

# Recent developments and dilemmas in EU Cohesion policy

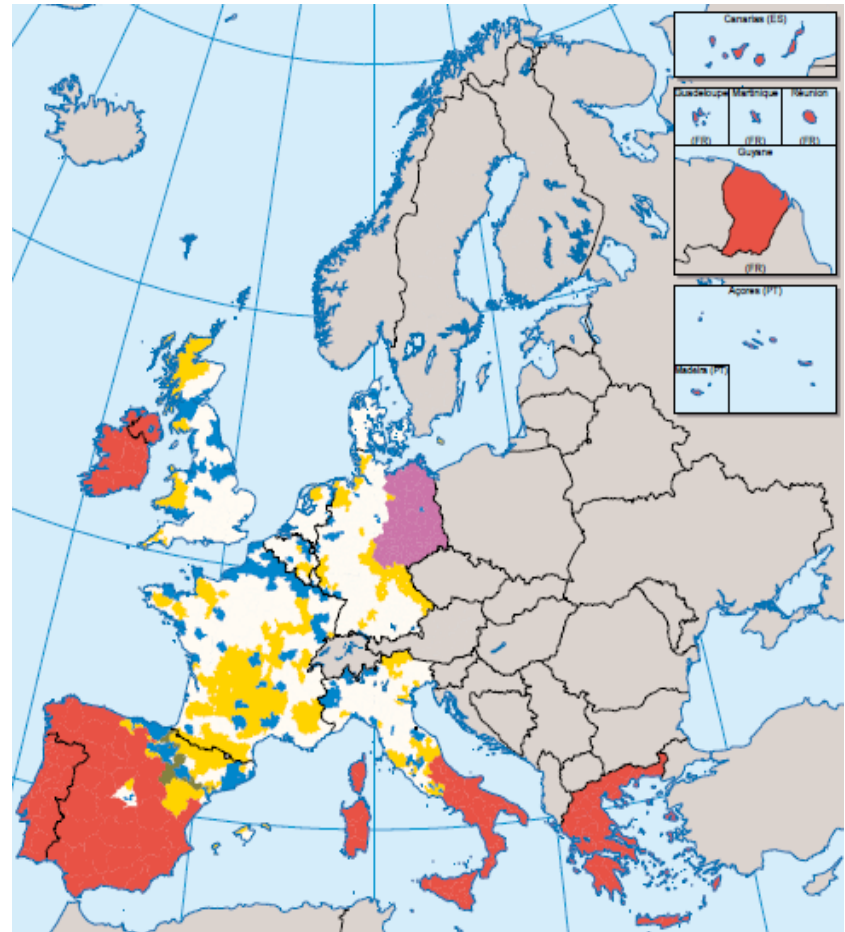
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*Planet Europe conference 'Europe Matters', Nijmegen, 20 September 2012*

- A quarter century of EU Cohesion policy
- Never wholly motivated by economic and social considerations: 'side payment' and budgetary compensation also key
- Multiple motivations underpin dilemmas and tensions over objectives, scale, spatial targeting, governance...
- Current debates take place in changed context: shifts in policy thinking, but also enlargement, increased spatial diversity, greater market integration, single currency, economic crisis...
- Outline:
  - a brief look back
  - review of proposals for 2014-20
  - some outstanding debates and questions

