

THE BARCA REPORT: A SPRING CLEAN FOR EUROPE'S COHESION POLICY

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Fabrizio Barca, Director-General at the Italian Ministry of Economy and Finances, has made public the report on reform of cohesion policy¹ that he was tasked to write by Commissioner Danuta Hubner. Having mobilised and listened to numerous experts, he delivers a politically ambitious, dense document which goes into the details of technical arguments.

The report does not always make easy reading, because it does not follow a classic self-contained structure but rather makes repeated trips into economic theory, political vision and practical considerations. The executive summary, presenting the 10 pillars of the proposed governance reform, is therefore somewhat misleading. The added value of the report is to be found in its point-by-point discussions – concerning what makes cohesion policy exemplary, what must be preserved and deepened, and the excesses and false interpretations which must be eliminated or re-framed. Barca is relatively neutral on the questions – relating to changes to details and budget – which have fed most of the arguments of the last few years. Instead he concentrates his attention on proposals which aim to give cohesion policy a key role in the dynamic of European integration once again.

In short, the author is aiming his work at specialists and placing the bar high. However, Barca's report fills a gap – after a budgetary review which delayed the inevitable, a somewhat inconclusive debate on the future of cohesion policy, and the surprise enthusiasm of “stakeholders” for territorial cohesion (nearly 400 responses to the public consultation on the Commission's green paper). It will therefore likely serve as a point of reference in a wider debate on the policy model associated with the socio-economic model of development, which is still in the making in a crisis-affected Europe.

¹ http://ec.europa.eu/regional_policy/policy/future/pdf/report_barca_v0306.pdf

Throwing open the doors and windows of the Cohesion policy House in order to let fresh air into an atmosphere which has become claustrophobic over the last 20 years – this seems to have been the task which Barca gave himself. In exploring the forgotten corners of this subject he brings an occasionally meticulous attention to detail. He succeeds at the task. The reader who perseveres – even if disagreeing with certain proposals, or finding that they remain too vague – cannot help but experience the satisfying feeling of a “spring clean”.

1. What to take away from this 200-page report?

Barca postulates that the EU's legitimacy hinges on its capacity to affect concretely the lives of Europe's citizens – without interfering in national or local practices, but rather in marking out the contours of a common vision. In doing this, Barca isolates cohesion policy's territorial dimension as the core around which the policies of European development must be built.

He takes a clear position in favour of the idea of territory and cohesion, to the point of sketching a renewed synthesis of the Jacques Delors' trilogy that founded the Single Act plus its two corollaries, the single market and regional policy; or “competition that stimulates, cooperation that strengthens, solidarity that unites”. With his territorialised Social Agenda, he proposes a development policy which aims at both efficiency and social inclusion – in other words, “a policy aimed at giving all places the opportunity to make use of their potential (efficiency) and all people the opportunity to be socially included independently of where they live (social inclusion)”. Out of this comes an optimistic message about endogenous development and the potential role of the public sphere, as incarnated by institutions and civil society.

He tries to settle each of the disputes which have undermined cohesion policy over the last ten years: the gradual slippage of semantics and ideas which has encouraged cohesion policy to be seen as redistribution or an instrument of approximate convergence by increases in GDP per capita; “Lisbonisation”, which emphasises competitiveness to the detriment of solidarity and which impoverishes multi-level governance in cohesion policy; and the idea that the social dimension is “the price to pay” in order to achieve a unification of markets and currency, rather than an end in itself. Barca himself considers that the reverse is true: the economic element of the European project is not the principal objective, but rather the means of achieving prosperity and peace in the Union.

He criticises the excesses, and in the end the impasse, into which neo-liberal thinking brought us – “the intellectual complacency of a majority of the ‘economics profession’ (the expression of D. Acemoglu – CEPR 2009) over what markets can achieve”. This situation sanctioned a division of labour between, on the one hand, a Union preoccupied with markets and liberalisation, and on the other, member states which guarantee social protection and well-being. The progress of EU integration assumes, rather, a nesting of responsibilities and of multi-level cooperation mechanisms guided by high-level political compromise. For Barca, this compromise, which is similar to the Rousseauian idea of “social contract”, is today needed by an enlarged Union. To achieve a “re-founding” status, such a compromise should encompass not only the economic dimension of the European project but also its political and democratic dimensions.

The part which will doubtless provoke the most debate – because it goes against the prevalent discourse and the changes of the last decade – concerns the concrete proposals for institutional reorganisation. Courageously, he accepts the consequences of his political proposal of multi-level governance by advocating such innovations as an overturning of the negotiations calendar for the next financial package; a new type of

contract between the Commission, member states and the regions, accompanied by more strict conditionality; a reorientation of roles and internal working methods at the Commission; and the creation of a formal Council of Ministers for cohesion policy.

