



# The Future of Cohesion Policy and the Territorial Dimension

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# The Future of Cohesion Policy and the Territorial Dimension

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- Context for Cohesion policy reform
- Budget debate - MFF negotiations
- Cohesion policy reform: who gets what funding?
- Cohesion policy reform: how should the policy be managed?
- Cohesion policy reform: the territorial dimension

## Context: drivers of reform

Current reform is responding to two types of criticisms related to the performance of the policy:

- critics questioning the rationale/necessity of the policy itself
- policy is recognised as necessary, but implementation is criticised on grounds of priorities, effectiveness and delivery.

These concerns - and external circumstances (globalisation, climate change, economic crisis) - have driven the reflection process on the future of Cohesion policy post-2013

## Context: drivers of reform

- Fourth Report on Economic and Social Cohesion (2007)
- Prospective work on 2020 regional challenges (2008)
- Debate on territorial cohesion (2008)
- Enhanced dialogue with academia, international organisations
- Barca Report ‘Agenda for a reformed Cohesion policy (April 2009)
- Commissioner Hübner Reflection Paper on the future Cohesion Policy + joint ministerial communiqué (April 2009)
- Ex-post evaluations and studies (2009-10)
- High-level group discussions with MS experts (2009-10)
- Commissioner Samecki policy orientation paper (2010)
- Fifth Cohesion Report (Nov 2010)
- Draft legislative package (Oct 2011)

## Context: drivers of reform

Policy failures - the Barca Report highlighted two aspects in particular:

- a failure of the contractual arrangements to focus on results and to provide enough leverage for the Commission and Member States to promote changes
- a remarkable lack of political and policy debate on results in terms of the well-being of people, at both local and EU level, most of the attention being focused on financial absorption and irregularities.

# Budget debate: COM proposals

## EC Proposals on 2014-2020 MFF (Budget 2020, €billion, 2011 prices)

BUDGET HEADING	Current MFF	June 2011 proposal	July 2011 proposal	Change (in %)
	2007-13	2014-20	2014-20	
1. SMART AND INCLUSIVE GROWTH	445.5	490.9	494.8	11.1
Cohesion policy	354.8	376	379.2	6.9
2. SUSTAINABLE GROWTH: NATURAL RESOURCES	421.1	382.9	386.5	-8.2
Market related expenditure and direct payments	322	281.8	283.1	-12.1
3. SECURITY AND CITIZENSHIP	12.4	18.5	18.8	51.6
4. GLOBAL EUROPE	56.8	70	70	23.2
5. ADMINISTRATION	56.9	62.6	63.2	11.1
Administrative expenditure of EU institutions	48.4	50.5	51	5.4
6. COMPENSATIONS	0.9			
TOTAL COMMITMENT APPROPRIATIONS	993.6	1,025.00	1,033.20	4.0
In % of EU27 GNI	1.12%	1.05%	1.08%	

## Budget debate: 'nothing is agreed until everything is agreed'

Clarification phase (July 2011 - February 2012) "get better understanding"

- first exchanges of views on Commission proposals
- clarification of technical issues

Negotiation phase (March -September 2012) "narrow the gap"

- orientation debates
- development of MFF Negotiating Boxes: 21/24 May, 6 June, 19 June
- revised MFF proposals published, July 2012
- intensive bilaterals and COREPER meetings (also role of EP)

Concluding phase (October - December 2012) "achieve political agreement"

- European Council meeting, 18-19 October, 13-14 December

Legislative phase (January - May 2013) "adopt the legal acts"