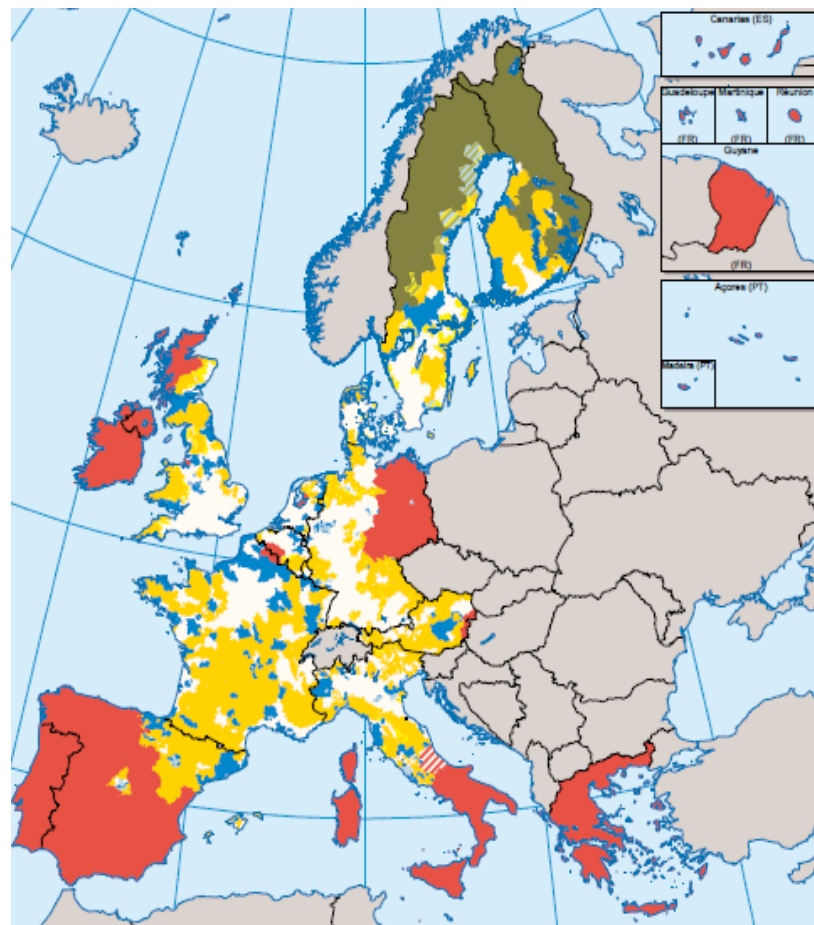
# 1988-92: expansion

- SEA economic and social cohesion as a Community objective
- Art. 130a: “aim at reducing disparities between the various regions, and the backwardness of the least-favoured regions”
- Art 130c: ERDF “development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions”
- Obj 1 (21.7%) <75% EU GDP
- Obj 2 (16.4%) industrial decline (blue)
- Obj 5b (5%) rural (yellow)
- ‘Doubling’ of Structural Funds - €53b 1988-92 (1988 prices)
- Community initiatives, some spatial, some horizontal



