionality, the implementation of economic sanctions would have punished regions via the reprogramming or suspension of funding as a result of macroeconomic failings caused at other levels of administration.[20] Finally, the loss of the entitlement to financial assistance may affect Member States in an asymmetric way. Economically less developed Member States may be more affected than Member States which receive a lower level of EU financial support.

Within the report on the midterm review, the Commission established a close linkage between effective spending and conditionality.[21] According to the EC, even with a small amount of money a significant impact has been achieved by making financing conditional on changes in national policy-making. According to the EC approach for the MFF 2014-2020, the close linkage between the ESI Funds and the economic governance of the EU ensures that the effectiveness of EU expenditure is under-

18 A precedent exists in Council Regulation 1084/2006, establishing a Cohesion Fund, Article 4 of which provides assistance with a fund conditional upon Member States complying with their budgetary commitments under the Treaties.

19 Council of the European Union, internal note to the Sherpas committee of the task force on economic governance Brussels, 9 July 2010.

20 Jouen, Marjorie, The macro-economic conditionality, the story of a triple penalty for regions, Policy paper, Jacques Delors Institute, 2015.

21 European Commission, Mid-term review/revision of the multiannual financial framework 2014-2020 - An EU budget focused on results, COM (2016) 603 final.

pinned by sound economic policies. But the Commission also stressed that after 2020 EU support needs to be re-directed to address new emerging economic and social challenges,[22] as well as policy objectives.[23] The 'ex-post' conditions have not received as many critical remarks, nevertheless there have been arguments that thematic priorities and the performance reserve[24] will probably increase and open the possibilities for the re-creation of new regional inequalities because of the heterogeneous administrative capacity among sub-state levels in EU Member States. Moreover, indicators which are external to the policy may create a gap among the actors who should deliver the policy and the administrative level which has the control in order to promote the desired external effect.

However, 'ex-post' conditions could have a leverage effect and incentivise the compliance with specific policy objectives. Treaties do not appear to contain a specific legal basis for the creation of an incentive mechanism whereby Member States with a high level of compliance could be rewarded. The only legal basis would be Article 352(1) TFEU, which may be feasible when the Treaties do not provide a specific power of action, and action by the Union is necessary, within the framework of the policies defined in the Treaties, in order to achieve one of its objectives.[25]

Moreover, among several EU Member States there is potential for a coalition in favour of an overall reform of EU Cohesion Policy. This overall reform may also include specific positive incentives which could interlink the Cohesion Policy with specific policy objectives. In the White Paper on the Future of EU Finances,[26] the EC underlined that rules and conditions applying in the same policy area need to be aligned. In this regard the EC is focussing on positive conditionality and incentives.[27] The payment of lump sums and prizes based on output and results rather than on reimbursement of costs, may allow for concentrating on conditions fulfilled, output or performance in all management modes (e.g., payments per resettled refugee or the support for young farmers). In such cases, the financing of projects is delinked from the reimbursement of the costs incurred by the recipients of EU funds: it depends directly on the results delivered on the ground.[28] What matters is either the fulfilment of certain conditions as set out ex-ante in the basic act or Commission Decisions and/or the achievement of results measured through performance indicators (ex-post), which could reflect results and reform progress over time in the respective sector.[29]

5 Conclusions

The EU is facing a range of significant long-term challenges: strengthening Europe's economy and social framework; ensuring security inside the EU and at its external borders; managing migration; and addressing the causes and consequences of climate change. Meanwhile, Brexit will leave a hole in the budget. A budget focussed on results needs to ensure that resources are allocated to priorities and that every action delivers high performance and added value. The link of the EU budget with economic governance and with specific policy objectives will receive renewed attention in the context of the next MFF. The current debate should be based on the assessment of progress made under the current provisions and a broader understanding of the objectives of the EU budget. Although there are past experiences based on MFF 2014-2020, conditionality is still a controversial mechanism with legal and political implications that have yet to be clarified. Some basic arguments for this debate follow:

- *Reorientation of re-distributive policies*
  Regarding the re-distributive polices, there is room for further improvement by emphasising incentivising, establishing a clear linkage between additional funds and policy objectives. Regarding the Common Agricultural Policy (CAP), farmers may be incentivised to concentrate more on the environment and climate public goods by programmes oriented towards investments in new technologies. Regarding economic, social and territorial cohesion, the current system of allocation of the funds could be revised.

[22] European Commission, Directrices sobre la aplicación de las medidas que vinculan la eficacia de los Fondos Estructurales y de Inversión Europeos a una buena gobernanza económica con arreglo al artículo 23 del Reglamento (UE) nº 1303/2013 COM (2014) 494 final.

