WORKING DOCUMENT

on Territorial cohesion and trans-border coordination policies in the EU and Latin America

Committee on Sustainable Development, Environment, Energy Policy, Research, Innovation and Technology

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1. Introduction

Cooperation in the field of territorial cohesion and trans-border coordination policies between the European Union and Latin America has become remarkably dynamic during recent years. Latin American countries have taken increasing interest in the over 30 years of experience the European Union has in cohesion policies, finding in the established policies and methods in Europe appealing solutions for their own challenges. The EU-CELAC summit held in June 2015 in Brussels gave fresh impetus to this new priority in bi-regional relations. The EU-CELAC Action Plan,\(^1\) adopted at this summit, defines “Regional integration and interconnectivity to promote social inclusion and cohesion” as a key area in EU-LAC relations.

Territorial cohesion policies are enabling Latin American and Caribbean (LAC) countries to develop and implement policies to promote a more even pattern of economic development, thereby helping to boost national competitiveness and levels of employment, while improving cross-border cooperation. Such is the importance of this field on the South American continent that a Latin American Network of Public Policies on Regional Development (Red Latinoamericana de Políticas Públicas de Desarrollo Regional) was established in December 2013, with EU support, bringing together 17 countries to exchange experience and best practices.\(^2\)

Since 2006, the European Union has been implementing a cooperation programme with emerging countries. The European Parliament significantly supported this programme since 2009 with a budget line for pilot projects and preparatory actions.

2. Objectives of territorial cohesion and trans-border coordination policies

Cohesion policies aim at reducing economic, social and territorial inequalities. Since 1986, the objective of cohesion policy in the European Union has been limited to strengthening economic and social cohesion. The Lisbon Treaty and the EU's new high-level strategy (Europe 2020) introduced a third dimension: territorial cohesion.

The Lisbon Treaty stresses the importance of regional development also in view of fostering social and economic cohesion. It explicitly states that the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Furthermore, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions in the EU with very low population density and island, cross-border and mountain regions.\(^3\)

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3 Article 174 of the Treaty on the functioning of the European Union
For Latin America, the basic aim of reducing inequalities and fostering social and economic cohesion is as valid as for the European Union. Additionally, in several Latin American countries territorial cohesion became important in the context of an ongoing process of decentralisation. Territorial cohesion, with its emphasis on strengthening competiveness and promoting new opportunities in value-added sectors at the regional level, can be a powerful tool for reducing the traditional economic dependence on primary products and extractive industries and providing growth for the private sector (in particular of micro and SMEs).

3. Territorial cohesion and trans-border coordination policies in the EU

Regional Policy is the EU’s main investment policy, which targets all regions and cities in the European Union and supports job creation, competitiveness, economic growth, improved quality of life and sustainable development. At the same time, these investments support the delivery of the Europe 2020 strategy.

In order to reach these goals and address the diverse development needs in all EU regions, € 351.8 billion – almost a third of the total EU budget – has been set aside for Cohesion Policy for 2014-2020.¹

Funding for the EU’s Regional Policy is delivered through three main instruments: the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF). Together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they make up the European Structural and Investment (ESI) Funds.

European Territorial Cooperation (ETC), better known as “Interreg” provides a framework for the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States. Interreg is built around three strands of cooperation:

- Cross-border cooperation (Interreg A), supports cooperation between regions from at least two different Member States lying directly on the borders or adjacent to them.
- Transnational cooperation (Interreg B) involves regions from several countries of the EU forming bigger areas such as the Baltic Sea or the Danube Region.
- Interregional cooperation (Interreg C) works at pan-European level, covering all EU Member States. It provides a framework for exchanging experience between regional and local bodies in different countries.

4. Cooperation EU-Latin America

Cooperation in the field of regional policy is a relatively recent feature of EU - Latin America relations. The first country with which the European Union signed a cooperation agreement in order to establish a structured dialogue on regional policy was Brazil in 2007. Other countries followed: Chile (2010), Argentina (2012, confirmed on 4 July 2016), Peru (2013), Mexico (2014), and Colombia (2015). In 2015, a cooperation agreement was signed with the supranational organisation of 8 Central American countries, "SICA" (the Central American Integration System).


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The different dialogues address, inter alia, exchange of information and good practices on policies aimed at promoting economic, social and territorial cohesion as well as innovation and technological development; on cross-border, transnational and interregional cooperation; on setting up and implementing regional policies and development and border integration policies, including capacity building, in particular at regional and local level; on multi-level governance and decentralization issues; on sustainable economic development and corporate social responsibility at the territorial level.