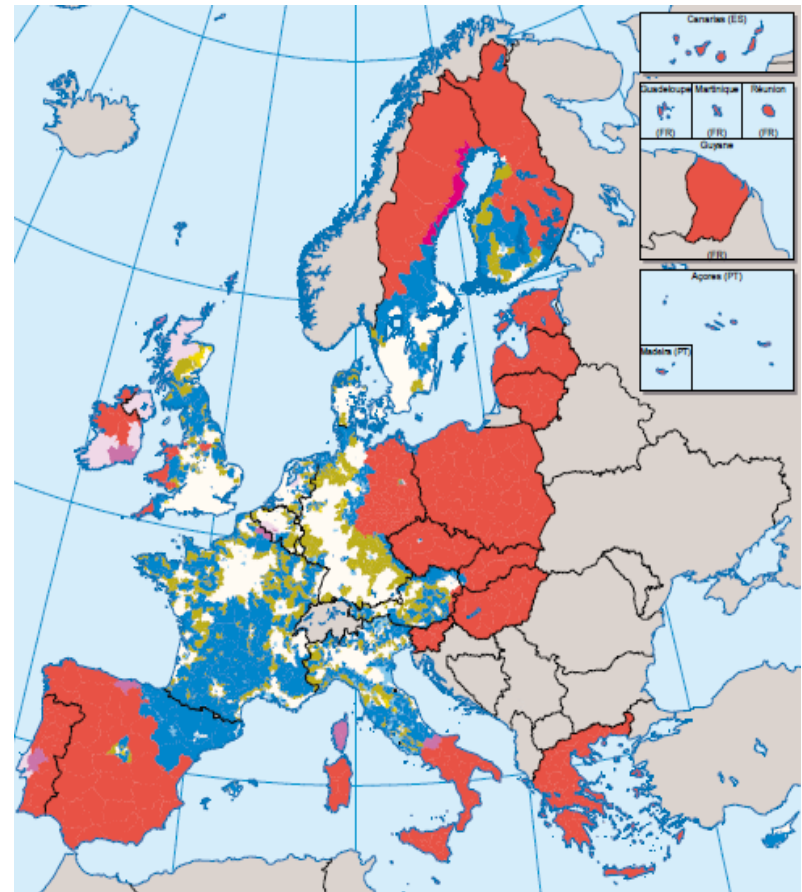
# 1993-99 dilution

- Euro
- Maastricht treaty - upgraded task of economic and social cohesion
- Cohesion financial instrument/Cohesion Fund
- Same objectives:
  - Obj 1 (26.6%) <75% EU GDP
  - Obj 2 (16.8%) industrial decline
  - Obj 5b (8.2%) rural
- But erosion of criteria by MS
- 'Doubling' allocations for 'Cohesion countries': ES IE GR PT
- €176.3 b (1992 prices, ex AT FI SE)
- Enlargement: AT FI SE
- Obj 6 (protocol on low pop density)



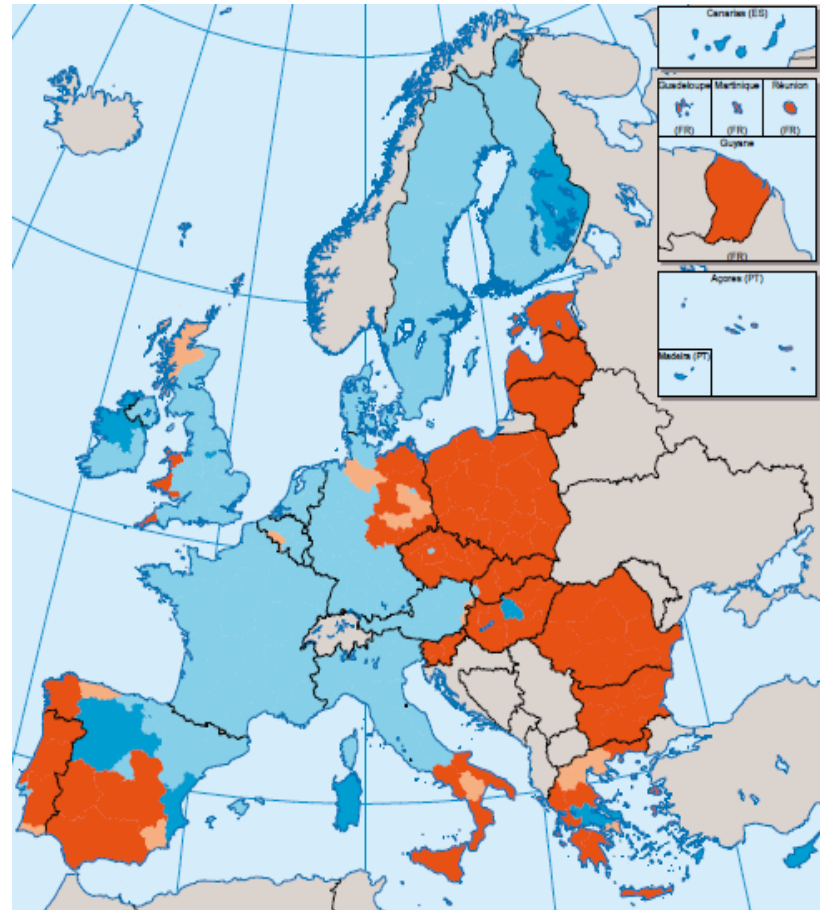
# 2000-6 retrenchment

- Agenda 2000: squaring CAP and Cohesion policy with enlargement to EU21+
- New Ob 1: merger of Ob 1 & 6 (+ strict application of criteria) - 22.2% of EU15 pop
- 'Berlin' formula for distributing Ob1 funds
- New Ob 2: merger of Ob 2 & 5b - 18.2% of EU15 pop
- First 'phasing out' provisions
- Reduction in spend over period: €213bn (1999 prices, inc NMS)