[23] In May 2016 Jean-Claude Juncker said countries that fail to show "solidarity" by taking in their fair share of migrants who have arrived on European shores will also be hit with fines of €250,000 per refugee.

[24] Performance Reserve, 5% of the cohesion budget, has been allocated during a mid-term review for efficient management of the ESI Funds.

[25] Council of the European Union, internal note to the Sherpas committee of the task force on economic governance Brussels, 9 July 2010.

[26] European Commission, Reflection Paper on the Future of EU Finances, COM (2017) 358.

[27] European Commission, Directrices sobre la aplicación de las medidas que vinculan la eficacia de los Fondos Estructurales y de Inversión Europeos a una buena gobernanza económica con arreglo al artículo 23 del Reglamento (UE) nº 1303/2013 COM (2014) 494 final.

[28] COM (2016) 605 final, Brussels, 14.9.2016.

[29] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2016:0605:FIN

New criteria could be added, for instance criteria linked to the European challenges based on demographics, education, social inclusion and migration. The reorientation of re-distributive policies could also imply new specific spending programmes in order to foster positive conditionality and incentives. In addition, there could be a stronger focus on results through specific payment based on outputs and results. More flexibility to re-adjust the budgetary allocation could help to react to unforeseen challenges and to create positive incentives. Nevertheless, new policy objectives should not hinder the pursuit of the broader goals of the Cohesion Policy and/or CAP set by the TFEU. Despite these new challenges, the EU continues to be confronted with large disparities in wealth. During the past few years the disparities have not only been growing among Member States but also within them and within sub-state units.

- *Restructuring of the EU budget*
  The EU budget must further develop its capacity to support the management of specific challenges, e.g., migration flows and integration of refugees; internal and external security, migration policy, energy security and tackling climate change. Creating closer links between the budget and specific challenges can foster conditionality. In this sense spending headings with high European added value need to be increased in order to link substantial investments with specific goals. In this sense the MFF post-2020 needs to consider if the fulfilment of new conditionality requires additional financial resources for the EU budget.
- *Interlinking conditionality with spending policies*
  The fact that macroeconomic conditionality has not been tested was mainly due to the circumstance that these tools are relatively new and the link between the effectiveness of the ESI Funds and macroeconomic stability rules are not well established yet.

  Policy objectives need to be related with specific ESI Funds payments in a meaningful way. In this sense financial support from the EU budget and country-specific recommendations should be more oriented toward very specific goals. If the link between the effectiveness of the ESI Funds and specific policy objectives is well established, it may be possible that the non-fulfilment of a specific recommendation (e.g., improving assistance for refugees) could form the basis for the reduction of EU financing. Conditionality mechanisms can only be as good and logical as the policies that are imposing them.
- *Simplification to ensure efficient functioning of public administrations*
  The simplification of budgetary processes at all levels of governance has been a long standing demand which should be opposed to the establishment of policy conditionality. Simplification also entails a clear understanding of the terms of conditionality. Commitments need to be codified in a verifiable and simple way based on principles or indicative quantitative conditions. A thematic concentration on a small number of priorities is necessary for policy coherence among EU instruments to ensure that they all support EU objectives, but also in order to ensure a smooth and fast implementation at the beginning of the programme period. Nevertheless, conditions should also allow certain flexibility. If conditions are too strict and narrow regarding conditionality of EU funds, this could become responsible for a low ratio of funds spent.
- *Subsidiarity principle must be more closely observed*
  How priorities and funding are aligned within the EU, Member State and sub-state level towards agreed EU-level priorities has been one of the critical points during the current MFF since the suspension of funding may have punished sub-state governments as a result of macroeconomic failings caused at other levels of administration. In this sense, all kinds of conditionality have to take into account the governmental level tasked with the fulfilment of the conditions. The government responsible for the action has to set priorities and shape criteria for conditions, which may also include region-specific recommendations within Member State recommendations.
- *A stronger role for the European Parliament (EP) and the EC*
  An increased conditionality would require the Commission and the EP to exercise discretionary power and to have a stronger say. In this sense, increasing conditionality would include a transfer of budgetary policy responsibility from the national to the EU level. The Commission already has a high level of discretionary power regarding ex-ante conditionality, macroeconomic conditionality and ex-post conditionality.

  The EP is still not participating as an equal partner in the negotiation of the MFF and policy conditionality is much more than the allocation of resources. A stronger involvement of the EP would reduce the criticism that conditionality has no ‘democratic’ basis. Nevertheless, there may also be a danger that conditionality and EU re-distributive policies could become more politicised and, finally, neglect the fundamental elements and treaty objectives of territorial, economic and social Cohesion Policy, however it would contribute to a broader transparency in the decision-making and legitimation of sanctions.