EXECUTIVE SUMMARY

Abstract

This study provides a critical analysis of EU Cohesion Policy reform perspectives for the post-2013 period. On the basis of a literature review and budgetary modelling, the study offers an assessment of the policy’s strengths and weaknesses, the main reform ideas and counter-positions, including the implications of different reform proposals.

Recommendations are derived to inform the position of the European Parliament in the upcoming negotiations on the legislative package of regulations.
This document was requested by the European Parliament's Committee on Regional Development.

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LINGUISTIC VERSIONS

Original: EN
Translation: DE, FR
Executive summary: BG, CS, DA, DE, EL, EN, ES, ET, FI, FR, HU, IT, LT, LV, MT, NL, PL, RO, SK, SL, SV.

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Manuscript completed in August 2011.

This document is available on the Internet at: http://www.europarl.europa.eu/studies

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EXECUTIVE SUMMARY

EU Cohesion Policy is the main instrument for pursuing the EU’s economic, social and territorial cohesion objectives. It accounts for the second largest share of the EU budget, encompasses several funds and is aligned with the EU’s overarching growth and jobs strategy. In the present period of EU budgetary review and policy change, the debate on the reform of Cohesion Policy post-2013 has gained strong momentum. Following the publication of the Fifth Cohesion Report in November 2010 and the draft Financial Perspective in June 2011, the draft legislative package for Cohesion Policy is expected to be published by the Commission in October 2011 as a basis for negotiation within the Council and Parliament.

In this context, the overall objective of this study has been to review the main visions and reform options for Cohesion Policy post-2013, based on an analytical comparison and review of recent research and policy documents. Following the introductory chapter on the policy context for reform, Chapter 2 sets out the objectives, design and methodology in more detail. Based on a ‘policy analysis’ approach, the aim of the research design is to assess the advantages and drawbacks of alternative policy options and to distil the understandings and values underlying competing reform visions. The methodology draws on a literature review and budgetary modelling.

In Chapter 3, a conceptual framework is developed to compare different discourses and visions on the nature and future of Cohesion policy. It begins by contrasting a redistributive discourse, which dismisses the policy as a mere budgetary transfer mechanism, with an increasingly prominent place-based vision that portrays the policy as an integrated and territorially-focused development policy. The debate on Cohesion Policy reform is then situated within the broader Europe 2020 context, framed by the dual and often opposing visions on territorial versus sectoral approaches on the one hand, and centralised versus devolved governance on the other. The formal and informal contributions of the European Parliament to the post-2013 budgetary and policy reform debate clearly indicate that it shares the place-based, territorially-integrated vision of Cohesion Policy placed at the centre of the EU’s overarching Europe 2020 agenda. Furthermore, it remains a firm advocate of a strong, well-resourced Cohesion Policy. As it is now a full co-legislator with the Council of Ministers on the legislative framework, the European Parliament should not be constrained in articulating a clear and ambitious vision for Cohesion Policy.

Future eligibility and allocation scenarios under EU Cohesion Policy are presented in Chapter 4, on the basis of the latest statistical data. These reveal a new ‘policy landscape’ due partly to regional economic growth and partly to the use of EU27 averages, which together have the effect of reducing significantly the coverage of the Convergence regions. In particular, regional growth would result in several German and Spanish regions losing Convergence status, along with the capital regions of Poland and Romania. The introduction of a new definition of transitional region will also alter the pattern of intervention, creating a category of assisted area covering over 11 percent of the EU15 population. Overall, the Budget 2020 proposals suggest a modest decrease in the Cohesion Policy budget. This is largely borne by a reduction in Convergence spending, although per capita spend on Convergence would rise slightly; Regional Competitiveness & Employment spending would rise significantly both in absolute and per capita terms; and Transitional region spending would increase by half. Financial capping will play a key role in determining financial allocations, especially for the least prosperous Member States. For these countries, the cap proposed is substantially lower than it was in 2007-13.

Chapter 5 reviews the objectives of Cohesion policy, including the new Treaty commitment to territorial cohesion and the relationship with Europe 2020. It underlines the
multi-faceted nature of Cohesion Policy objectives, which has led to criticism of goal congestion and confusion. The Commission has not proposed significant changes to the overarching objectives or offered further conceptual precision on the matter. There is recognition of the addition of a territorial dimension in line with the new Treaty commitment, but the main message is that a closer alignment with Europe 2020 objectives is needed, raising anxiety amongst some Member States and policy stakeholders about traditional cohesion goals being undermined. This highlights the need to operationalise the objectives of policy in order to clarify the precise meaning, implications and trade-offs involved in the pursuit of the policy’s objectives.