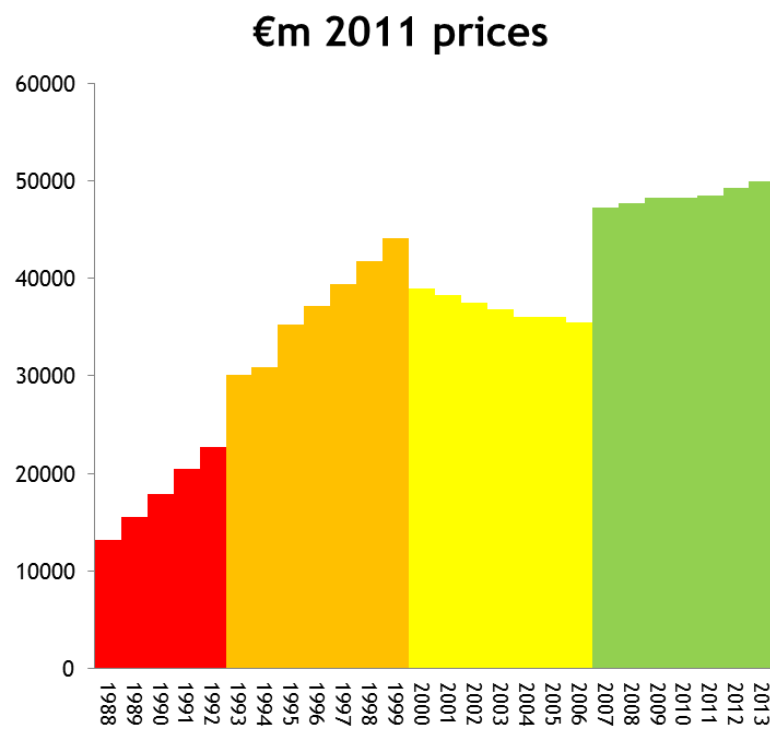
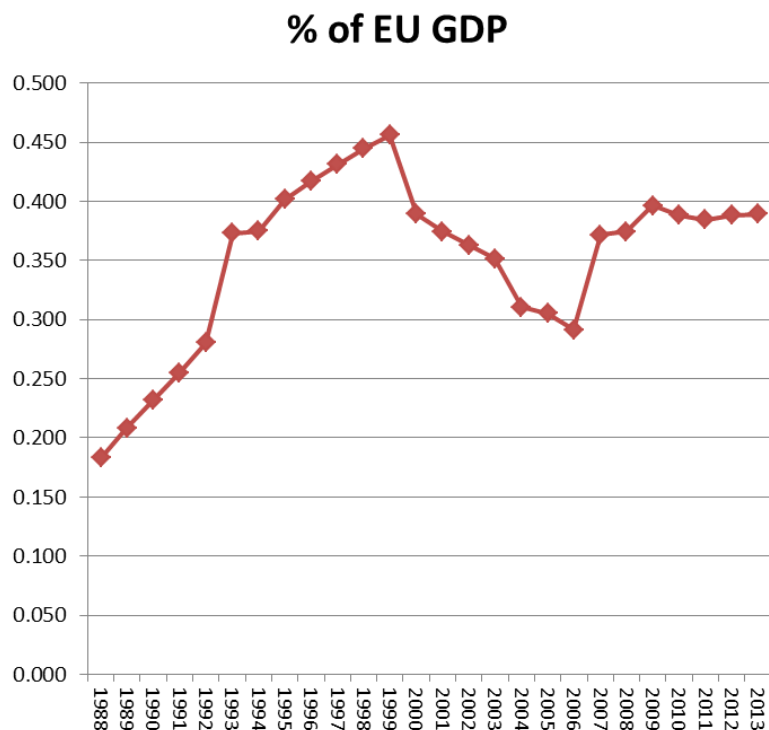


# 2007-13 strategic shift

- Lisbon 'jobs and growth' agenda; Gothenburg strategy
- New objectives:
  - Convergence (old Ob 1) - 32% EU27 pop
  - Regional competitiveness and employment (*everywhere else*)
  - European territorial cooperation
- 'Earmarking' spending on 'Lisbon' themes in EU15 (60%/75% Conv/RCE)
- Absorption cap (% of GDP): determines Cohesion policy funding, *not* regional disparities, in all new MS ex CY MT SI
- Enlargement: BG RO
- €308 bn (2004 prices)



