
COHESION POLICY

The Challenges for Future Cohesion Policy

Marjorie Jouen Advisor, Notre Europe

According to a now well-established tradition for Cohesion Policy, negotiations on the future multi-annual financial framework and the new regional policy were preceded by the publication of the 5th Report on Cohesion¹ on 9 November 2010.

In accordance with the Lisbon Treaty (Article 175), this triennial report presented “the progress made towards achieving economic, social and territorial cohesion and on the manner in which the various means provided for have contributed to it”. The Commission rounded it off with conclusions² setting out the broad outlines of the future Cohesion Policy. These proposals were submitted for public consultation over a three-month period that culminated in the 5th Cohesion Forum on 31 January and 1 February 2011. The Commission had five months to prepare all the draft regulations governing Cohesion Policy and the related funds. These are due to be published after the Commission’s proposals for the future multi-annual financial framework, by the end of June. Negotiations can then begin in parallel in the various specialised groups within the Council.

The Polish government has already scheduled fortnightly meetings for the “Structural actions working group” from the beginning of July. Its successors in the Trio Presidency will probably take up the reins in the first and second halves of 2012. Indeed, the future Polish Presidency would like to wrap up the technical negotiations and the broad political outlines as quickly as possible, but these will need to be constantly adjusted to reflect the progress made in negotiations on the budget or any hold-ups they may encounter.

Although the recent debates and the contents of the 5th Cohesion Report had successfully prepared the ground for the new framework, the proposals put forward by the Commission and initial political exchanges have exposed a marked tendency towards inertia and several gaps, which the Trio Presidency will have to try to make good quickly, if an agreement is to be reached in time.

1. European Commission, *Investing in Europe's future, 5th Cohesion Report*, 2010

2. European Commission, *Conclusions: the future of Cohesion Policy – 2020*, 9 November 2010

Convergence at work in the EU-27 and a new conceptual format

As the 5th report is based on figures from 2007, it cannot reflect the impact of the crisis or the recovery measures undertaken by the European Union (EU) and Member States since 2009. Nevertheless, the comparison with the differing levels of wealth noted prior to enlargement shows how much the new Member States have caught up. For example, between 2000 and 2007 Latvia, Lithuania and Estonia chalked up Gross Domestic Product per capita / Purchasing Power Standards (GDP / PPS) annual growth rates of 9.6%, 8.6% and 8.2% respectively. The regions covered by the “convergence” and “transition” objectives as a whole have grown twice as much as the other EU regions.

Differences between the regions are evening out more slowly, particularly as the most dynamic regions, such as capital city regions, have benefitted more from innovative investments and increases in productivity. The increase in the per capita GDP index in the mainly rural areas of the EU-12 between 2000 and 2007 was 6.9%, compared with 20.4% for urban areas.

The more strategic emphasis placed on Cohesion Policy, which has translated into an earmarking of programmes addressing the Lisbon strategy priorities of innovation, research and development, the environment and developing human resources seems to have borne fruit overall. The initial thresholds of 60% in the “convergence” regions and 75% in the “regional competitiveness and jobs” regions were surpassed, showing figures of 65% and 82% respectively. More than €80 billion will be channelled into support for businesses and innovation over the 2007-2013 period, which is a 100% increase over the previous period.

Ex-post assessments of the 2000-2006 period confirm the vital role played by Cohesion Policy. According to the Commission, more than 1 million jobs were created, 230 000 businesses received funding, a third of the jobless benefitted from programmes co-financed by the European Social Fund (ESF) every year, and more than 23 million people were connected to systems for collecting and treating waste water.

Besides the 5th Cohesion report, three major debates (on the goals of the policy, how it will operate and its future structure) have fed into the discussions over the past two years:

- The report by Fabrizio Barca³, which yielded an in-depth analysis and proposals condensed in the concept of a territorialised social agenda that can be summed up as follows⁴:
 - the need for the future Cohesion Policy to give equal priority to economic competitiveness and social inclusion because each goal has its own relevance without anticipating the knock-on effect of one on the other;

- the relevance of a territorialised approach, as opposed to the neo-liberal type of approach that advocates policies targeting individuals, but taking no account of where they live and work. At the same time, the report underlines the meagre results of exclusively regulatory and / or national approaches, as the open coordination method has revealed in certain areas;
- the potential advantage of combining a more strategic and political approach to Cohesion Policy, mainly undertaken by the Commission, with strong ex ante and ex post conditionality to guarantee the policy’s effectiveness and proper use of funds in the form of contracts with the Member States and their regions.