The territorial dimension is examined in Chapter 6. It underlines Cohesion policy’s adaptability to the specific needs and characteristics of EU territories as a key asset, which could be bolstered by the formalisation of territorial cohesion as a Treaty objective. The Commission proposes to reinforce the urban agenda, encourage functional geographies, support areas facing specific geographical or demographic problems and enhance the strategic alignment between transnational cooperation and macro-regional strategies. Unsurprisingly, there is resistance to some of the more prescriptive elements. Yet, the territorial dimension could benefit from a greater strategic steer at EU level, potentially drawing on the recently agreed Territorial Agenda for 2020 to clarify and reinforce future territorial priorities for Cohesion Policy. A more strategically focused approach to the territorial dimension of cooperation must also be a priority, including a greater focus on priorities and projects of real transnational and cross-border relevance, seeking greater coherence with mainstream, external cross-border cooperation and macro-regional strategies and the simplification of administrative requirements.

Under the heading of strategic coherence and programming, the focus of Chapter 7 is on the proposals for a new planning framework and thematic concentration. This includes the introduction of a Common Strategic Framework at EU level, more binding national Partnership Contracts and greater thematic concentration on Europe 2020 priorities. There is widespread support for the establishment of a Common Strategic Framework, although it remains to be seen how it will address the territorial dimension which is at the heart of Cohesion Policy. Moreover, to increase ownership of the document there is a need for a political discussion on the framework by involving the Council of Ministers and the European Parliament in the approval process. A key challenge with the introduction of binding Partnership Contracts is the increase in administrative burdens and costs. While there is broad agreement on the need for thematic concentration, there is no consensus among Member States on how it should be put into practice. If common objectives and binding and results-oriented targets for each Member States are agreed in Partnership Contracts, there is a strong case for providing flexibility on how to achieve the targets and on the policy-mix of interventions. It is also necessary to ensure that thematic concentration does not detract from integrated policy delivery at multiple territorial levels.

Chapter 8 reviews the new ideas on conditionalities and incentives as part of the results-driven agenda and broader economic governance developments in the EU. To address criticism about the effectiveness of Cohesion Policy and to ensure that it produces quantifiable and visible results and impacts, the Commission proposes to introduce ex-ante, structural, performance and macro-economic conditionalities. While most Member States have been cautious on this issue, the Commission’s proposals merit serious consideration if the ongoing criticism of the policy’s performance is to be addressed and the policy is to be placed on a more sustainable path with increased legitimacy among EU institutions and citizens. Moreover, the political sensitivity analysis and review of existing studies suggests that a strengthening of conditionalities and incentives could be feasible, particularly those of the ex-ante variety.
Further preconditions for a performance-based model are effective monitoring, evaluation and capacity to deliver. As reviewed in Chapter 9, the Commission proposals on monitoring and evaluation envisage clearer programme objectives and targets at the planning stage, more robust and accurate reporting, obligatory evaluation plans and a greater focus on impact evaluation. The proposals build on previous experiences and are in line with the recommendations of various studies, but there are concerns among Member States that the additional obligations would imply less flexibility and more administrative and reporting burdens. A critical question that needs to be addressed is how to reinforce the role of the European Parliament in the strategic debate on the performance of Cohesion Policy, particularly through stronger inter-institutional dialogue with the Commission and Council on the results and achievements of Cohesion Policy. To underpin strategic debate, the information on implementation available to the European Parliament (and other stakeholders) for holding policy-makers to account needs to be strengthened. One immediate measure would be to require all programme implementation data, evaluations, annual implementation reports, closure reports to be made publicly available on the internet as soon as they are available/approved. Another issue that remains relatively neglected in the Commission’s proposals is the need for a corresponding increase in administrative and technical capacities to design, monitor and evaluate programmes, both in the Member States and the Commission.

Chapter 10 turns to the assurance model of shared management. Far-reaching changes to the architecture are proposed as part of the review of the Financial Regulation, essentially transferring the current Common Agricultural Policy model to Cohesion Policy through annual accreditation, annual clearance of accounts and reporting, the rolling closure of programmes and independent assessment. In the face of strong opposition from the Member States and questionable benefits, at least in the short-term, there is a strong case for ensuring continuity in the existing management and control systems or at least finding a way to marry the Financial Regulation proposals with the existing arrangements. A more pressing issue is to simplify the financial management, audit and control burden on programme managing bodies and beneficiaries, while maintaining a high standard of financial control. Proportionality must be part of the solution, placing more reliance on national systems where they are proven to be effective. The extension of simplified reimbursement procedures for overheads like standard unit costs and lump sums could be beneficial, but further clarification and assessment of the current application of simplified costs is needed.