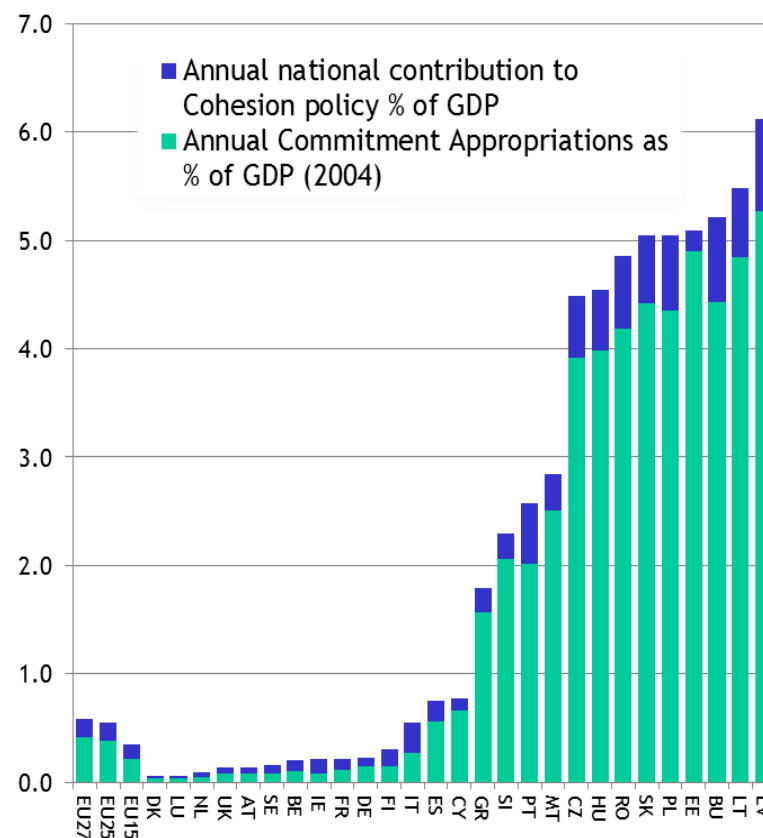
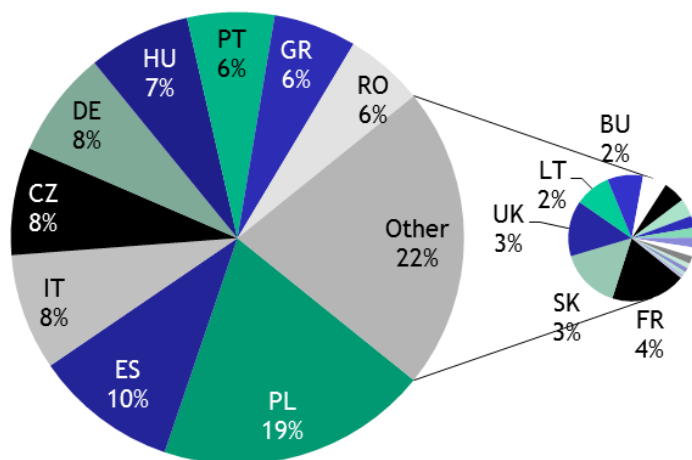
# Cohesion policy budget commitments





# Relative *national* importance of Cohesion policy 2007-13

Shares of Cohesion policy commitments (€308 billion, 2004 prices) 2007-13





# Backdrop to 2014-20 Cohesion policy reform

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- **Economic crisis**
- **Lisbon Treaty (2007)** Article 174 ‘upgrading’ of territorial cohesion, mention of regions with severe and permanent natural or demographic handicaps eg. northernmost regions with very low population density, island, cross- border and mountain regions.
- **Budget review (2007-8)** - ‘radical reform required’: need to focus on competitiveness, environment and energy (and reform revenue side...)
- **Europe 2020 (2010)** smart, sustainable and inclusive growth (but ‘inclusive’ lacks a spatial dimension...)

# Cohesion policy reform debates

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- Key issues:
  - Policy objectives: clarity? Reducing economic and social disparities / focus on competitiveness and wider objectives?
  - Effectiveness: impact? Added-value?
  - Scale: scope for reducing net-payer contributions?
  - Eligibility and allocation criteria: poor regions, poor countries, all regions?
  - Governance: bureaucracy v accountability; simplification...
- Barca report (2009): concentration on few priorities, based on: EU relevance; 'place-based' nature; verifiability
- DG Regio emphasis: consolidating 'paradigm shift'; results focus; value-added; delivery