- Including the goal of territorial cohesion in the framework of the Lisbon Treaty. The question of implementing this new goal is still up in the air, despite its foreshadowing with the Green Paper⁵ and the consultation carried out under the French Presidency during the second half of 2008.

Indeed, the Commission did not publish the White Paper requested by the European Parliament and the Committee of the Regions. It deemed that no agreed definition of territorial cohesion had emerged from the discussions. Nevertheless, it was not difficult to imagine how it might be implemented⁶. Firstly, the sectoral policies needed to be coherent with this new goal and the programmes for substantially reducing regional disparities needed rationalising, essentially through systematic territorial impact assessments. Secondly, the future Cohesion Policy needed to be re-arranged around three priorities: more systematic confirmation of positive discrimination for the least well-off regions; establishing a priority action line in the form of a “territorial cohesion objective” with the emphasis on geographic handicaps and socio-economic disadvantages (restructuring, low population density, rural areas); and allowing areas to take part in specific thematic territorial cooperation programmes to help them overcome their shared territorial problems by working together and as a network.

At the same time, the momentum behind the German initiative in 2007 with the territorial Agenda and the Leipzig declaration seems to have run out of steam. The limitations of an exercise based on the goodwill of peers and the heavy burden of interdepartmental coordination gradually became clear. It is by no means certain that the Hungarian Presidency, which has put this item on its agenda for the first half of 2011, will be able to generate fresh impetus.

- The March 2010⁷ strategic report on implementing the 2007-2013 programmes. In this report, the Commission underlined the very disparate levels of progress between countries. Amongst the shortcomings it pinpointed the “unclear distribution of tasks nationally, insufficient experience, lack of administrative capacity at

3. Fabrizio Barca, *An agenda for a reformed Cohesion Policy, a place-based approach to meeting European Union challenges and expectations*, Independent report for DG REGIO, 2009

4. Marjorie Jouen, *The Barca report: a spring clean for Europe’s Cohesion Policy*, Notre Europe, 2009

5. European Commission, *Green Paper on Territorial Cohesion Turning territorial diversity into strength*, COM(2008) 616, 6 October 2008

6. Marjorie Jouen, *Territorial cohesion: from theory to practice*, Notre Europe, 2009

7. European Commission, *Strategic report 2010 on the implementation of the programmes 2007-2013*, 31 March 2010

both managing authorities and beneficiaries and internal reorganisation processes of public administrations”.

Whilst the new procedures for strategic programming and the monitoring rules introduced in 2007 considerably slowed down the launch of the new programmes, the Member States were not stinting in their criticisms of the red tape generated by the new assessment system and the complexity created by the monitoring and follow-up rules. The Commission therefore undertook to take account of the desire for more stability in the regulatory and procedural framework, and make much greater efforts for simplification to facilitate access to the funds for all categories of beneficiaries.

A debate with much at stake that has barely begun

The first ministerial-level discussions on the 5th cohesion report opened in autumn 2010, under the Belgian Presidency. The public consultation generated more than 450 contributions. The European Parliament, the Committee of the Regions and the European Economic and Social Committee delivered their opinions. The adoption of the conclusions of the General Affairs Council (GAC) on 21 February was the first notable step on the path towards institutionalising regional policy at the Council, nudged along by the Hungarian Presidency.

The current general state of play can be summed up as follows:

- The relatively conservative option put forward seems to have been well received. It should be noted that the Commission has thus completely abandoned the provisional internal document that was leaked in October 2009 and had several countries and all the regions up in arms. The affirmation that Cohesion Policy is the Union’s leading investment policy seems obvious in the aftermath of the crisis. Nevertheless it leads to a *status quo* proposal for the regions’ eligibility criteria, which once more rejects more qualitative criteria or those resulting from the work of the Stiglitz-Fen-Fitoussi committee, and retains that of per capita GDP. This produces an identical structure with targets based on the types of regions that are eligible and their level of co-financing.
- The economic crisis, which was amplified by the monetary crisis in 2010, has pushed the Commission and the Council towards accepting tougher economic governance. This shift has had two consequences for Cohesion Policy: firstly, the inclusion of the Structural Funds in the repressive general arrangements intended for Member States that failed to observe the Stability and Growth Pact and their public deficit obligations, and secondly, the alignment of regional development programmes even more closely, if not completely, with the priorities of the Europe 2020 Strategy. And yet it is difficult to see how the regional development programmes could be split into the three priorities of smart, sustainable and inclusive growth. It is impossible to rule out the possibility of some aspects either overlapping or being excluded. Stakeholders are extremely divided on these proposals.