Since 2009, the European Parliament has supported EU-CELAC cooperation programmes with a budget line for pilot projects and preparatory actions. In 2016, an exclusive budget line for pilot projects and preparatory actions for EU-CELAC cooperation on territorial cohesion has been created for the first time. It earmarks €2 million in commitment appropriations and €1 million in payment appropriations for the year 2016. This budget line is being used mainly to fund conferences and seminars, studies, and the exchange of visits of regional and urban policy actors of both sides.

5. Regional Innovation Strategies (RIS)

An important pillar of the EU’s innovation policy was the establishment of regional innovation strategies (RIS) in 1994 to help regions to embrace innovation as part of their economic development activities. The RIS were also designed to address the gap that existed between public innovation supports and the actual needs of companies and innovators. It is widely recognised that the many key drivers of research and innovation are most effectively addressed at the regional level.

Based on the European experience, DG REGIO has supported since 2011 several projects in Latin America (Brazil, Argentina, Chile, Peru) to exchange experiences between Latin American and European regional authorities and specialized agencies in policy setting, implementation and management with respect to clusters and SME innovation inducing policies.

A major success story is the creation of Regional Innovation Systems (RIS) in Chile through the RED Project (2011-2012) co-financed by the European Union. It enabled seven of Chile’s fifteen regions to construct regional innovation strategies based on the European methodology. In 2013, the government of Chile extended the project to four other regions, funded entirely through national resources.

Though only recent (2013), EU cooperation with Peru in the field of regional policy has already resulted in some notable achievements. A key project in Peru was the pilot study on regional innovation implemented in 2013-14 using EU methodology. The project was supported by the national Peruvian Ministry for External Relations and involved the regions of Cusco and Tacna.

In the context of regional innovation policies, attention is increasingly given to the use of ‘Smart specialisation strategies’ (RIS3 strategies)¹. They focus economic development efforts and investments on each region’s relative strengths, exploiting its economic opportunities and emerging trends, and taking action to boost its economic growth. Smart specialisation

strategies shall be developed through involving national or regional managing authorities and stakeholders such as universities and other higher education institutions, industry and social partners in an entrepreneurial discovery process.

7. Cross-border partnerships

Cross-border cooperation aims to tackle common challenges identified jointly in the border regions and to exploit the untapped growth potential in border areas. It deals with a wide range of issues, which include: the fight against organised crime and drug trafficking; encouraging entrepreneurship, especially the development of SMEs, tourism, culture and cross-border trade; improving joint management of natural resources; supporting links between urban and rural areas; improving access to transport and communication networks; and developing joint use of infrastructure.

An example for successful cross-border cooperation is the promotion of regional innovation systems operating across the border between Chile and Peru. Chilean regions, which had earlier participated in the RED project, contributed directly to different training and knowledge-transfer actions organised in Peru by Peruvian regions and national agencies. The project, which was largely implemented during 2014, involved the regions immediately on the frontier, Tacna and Arica, supported by the regions of Biobío in the Metropolitan region of Santiago and by the city of Lima. In fact, this is also a good example for triangular cooperation as it also involved the EU. Triangular cooperation is an increasingly popular method in development policies, in which a partnership between two or more developing countries is supported by a developed country or a multilateral organisation.

In similar manner, an EU-Peru-Brazil cross-border cooperation project has been developing joint projects in the Peruvian and Brazilian Amazon basin, particularly in the aquaculture sector. As a result of this project, the necessary concrete steps are being defined that would allow more effective public policy in the Amazon basin for the sustainable and competitive development of the aquaculture sector.

Other projects in cross-border cooperation areas are being developed at the tri-border area between Brazil, Argentina and Paraguay and the bilateral border area between Brazil and Uruguay. In Central America, the potential for improved cross-border cooperation in the framework of the actions of the Central American Integration System (SICA) is being studied.