The increasingly prominent theme of added value is reviewed in Chapter 11, often interpreted in a broad manner that covers not only development impacts, but also administrative, learning and visibility effects as well as spillovers on domestic systems and the related innovation and efficiency improvements. Beyond the proposals reviewed in the earlier chapters, other reform proposals connected to added value relate to new financial instruments, financial additionality, co-financing and the partnership principle.

The value of non-grant financial instruments is well-recognised, but the Member States do not want to see their margin for manoeuvre in the use of direct grants reduced, and there is a need for simpler, clearer and more flexible rules on the use of such instruments. The Commission’s proposals on additionality aim to simplify reporting and eliminate inconsistencies between economic governance reporting, yet the question remains how to ensure that Cohesion Policy expenditure is genuinely additional to domestic expenditure on regional development. The question of policy additionality in relation to substantive policy content or process has received far less attention. There is a strong case for allocating a small share of resources for the Commission to take on a more managerial role, and a much firmer commitment to policy added value should be required in programme documents and subsequent assessments. A more flexible decommitment rule would also
contribute to policy added value. Lastly, the **partnership principle** could be reinforced by including more precise and verifiable regulatory requirements, the introduction of a soft law approach and extended use of technical assistance for partnership-working. However, the Commission has not made any specific proposals and these ideas are likely to be met with Member State resistance.

A final chapter brings together the **conclusions of the study** and provides **policy recommendations** to inform the position of the European Parliament.

- **Policy architecture**: A coherent policy approach needs to be formulated to the Transition category given the diverse mix of regions covered with different regional growth trajectories.

- **Objectives**: The commitment to a more effective and results-based Cohesion Policy requires the operationalisation of the policy to clarify the precise meaning, implications and trade-offs involved in the pursuit of objectives.

- **The territorial dimension** of cooperation should be strengthened by: focusing on priorities and projects of real transnational and cross border relevance on the basis of sound territorial analysis to achieve impact; simplifying administrative requirements; ensuring greater coherence with mainstream, external cross-border cooperation and macro-regional strategies; requiring a supportive political/policy framework to be established by the participating Member States to demonstrate that the EU programme is part of a wider strategy of cross-border or transnational cooperation; and enabling or encouraging willing Member States to use resources to implement different types of place-tailored interventions. More generally, the territorial dimension in all its facets would profit from a greater strategic steer from the EU. The potential contribution of ESPON to policy design and delivery needs to be better exploited.

- **Strategic coherence and programming**: To increase ownership of the Common Strategic Framework, there is a need for a political discussion on the Framework by involving the Council of Ministers and the European Parliament in the approval process. If common objectives and binding and results-oriented targets for each Member State are agreed in Partnership Contracts, there is a strong case for providing flexibility on implementation i.e. how targets are achieved and the policy-mix of interventions. It is necessary to ensure that thematic concentration does not detract from integrated policy delivery at multiple territorial levels.

- **Performance management**: Conditionalities and incentives should be assessed on the basis of whether they: focus on improving effectiveness in Cohesion Policy; have a direct link to Cohesion Policy investments; are open to influence by policy-makers; are limited in number; respect subsidiarity; and are based on a joint agreement between the Member States and the Commission.

- **Monitoring, evaluation and capacity**: The role of the Parliament in strategic debate on the performance of Cohesion Policy should be strengthened, particularly through stronger inter-institutional dialogue with the Commission and Council on the results and achievements of Cohesion Policy. All programme implementation data, evaluations, annual implementation reports, closure reports should be made publicly available online as soon as they are available/approved. More support is needed for administrative and technical capacities to design, monitor and evaluate programmes, both in the Member States and the Commission.

- **Shared management**: There is a strong case for ensuring continuity in the existing management and control systems or at least finding a way to marry the Financial
Regulation proposals with the existing arrangements. An urgent priority is to simplify the financial management, audit and control burden on programme managing bodies and beneficiaries.

- **Added value:** There is a need for simpler, clearer and more flexible rules on the use of financial engineering instruments from the outset of the next period. From a financial or expenditure added value perspective, the question remains how to ensure that Cohesion expenditure is genuinely additional to domestic expenditure on regional development. To support policy additionality, there is a strong case for allocating a small share of resources for the Commission to take on a more managerial role. A much firmer commitment to policy added value should be required, particularly in programme documents and subsequent assessments. A more flexible decommitment rule could contribute to innovation and experimentation.