2 - The 1st part is devoted to a justification of an EU **place-based development policy and to its objectives.**

He uses the comparison with the United States to disqualify proposals of replacing cohesion policy with sectoral policies and concludes in favour of a place-based policy – defined as (1) a long-term development strategy aiming to fight both the under-exploitation of full potential and the persistent social inequalities in a given place; (2) centred on the integrated production of public goods and services, determined in accordance with local preferences and knowledge, through participatory political institutions; (3) supported by a system of multi-level governance which includes financial transfers subject to strong conditionality.

In his view, cohesion policy has been constricted by perpetual tension between subsidiarity (giving freer rein to lower-level authorities, following the rationale that they are closer to the ground and therefore better able to choose suitable measures) and conditionality (obliging lower-level authorities to follow rules, in line with the imperative to make the ensemble coherent). For poor political reasons (the argument about a fair ‘net return’, concealment of the weaknesses of internal governance, monopolisation of European funds by local elites, clientelism, etc.), and in a context where academic discourse is discrediting public intervention, this tension has resulted in a constant erosion of the consensus on the added value brought by the EU.

He devotes many pages to a summary of current knowledge about development dynamics, and to theories of new economic geography regarding the role of agglomerations, market forces, institutions, etc. This analysis allows him to couch in solid economic argumentation his plea for external public intervention directed to supporting local potential.

He gives much space to the discussion currently animating the world's development policy gurus (notably at the World Bank and the OECD). Some of these analysts, having turned the page on the Washington consensus but doubting the institutional capacities at decentralised levels, seem to consider geographic inequalities as an inevitable product of growth. As a result, they plead for policies which encourage mobility, along with "spatially blind" measures, preferably managed at the national level. Barca places himself resolutely in the opposing camp, pointing to the virtues of a place-based development policy.

The cohesion policy proposed by Barca makes use of two key concepts: efficiency and equity. His approach to territorial efficiency is interesting, being defined as "the capacity of a territory to make the most of its resources". The full exploitation of local potential is determined not by the given technological conditions, but by the interaction of institutions and decisions – both private and public, economic and political. As for equity, Barca essentially refers to the recent advances made by the OECD, the World Bank and the EU itself, acknowledging the multi-dimensional character of exclusion and the added value of social-inclusion policies which work against factors beyond the control of individuals. These advances today open a little-contested field of possibilities for a territorialised approach to social exclusion.

Barca pre-empts possible objections by disassembling several hasty or fallacious interpretations. Among these, one is to link the two objectives of efficiency and equity – whereas the link is not automatic, even if synergies sometimes exist (social exclusion weighs upon the overall efficiency of a

locality, but improvement to the local efficiency does not guarantee social inclusion). Another interpretation mixes up territorialisation and immobility (Barca believes that the EU should finance European preference in order to maintain populations within its territory, but that the policy should allow individuals to choose whether or not to move). According to yet another interpretation, rich regions would be exempted from concerns about social inclusion, whereas pockets of poverty are sometimes hyper-local and inequalities are between individuals.

For Barca, all regions must be eligible to cohesion policy, to the extent that the two problems identified – under-exploited local potential, and social exclusion – may very well manifest themselves at sub-regional levels. It is for national or regional authorities to determine the appropriate geographic perimeter, where problems are present and public interventions have a chance of success.

He also rejects the open method of coordination as a potential alternative path for rich regions that are no longer beneficiaries of Structural Funds, seeing such a move as a step backward. It is true that cohesion policy is somewhat more suited to making the link between levels of governance and the integration of sectors. The open method of coordination targets solely national policies within a sectoral logic. In addition, its capacity to involve sub-national levels has proved disappointing, despite the willingness of these actors to play an active role.

Having listed the risks of politico-bureaucratic diversions, and monopolisation by local elites – to whom a place-based policy might be more exposed than a sectoral policy, or one spatially-blind – Barca considers that conditionality represents a good safeguard.

To make the action of multi-level governance effective, Barca advocates "contracts" – the only technique which might combine conditionality

and subsidiarity. However, past experience has seen tests of conditionality (verification of additionality, performance conditions, etc.) systematically bypassed or made inoperative. Barca is also critical with respect to various troublesome tests. He therefore proposes a reversal of current practice: clauses affecting administrative procedures should be strictly respected, whereas those targeting results and impact should benefit from a measure of tolerance.