Three new cooperation programmes, or 'INTERREG' programmes, for the period 2014-2020 have begun. The Amazonia programme encompasses French Guiana, Suriname and Guyana as well as the states in Brazil of Amapa, Para and Amazonas. The Caribbean programme includes the French regions of Martinique, Guadeloupe, French Guiana and Saint Martin and an additional 40 countries and territories of the Association of Caribbean States (ACS), Northern Brazil, Puerto Rico, all of the Overseas Territories in the Caribbean of the UK and the Netherlands as well as St Barthélémy. The third programme, the cross-border programme for Saint Martin-Sint Maarten is entirely new. Large parts of these programmes are financed by the European Regional Development Fund (ERDF).1

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1 Europe, Latin America and the Caribbean: sharing experience in regional development policies, Luxembourg: Publications Office of the European Union 2015, p.16
8. Sustainable Urban Development (URBELAC)

Since 2010, DG REGIO and the Inter-American Development Bank (IDB) have supported European, Latin American and Caribbean cities in pursuit of more integrated and sustainable urban development (URBELAC). The objective is to support sustainable urban development on both sides of the Atlantic, by establishing networks to enable the various public players facing similar challenges to exchange experiences relating to best practice, as well as lessons learned in relation to sustainable and integrated urban policies and measures. Since its creation, 22 cities from both sides of the Atlantic have joined this network.

The main outputs from URBELAC include: the analysis, evaluation of performance and identification of strategies and concrete best-practice solutions implemented by other cities; the provision of tools and knowledge useful for identifying measures with integrated approaches to development; and access to international cooperation programmes, such as the IDB’s Emerging and Sustainable Cities Initiative.

The URBELAC network developed into a genuine two-way exchange and in its second edition, URBELAC II, the roles became more interchangeable among the cities on each side. In the light of the experience, a third edition, URBELAC III, has been agreed for 2015-2016.

9. Conclusions

International cooperation in the field of territorial cohesion policies is important for many reasons. It helps to project, outside the EU, the EU model of regional and urban development which is based on a number of key principles, notably: working with the market (through competition and public procurement rules); equal opportunities; sustainable development; decentralization of responsibilities; participative democracy in regional and urban policy implementation.

Territorial cohesion and cross-border cooperation have rapidly become one of the key areas of cooperation between the European Union and Latin America, as confirmed in the conclusions of the EU-CELAC Summit of 2015. In the period 2014-2020, bi-regional cooperation will increase further, with new projects to exchange information and best practice in Regional Innovation Systems (RIS) and in urban and cross-border development, as well as programmes for cooperation between the Outermost Regions and their Latin American and Caribbean neighbours supported directly by the European Structural and Investment Funds (the Amazonia and Caribbean Programmes).

Regional policies inspired by the European Union's methodology are helping Latin American countries to promote regional competitiveness and in that way to achieve a more even pattern of economic development. Prominent among the European territorial cohesion policies of interest to Latin America are RIS and cross-border cooperation. Often the development of RIS takes place in a cross-border context reflecting the fact that some of the greatest socio-economic challenges in LA are in the border areas. Regional innovation programmes also help to encourage greater diversification of the economy, as a way of reducing dependence on the primary goods and extractive industries, thereby assuaging the negative effects of widely fluctuating international commodity prices on Latin American economies.

In some LA countries, such as Chile, cooperation with the EU in the field of RIS has provided
an important additional impulse to national efforts to promote decentralisation to the regions, and this has raised interest in other countries such as Colombia and Peru.

The international dialogues increasingly involve the authorities in the cities and regions on each side in a form of decentralized cooperation, and EU support allows both sides to draw on the best in international expertise. The large number of regions potentially involved (over 200 in Latin America and over 270 in Europe) requires expert help in order to identify promising bi-regional matches between American and European regions. Looking ahead, the instruments in this field should seek to ensure that the cooperation is genuinely two-way, encouraging LAC partners to share their experience with their European counterparts.

Support by the European Parliament (EP) for international diplomacy in regional and urban development policy has proven to be crucial for the rapidly increasing cooperation between the EU and LAC countries. The continuous financial support since 2009 through successive budget lines voted by the EP for pilot projects and preparatory actions has created a space for experimentation and demonstration in international cooperation on territorial cohesion, a cooperation which has now entered the mainstream of EU external policies through the EU’s Partnership Instrument. To ensure ongoing support for these positive dynamics, new funding possibilities should be explored in future budgetary discussions.

In the future, with the financial support from the EU foreseen for the region, we would like to see:

- Country specific regional development plans developed in Latin America, with a strong focus on long-term, integrated and sustainable projects that bring added value and have viable economic life on their own.
- Solid ex-ante and ex-post analysis for project development taking into account the environment and land as a main source of income in many regions;
- Further sharing of good practices between the EU and Latin America on regional development and contribution for the creation of the regional development plans;
- Stronger focus on innovation and entrepreneurship with specific measures for women’s and vulnerable groups’ participation;
- Concrete steps taken for the common research area and clear deadlines for its creation.