## Budget debate: divergent views

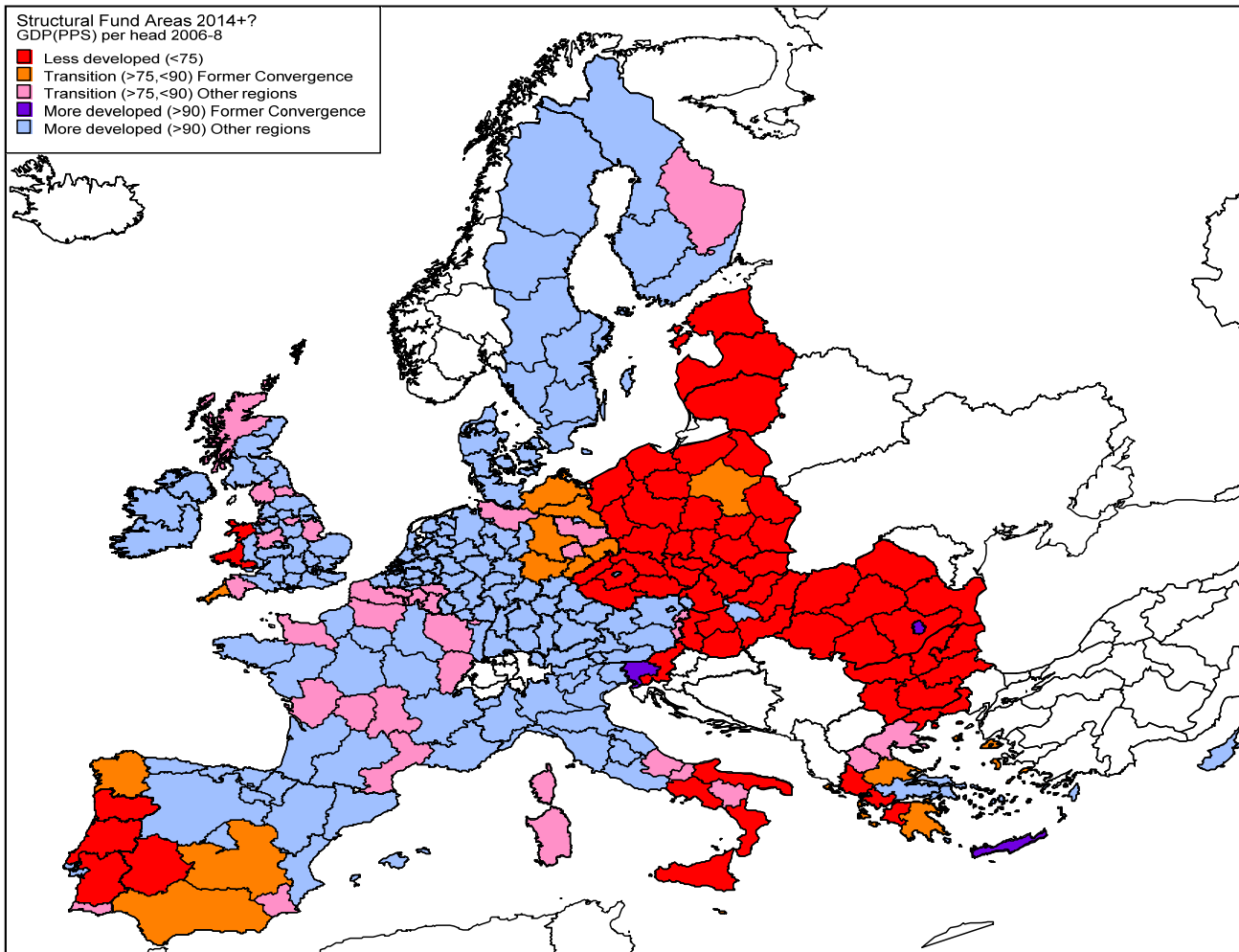
- Overall level of expenditure: “reduced spending” vs “adequate financing”  
→ downward pressure
- Smart growth: Financing of Connecting Europe & Horizon 2020 (Heading 1a)
- Cohesion policy: more concentration vs desire for ‘safety nets’ (Heading 1b)
- CAP: balance of spending under Pillars 1 and 2 (Heading 2)
- Other areas: importance of Heading 3 (security & citizenship) and 4 (global Europe)
- Revenue: scope for reforming the system of EU financing (abolition of VAT resource? Financial transaction tax? Rationalisation of correction mechanisms?)



# Cohesion policy reform: who gets what?

	2007-13			2014-20			% Change in total
	€ m	% of total	€ per head pa	€ m	% of total	€ per head pa	
Convergence / Less-developed	202320	57.5	187.9	162590	48.4	194.7	<b>-19.6</b>
Cohesion Fund	70331	20.0	60.6	68710	20.4	78.9	<b>-2.3</b>
Transition, of which:	26170	7.4	105.6	38952	11.6	75.8	<b>48.8</b>
• <i>Phasing-out</i>	14305	4.1	124.6				
• <i>Phasing-in</i>	11865	3.4	89.2				
RCE/More-developed	44263	12.6	21.4	53143	15.8	25.0	<b>20.1</b>
Territorial cooperation	8626	2.5	2.5	11700	3.5	3.4	<b>35.6</b>
OMR and LPD				926			
<b>TOTAL</b>	<b>351710</b>	<b>100.0</b>		<b>336021</b>	<b>100.0</b>		<b>-4.5</b>

# Cohesion policy reform: who gets what?



Convergence coverage  
concentrated in 16 MS

Transition category  
concentrated in EU15

Considerable volatility of  
data

# Cohesion policy reform: who gets what?

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## Position papers

- Friends of Better Spending (AT, DE, FI, FR, IT, NL, SE)
- Friends of Cohesion Policy (BG, CZ, CY, EE, ES, GR, HU, LT, LV, MT, PL, PT, RO, SK)