3 - The 2nd part of the report **examines the current cohesion policy and its history, and makes an assessment of it.** Barca starts with an account which might be called “Everything you always wanted to know about cohesion policy but were afraid to ask”. This has the merit of reminding us clearly of the genesis of the policy, with the support of indisputable sources among its contemporary inventors and operators. This educational exercise is particularly useful for people from recent EU member states or those who have recently begun to work in this field – a group which now makes up the majority of those working with the policy. As a side note, this historical summary makes clear the important Anglo-Saxon influence in the policy’s construction.

In his assessment Barca laments that the cohesion policy’s territorial dimension has been gradually limited to local development (with LEADER in rural areas and URBAN in towns) and territorial cooperation, rather than having a place at the heart of the policy. Instead, support for sectoral economic policy (tourism, research, support to SMEs etc.) and social policy has been prioritised.

Barca believes that cohesion policy played a major role in the “paradigm change” at national, regional and local levels in the conduct of policies to support growth, investment, human resource development and day-to-day democracy. The policy was not however able to create a wide

European consensus, nor to give visibility to the most efficient methods, nor to stimulate sustained innovation on the ground.

Barca acknowledges the policy’s role in spreading a culture of assessment – previously unfamiliar to most countries – at national level, and especially at regional and local levels. However, he regrets that it has not really enabled a growth in knowledge on the effectiveness of development policy. In general Barca believes that the weakness of micro-economic assessments is a result of the responsibility given to Member States – in the absence of an impact assessment strategy and in the presence of a strong tropism in criteria and procedures.

Barca notes that the debate on cohesion policy has remained an affair of specialists. This has done it increasing damage as macro-economists have taken leadership roles, with the adoption of the Lisbon Strategy and then the 2007-2013 package. Cohesion policy’s handicap is compounded by the calendar of European political decision-making – in which negotiation of amounts (resources) and the distribution of envelopes between Member States both take place before negotiation on political objectives and on the practical means of attaining them.

4. In the final three parts, Barca elaborates upon his **proposals**, which he sums up thus: *“Re-launching cohesion policy requires both the adoption of a strong political concept and reform of the priorities and governance. It also requires building a new political compromise, linked to an appropriate negotiation calendar”*.

He calls for a fundamental change in the policy’s direction, based on 5 general principles taken from past experience: concentration of resources; orientation of subsidies towards results; mobilisation and learning; strengthening of the Commission; reinforcement of a high-level system of

checks and balances. He considers that these proposals cannot be implemented gradually, but instead must be done at once – because “everything holds together”. A general agreement must be reached, which supposes the simultaneous conclusion of three types of negotiations – concerning resources, governance and goals. Given that the negotiation timeframes are not identical, he proposes to start with political objectives before moving on to the other negotiations.

5 - The 4th part deals with **priorities on which cohesion policy should focus** – which would lead to a reduction of the current range of possible measures co-financed by the EU. In defining these priorities Barca starts with the concept of the “European public good” (a good which benefits all European citizens, one which it is neither possible nor desirable to deprive anyone of) and three criteria – the European character of the problem (EU-wide relevance); the suitability of solving it by adopting a territorial approach (place-based nature); and the possibility of conclusively checking the effectiveness of the policy (verifiability). For Barca six priorities may be envisaged and opened for discussion: in the area of territorial efficiency – innovation and climate change; in the area of social inclusion – migration and children; and, with equal importance, skills and ageing.

He calls for the adoption of a **territorialised Social Agenda**, explaining that the EU would not be withdrawing competencies from Member States in the field of well-being, but rather accepting the consequences of economic transformations (globalisation, single market, etc.) and existent policies (Lisbon Treaty, Stability and Growth Pact).

In this framework, the Commission would need to drive a public debate on these priorities, to conduct information campaigns and to mobilise the population by means of workshops and “conventions”.

6 - The 5th part is devoted to **governance** and is entirely propositional. In terms of content, Barca does not envisage a brutal rupture: he declares that he is not demanding a budget increase; he advocates retaining GDP per capita, which in the end seems to be the worst measure except for all the others (to use the famous aphorism); he is in favour of applying cohesion policy everywhere, with a concentration on the least advanced regions; and wants to keep NUTS II as the level at which funds are allocated. However, once budgets are decided, the intervention level should be chosen by relevance, according to the place and priority concerned – with this decision subsequently becoming a part of the contract with the Commission. He calls for a better coordination of existing funds, and the reincorporation of the EAFRD and the EFF into the Structural Funds for reasons of administrative simplicity, but does not demand their merging into cohesion policy.

Barca has a particular plan for those peripheral, mountainous or isolated regions which suffer from depopulation and where the European interest involves maintaining economic activity, populations and natural or cultural resources. In such cases, pure and simple compensation for handicaps can be justified, by an exception to the general policy which aims solely to encourage regions to make the best use of their advantages themselves.