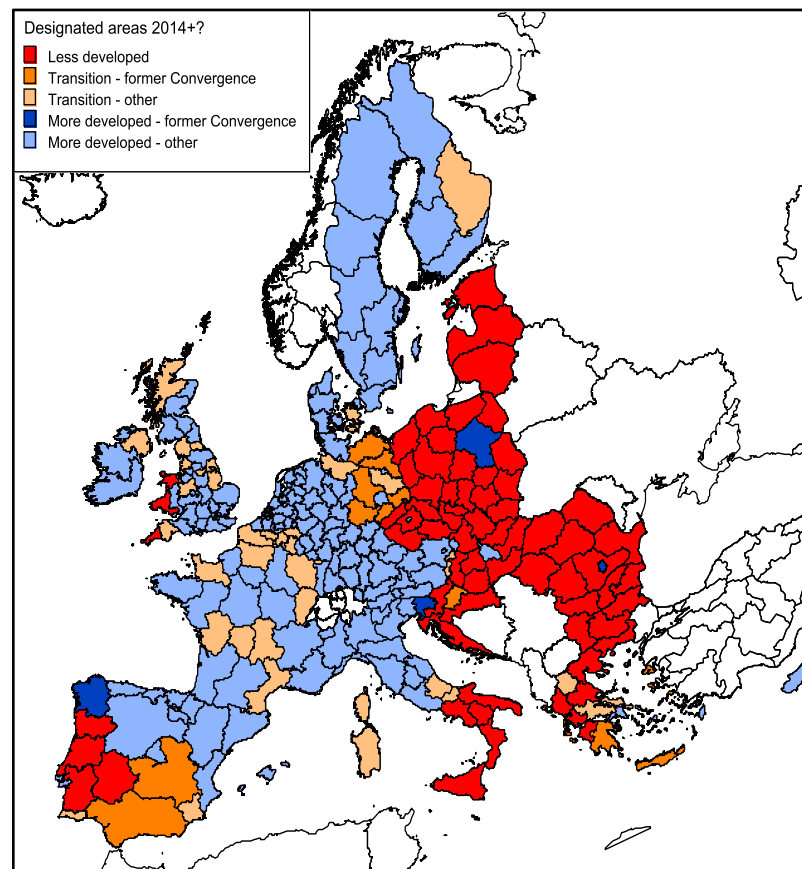
# Key features of reform proposals

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- New geography
- Refocused spending
- Repackaged objectives
- Further thematic concentration
- Territorial dimension
- Also...
  - Emphasis on 'new' financial instruments (cf JEREMIE JESSICA...)
  - Reformed governance: Common strategic framework at EU level; partnership contracts with MS, new 'integration tools'
  - Reinforced performance framework: ex-ante conditionalities, macro-economic conditionality, results focus
  - Simplification...

# Proposed 'geography'

- Less-developed regions (LDR): GDP(PPS) ph <75% EU27 (as Convergence)
- 'Transitional' regions (TR): GDP(PPS) ph >75%<90% EU27
- More-developed regions (MDR): GDP(PPS) ph >90% EU27
- Key **regional** changes:
  - Loss of LDR in ES, DE
  - Capital regions in PL RO SI lose Convergence status and 'leapfrog' TR category
  - TR concentrated in EU15 - BE FR UK
- Cohesion Fund applies to MS with GNI <90% EU27 av
  - As before: applies to PT EL + all MS joining since 2004 (inc HR)
  - Loss of CF eligibility for CY



# Proposed commitments (2011 prices)

- EU27→EU28 (July 2012 revision)
- Modest reduction in proposed **total** spend
- Substantial **increase** for TR, MDR and ETC
- Key driver of allocations for most 'new' MS is **absorption cap** as % of GDP - lowered to 2.5% for 2014-20
- Result: some less prosperous countries would have lower allocations than in 2007-13 because of low growth; those that grew fast would receive more
- Many (but not all) more prosperous countries would see an increase - partly result of new TR
- *Still subject to negotiation as part of 2014-20 Multiannual Financial Framework*

	2007-13			2014-20			
	€ m	% of total	€ per head pa	€ m	% of total	€ per head pa	% Change in total
Convergence regions/LDR	202320	57.5	187.9	163561	48.4	185.2	-19.16
Cohesion Fund	70331	20.0	60.6	70740	20.4	78.4	0.58
Transitional / TR, of which:	26170	7.4	105.6	36471	11.6	74.0	39.36
Phasing-out	14305	4.1	124.6				
Phasing-in	11865	3.4	89.2				
RCE/MDR	44263	12.6	21.4	55419	15.8	25.8	25.20
Territorial coop / ETC	8626	2.5	2.5	11878	3.5	3.4	37.70
OMR and LPD				925		20.0	
TOTAL	351710	100		338994	100		-3.62