- A very strong emphasis has been placed on contractualisation accompanied by preconditions. In an attempt to make European expenditure more effective, the Commission announced in its communication on the EU budget review⁸ that it intended to make Cohesion Policy part of a common strategic framework that would also include rural development policy and the common fisheries policy. At the operational level, it is proposing signing partnership contracts for development and investment with each Member State. This has echoes of the Barca report and probably suggests a desire to extend the current Cohesion Policy governance – essentially characterised by co-financing, partnership, multi-annual programming, and additionality – to other policies, whilst making it more binding on all the Member States and regions in terms of results and implementation. This proposal has been rather well received by regional and local authorities, who see it as the outline for a common management of the funds for territorial development (i.e. the EAGGF, the ESF, the Cohesion Fund, the EAFRD and the EFF). It has failed to secure the unanimous support of governments, as it is one of the few items left in suspense by the GAC conclusions. Indeed, there are frequently appeals from them for flexibility and adapting the rules to local or national characteristics.
- Taking the territorial dimension into account has generated doubts and a measure of disappointment. The conclusions of the 5th Cohesion Report highlight the territorial problems – or more precisely, the territorial levels – that Cohesion Policy has difficulty in addressing: problem urban neighbourhoods; relationships between cities and the countryside; large conurbations; and trans-national macro-regions. The Commission has added to this the concept of “functional area” and rather loosely set out the most appropriate methods that might encourage public intervention: stronger territorial cooperation, partnership and integrated local development.
As for cooperation between internal border areas and cooperation between EU regions and those outside the EU, the Commission plans to promote European Groupings of Territorial Cooperation (EGTC), a new kind of legal instrument set up in 2007⁹. As regards macro-regions, it points to the pilot strategies for the Baltic Sea and the Danube area and the possibility of launching others.
- The proposal to create a new intermediate category of regions, which will include the current two transitional ones (phasing-in and phasing-out regions) has caused some controversy. Essentially, because the specific priorities for this category have no sound policy justification (i.e. specific socio-economic needs), the question comes down to deciding whether or not to grant additional funding to moderately prosperous regions. Needless to say, Member States and regions grasped the opportunity to start their own calculations. The proposal also failed to meet with agreement in the GAC and

8. European Commission, *The EU budget review*, COM(2010)7000, 19 October 2010

9. European Parliament and Council, Regulation, *On a European grouping of territorial cooperation (EGTC)*, No. 1082/2006, 5 July 2006

could be the first budgetary cloud on the horizon of the Cohesion Policy debate, which had hitherto remained political in nature.

Recommendations: Avoiding the trap of discussing the budget

Historically, the negotiations in the Council had followed different approaches, either beginning with subjects on which there was agreement and ending with the thornier issues, or by advancing block-by-block. Because of the changes wrought by the Lisbon Treaty, the European Parliament will have a greater role to play this time than in the past. Furthermore, negotiations on the Common Agricultural Policy and the second pillar in particular, will take place in parallel instead of being addressed separately as they were before. The Trio Presidency will therefore probably be forced to think up a new method.

There is nothing to stop successive Presidencies from using their “jokers” (e.g. the disposal of a European reserve, the list of priorities in the compulsory menu) that the Commission is bound to give them to secure a more innovative and flexible policy than the current programming offers. Indeed, whilst there is currently agreement in favour of greater consistency between the funds and a harmonisation of the rules, which may be reflected in a common strategic framework, the regions that benefitted from the 1994-1999 programming period will all be sad to lose the Europe-wide programmes (namely the Community Initiatives) for encouraging innovation and experimentation or for responding to unforeseen new needs. One by one, the Presidencies will have at their disposal an unrivalled weapon for setting out the policy to the public, providing information and consulting with them, and they would be well advised to use it.

In any event, the Trio Presidency should try to put off for as long as possible the time when the numbers come to muddy the waters of the debate on the political content. That means that they might do well to concentrate first of all on the governance of the future Cohesion Policy using the common strategic framework and partnership contracts, its linkage with the Europe 2020 priorities and greater consideration for the territorial cohesion objective, not least in order to comply with the Barca proposal for a Territorialised Social Agenda¹⁰. They could subsequently deal with the more technical aspects of management, monitoring, follow-up and assessment, the amount to be allocated for subsidies and other types of funding, finishing up with eligibility criteria.

Basically, it is always going to be easier to advocate adequate funding for Cohesion Policy, if it is perceived as the leading European development and investment policy; in other words, if Cohesion Policy governance guarantees effective and transparent spending that is accessible to as many beneficiaries as possible.

10. Marjorie Jouen, “A territorialised Social Agenda to guide Europe 2020 and the future EU Cohesion Policy”, *Europe 2020, towards a more social EU?*, Eric Marlier and David Natali Eds., Peter Lang Editor, Brussels, 2010