He anticipates an allocation of funding somewhat similar to the existing one – that is, more than 80% for the least advanced regions and around 15% for the others. He proposes however to reverse the past trend of substantially reducing budgets available to territorial cooperation, by granting them 4% (instead of 2.5%). In exchange he would like to establish a conditionality, previously not present, for cross-border cooperation programmes, and to reorient inter-regional cooperation in the spirit of the innovative actions of the pre-Agenda 2000 period. He also proposes to establish a greater strategic coherence between cohesion policy, which plays a fun-

damental role in the accessibility of regions, and the management of the Trans-European Networks.

For Barca, the strong political compromise which must form the basis of a European socio-economic development model will take shape with the drawing up of a **European strategic development framework** – to happen before budgetary negotiations and to be declined at national and regional levels.

The proposed system aims to restore a balance between the different levels of governance, and thus to put national authorities in their place – authorities which have never been slow to weaken European action – even if this means losing a powerful support. Taking note of the impossibility of avoiding the national level, but considering that this level often represents the problem or an obstacle to European cohesion, Barca imagines a system which makes the national level accountable to higher (European) and lower (regional or local) levels. The formula proposed is “a new contractual relationship between the Commission and Member States (or sometimes regions), which focuses much more on performance and – in terms of central priorities – provide room for adapting institutional changes to specific contexts”. These contracts would be specific to each country and would take shape according to the results of a strategic national debate on priorities and objectives.

With the 2014 start of the next programme in mind, Barca proposes a **road map**:

- In autumn 2010, a European public debate involving the European Parliament and the Council would start with the publication of the 5th cohesion report. The debate would be led by a “Place-based policy group” which, created for an 18-month period from mid-2010, would have a mandate to make propositions for the European strategic

development framework. Chaired by the Secretary-General of the Commission, the group would comprise high-level representatives from several Member States, international experts, an administrative representative of the Committee of the Regions, and senior officials of the Commission DGs in charge of cohesion policy.

- As a contribution to the debate and before autumn 2011, Member States and the regions should prepare, in collaboration with their local partners, a national strategic assessment of territorial development challenges and of internal policies. The novelty in comparison to current procedures would be to include proposals from the ground and to be free of financial constraints.
- In spring 2012 the Commission would launch the European strategic development framework initiative and its related regulatory proposals.
- Negotiations could then start in the Parliament and Council on this framework project. The objective would be to conclude these negotiations, those on the European budget, and decisions on necessary regulation before the end of 2012.

Barca does not underestimate the challenge of transforming the current national strategic reference frameworks (CRSN) into agreements on aims and means, to which Member States and regions will commit themselves. He thus foresees a somewhat complex arrangement which would leave much room for manoeuvre for States and regions as to the exact targets of subsidies – on condition that the strategic justification be defined at the start, that objectives be identified and that the criteria of impact assessment be incontestable. The Commission’s role would be substantially changed as a result: it would intervene to make concrete assessments of the implementation capacity of national or regional authorities. The monitoring of contracts would allow for annual reports by Member States, to present the results obtained and their relation to initial objectives and targets – and to serve as a basis for more thorough discussion between Member States. At first sight this exercise might seem similar to the

OECD's reviews. In addition, various measures are envisaged to improve the quality of the assessments and the collective learning. Although Barca retains the current system's principle of co-financing, he advocates improving the coherence between cohesion policy and the Stability and Growth Pact and puts various proposals on the table. To rebuild cohesion policy's capacity for innovation he imagines a dual system, with specific budgetary obligations for Member States and a specific budget to allow the Commission to approve the most interesting experiments and to conduct its own experimentation.

As regards the **Commission** he presents a number of radical proposals, which reverse past trends. He recommends that the Commission concentrate on its strategic roles and assert itself as a pole of competencies – leaving to others the roles of financial supervision and taking drastic measures to simplify procedures and limit the explosion of costs and time spent on checks and audits. The recommendations include improving inter-services coordination, with the formation of a high-level group chaired by the Secretary General; reorganising the DG departments in charge of cohesion policy; and providing for officials to acquire new skills. It goes without saying that such changes would necessitate similar adjustments at national and regional levels.

Finally, Barca's main proposal to strengthen the high-level political system of checks and balances involves creating **a formal Council of Ministers** for cohesion policy, under the authority of the General Affairs Council. As in other sectors, this Council could be the focal point for permanent working groups and a structured dialogue with the European Parliament and the two consultative bodies, the Committee of the Regions and the Economic and Social Committee. This European-level example could be followed in Member States with the creation of National Strategic Forums.

With the support of the European Commission