# Proposed policy objectives...

## ***Cohesion policy***

- Two missions: strengthening economic, social and territorial cohesion; contributing to Europe 2020
- Two goals: investment for growth and jobs; territorial cooperation
- Three categories of assisted area (LDR TR MDR)
- Eleven thematic objectives (RTDI ICT SMEs...)
- Three funds (ERDF ESF CF plus coordination with EAFRD EMFF)

## ***Europe 2020***

- Three objectives: smart growth; sustainable growth; inclusive growth
- Eight quantified headline targets
- Seven flagship initiatives (innovation union, resource efficient Europe, platform against poverty...)

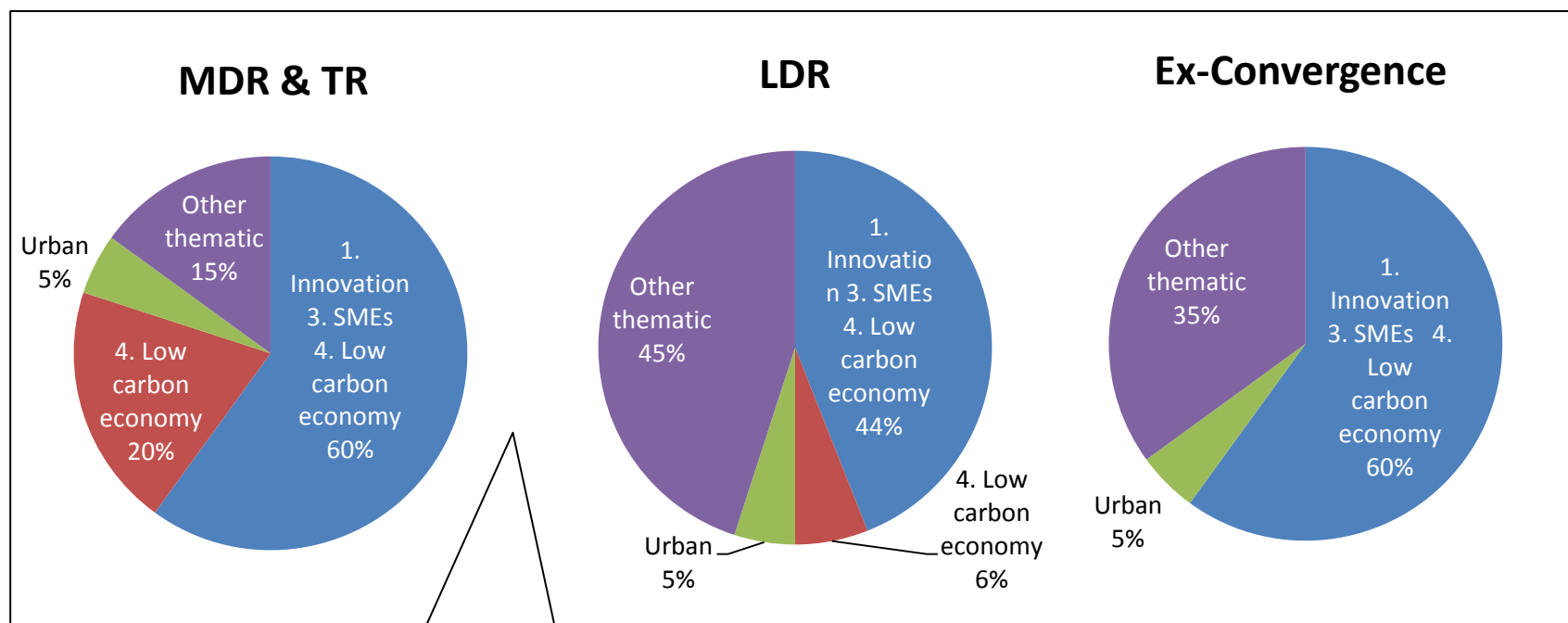


# Objectives, headline targets, flagship initiatives, thematic priorities, funds...

EUROPE 2020 HEADLINE TARGETS			
<ul style="list-style-type: none"> <li>• 3% of EU GDP invested in R&amp;D</li> <li>• 75% of the population aged 20-64 in employment</li> <li>• 20/20/20 greenhouse gas, energy efficiency and renewables targets</li> <li>• School drop-out rates &lt;10%; &gt;40% of population aged 30-34 completing tertiary education</li> <li>• 20 million fewer people in or at risk of poverty and social exclusion</li> </ul>			
EUROPE 2020 OBJECTIVES	EUROPE 2020 FLAGSHIP INITIATIVES	COHESION POLICY PRIORITIES	FUNDS
SMART GROWTH	INNOVATION UNION	1. Strengthening RDTI	ERDF EAFRD
	DIGITAL AGENDA FOR EUROPE	2. Enhancing access to and use of quality information	ERDF EAFRD
	YOUTH ON THE MOVE	10. Investing in education skills and lifelong learning; & 8.	ESF ERDF EAFRD
SUSTAINABLE GROWTH	RESOURCE EFFICIENT EUROPE	4. Supporting shift to a carbon economy	ERDF EAFRD CF EMFF
		5. Promoting climate change adaptation, risk prevention & manag't	ERDF
		6. Protecting the environment and promoting resource efficiency	ERDF CF EAFRD EMFF
		7. Promoting sustainable transport and removing bottlenecks in network infrastructure	ERDF CF
	INDUSTRIAL POLICY FOR GLOBALISATION ERA	3. Enhancing competitiveness of SMEs	ERDF EAFRD EMFF
INCLUSIVE GROWTH	NEW SKILLS AND JOBS	8. Promoting employment and supporting labour mobility	ESF ERDF EAFRD EMFF
	EUROPEAN PLATFORM AGAINST POVERTY	9. Promoting social inclusion and combating poverty	ESF ERDF EAFRD
		11. Enhancing institutional capacity and ensuring efficient public administration	ESF ERDF



# ...and thematic/spatial ERDF ring-fencing



Smart specialisation strategies a precondition of ERDF spend on innovation (in all regions)

# Integrated territorial approach implies (CSF)...

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1. Analysis of MS/region development and capacity, esp. in relation to Europe 2020, NRP; detailed analysis of national, regional, local characteristics