## Key issues

- Transition regions: countries for (AT, BE) and against (NL, PT, SE)
- Safety nets: to reduce loss of funding (DE, SI)
- Capping: concern about funding cap based on GDP (BG, EE, HR, LT, LV)
- Territorial disadvantages - protect support for:
  - Outermost regions (FR, PT)
  - Sparsely populated areas (FI, SE)
  - Small island states (CY, MT)
- Co-financing rate: maintain EU financing rate at 85% or reduce to 75% again?
- Impact of crisis - recognise in eligibility criteria (GR, ES, IE) or financial allocation criteria

# Cohesion policy reform: how should it be managed?

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## Publication of the draft legislative package in October 2011 - key proposals:

- Thematic concentration
  - 11 thematic priorities
  - thresholds for ERDF and ESF spending
- New strategic planning framework: Common Strategic Framework → Partnership Contracts (Agreements) → OPs
- Performance framework - conditionalities, results focus, performance reserve
- Simplification and assurance

# Cohesion policy reform: how should it be managed?

## Evolution of the debate

- PL Presidency
  - Commission explanation of the proposals; first formal exchange of views
- DK Presidency
  - negotiation of compromise texts
  - concerns expressed about conditionalities, thematic ring-fencing, programming, management and control, major projects etc
  - partial agreement on the more technical elements of the proposals
  - Member State requests for horizontal review of regulations to ensure simplification and coherence
- CY Presidency
  - initial focus on the territorial development block

# Cohesion policy reform: the territorial dimension

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- Territorial cohesion is an explicit and cross-cutting principle
- Regulatory framework for ‘integrated territorial development’
- More attention to the role of cities, functional geographies and sub-regional areas with specific problems
- Reinforcement of sustainable urban development
- More strategic approach to European territorial cooperation

# Cohesion policy reform: the territorial dimension

## 1. Integrated approach to territorial development

- CSF - should facilitate sectoral and territorial coordination under CSF funds and other relevant EU policies and instruments
- Partnership contract (agreement): should set out an integrated approach to territorial development including: coordination mechanisms, arrangements for areas with specific territorial features, local development
- Operational programmes: should set out mechanisms for coordination, integrated approach to specific territories, local development areas, links with territorial cooperation

# Cohesion policy reform: the territorial dimension

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## 2. Integrated local development

- **Community-led local development:** integrated and multi-sectoral, area-based local development strategies led by local action groups
- **Integrated territorial investments:** urban development strategies or other territorial strategies or pacts
- **Sustainable urban development:** ring-fencing of 5% of ERDF funding, list of cities for implementation of urban actions, urban development platform
- **Specific territorial features:** provisions on areas with handicaps, outermost regions



## 3. European Territorial cooperation

- One of two core goals; specific regulation
- Reinforcement of strategic dimension
  - focus on four out of 11 priorities
  - coordination with national/regional programmes
  - coordination with macro-region and sea-basin strategies
  - common indicators to strengthen performance orientation
- Simplification/clarification of implementation requirements

# Cohesion policy reform: the territorial dimension

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## Key issues

- Fundamental concern - not shared by everyone - is the ‘thematismation’ or sectoralisation of Cohesion policy - need to enhance focus on cohesion / territoriality
- Focus is mainly on local or sub-regional development
- Proposed strengthening of ‘local agenda’ is welcomed in principle
  - potentially useful instruments....but....
  - general view is that use of CLLD and ITIs should be flexible - those who want to use it should be able to do so, but not obligation / expectation
  - still many open questions on implementation
  - some see ITIs as impractical - delegation of funding to cities not an option
  - Also, 5% minimum allocation to sustainable urban development seen as inflexible
- ETC programmes need more flexibility

# Cohesion policy reform: the territorial dimension

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## Development of ESPON

- Recognised by the PL Presidency Conclusions: *“we acknowledge its potential to support of EC services through evidence-based responses towards integration of territorial dimension into EU policies”*
- Key issues for Member States
  - how to make ESPON more responsive to policy needs and to increase the exploitation of results, particularly through communication and dissemination
  - need for policymakers to take initiative and make use of what is available also
- Possible avenues
  - a greater focus on policy recommendations
  - production of more indicators at lower territorial levels
  - more detailed country-specific reports or macro-regional reports

- Debate on the MFF will be difficult and divisive
  - overall budget in the Multi-annual Financial Framework
  - funding for Cohesion policy
  - allocations of Structural and Cohesion Funds (and other funds)
- How much thematic concentration will be achieved?
  - degree of flexibility with ring-fencing
  - tensions between thematic and territorial objectives
- Conditionalities are disputed - rigour, application
- Simplification - implications of changes are unclear
- General concern - COM proposals have strong coherent logic; weakening them may lead to worst outcome - weak coherence / impact but extra administrative effort to no avail

Thank you for your attention!

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