  2. Identification of major challenges, bottlenecks, missing links, gaps...
  3. Consideration of cross-sectoral, cross-jurisdictional, cross-border coordination
  4. Development of integrated approach linking Europe 2020 with subnational actors
  5. Partnership contract and Operational programmes based on thematic objectives, including results indicators
- Overall approach to smart, sustainable and inclusive growth will reflect role of cities, rural areas, fisheries and coastal areas, outermost regions, northernmost regions with very low population density, island, cross-border or mountain regions, urban-rural linkages, regions with high concentration of socially marginalised communities...

# Territorial dimension 'integrating tools'

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- Integrated territorial investments (ITI)
  - 'Place-based' approach to underused potential; bundled funding from several axes, OPs and Funds...
  - Designated territory and integrated territorial development strategy; applicable to any geographical area with particular features
  - Minimum of 5% of MS ERDF resources to be invested in ITI for urban areas; target cities to be listed in Partnership Contracts
- Community led local development (CLLD)
  - 'Bottom up' community-led
  - Area-based local development strategies, local needs, potentials
  - Modelled on LEADER type approach in rural areas (must involve EAFRD)

# Debates are not yet over...

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- Budget negotiations
  - Overall amount, roles of CAP and Cohesion policy in net balance equation
  - New role of European Parliament in Multiannual financial framework
- Cohesion allocations
  - Allocation mechanisms for various strands of policy; role of capping; budget treatment of Transition Regions and former Convergence regions
- Thematic concentration
  - degree of flexibility within ring-fencing
  - tensions between thematic and territorial objectives
- Territorial dimension
  - lack of clarity in proposed new tools (ITI and CLLD); risk of fragmentation
  - overly prescriptive?
- Governance issues
  - Conditionality
  - Simplification

# What place for space in Cohesion policy?

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- Dominance of GDP in area designation (LDR TR MDR) and financial allocations (capping). Is this appropriate or just political reality?
- Policy frequently criticised for lack of clarity and pursuit of conflicting objectives. Do the proposed reforms clarify or confuse?
- Shift from specific designated areas to all-region policy sectoral policy complemented by territorial cohesion dimension. How well balanced and integrated are the sectoral / spatial objectives?