

**INTERNATIONAL CONFERENCE ‘FUTURE OF THE COHESION
POLICY AND INTEGRATED LOCAL DEVELOPMENT’
PRAGUE, 26-27 MARCH 2009**

CONFERENCE REPORT

INTRODUCTION

1. On 26-27 March 2009, the Czech Presidency organised an international conference on the future of Cohesion policy and integrated local development. Its aim was to discuss the past performance of the policy and to consider its future development in the light of pressures and ideas for reform. The Conference was attended by over 150 participants from European institutions, Member States and neighbouring countries. The following paper provides a summary of the discussions.

THE FUTURE OF COHESION POLICY

2. The Conference began by considering *the justifications for the policy*. Although the objective of cohesion is enshrined in the Treaty, the role of the policy is sometimes disputed. It is important to be clear why the policy exists before discussing how the policy should be implemented and funded. Participants were reminded of the original rationales for EU intervention: the need to avoid disenchantment with European unity; the mutual interests shared by both rich and poor regions in the ‘harmonious development’ of the EU; and the economic goal of helping poor regions to utilise production factors and exploit their potential. A modern interpretation is that it is a development policy aiming to raise the growth potential of each *region*; and to ensure that each *citizen* is not disadvantaged by where they live. It was stressed that the policy is not an equalisation fund and does not aim at income support, unconditional convergence or redistribution, although it does have redistributive effects.
3. The evidence for *the past performance of the policy is mixed*. It was noted that a key problem is causality – identifying the impact on growth attributable to Structural and Cohesion Funds. Another is the opportunity cost: could the money have been spent better through other EU or Member State policies? Further, it was argued that the redistributive role of Structural Funds channels resources away from economic centres – reducing growth potential – instead of focusing first on the efficient use of funds. Other participants considered that there is compelling evidence for the positive impact of Cohesion policy – for example in Spain and eastern Germany – where economic research demonstrates the effects of the Funds on growth, convergence and productivity. On the issue of convergence, recent OECD work sheds new light on the sources of growth, with 70 percent of EU growth being explained by growth in lagging regions. Speakers also cited important policy and institutional benefits associated with policy in areas such as strategic planning, integrated development, institutional cooperation (partnership) and the spread of an evaluation culture. Given that the performance of the policy differs between countries and regions, a key question is: what are the policy or institutional pre-conditions/requirements that are associated with effective and

efficient use of the Funds? Currently, we have too little information on what policies work best at different levels, and in different circumstances.

4. Turning to the future, ***the maps of regional need and potential in Europe are changing***, with the challenges faced by regions becoming more complex. For the medium/long term, the DG REGIO *Regions 2020* paper reveals the varied vulnerability of European regions to globalisation, demographic trends, climate change and energy use and supply. The reported work of the European Spatial Observatory Network (ESPON) also shows the different growth dynamics and performance of the regions and the different spatial development scenarios depending on whether EU policies focus on competitiveness and cohesion. Speakers highlighted the more immediate effects of the current economic crisis, observing that there will be regional winners and losers, and that the maps of regional disadvantage could be quite different in five years time. In this context, the question is whether referring to ‘poor’ and ‘non-poor’ regions is appropriate as a basis for policy intervention.
5. This led on to the question: ***where should Cohesion policy intervene?*** Here, the issue was not about the rationale for a regional policy *per se*, but about where the EU role was justified. Different arguments were put forward in favour of Cohesion policy focusing on lagging regions, focusing support at national level, or providing support for all regions throughout the EU. The arguments reflected the different views (economic vs. political) on the justification for the policy, and also different conceptions of European integration and the role of the Commission. It was noted that these are ‘legitimate differences’ which should be debated now and not left to the budget negotiations.
6. A topical issue is ***the Cohesion policy response to the current economic crisis***. The consensus among speakers was that the Funds are not a crisis instrument but can contribute to a policy response – indeed, the policy is making a powerful contribution to the European Economic Recovery Plan (accelerating implementation of the Funds, ‘smart investments’ etc). However, the causes and effects of the crisis vary greatly; some Member States have created national or regional recovery packages, others have needed support from the IMF and have national budgets under pressure. The policy needs to retain its focus on addressing long-term structural weaknesses and promoting growth and competitiveness.
7. ***Does the policy need to change? If so, how?*** In the face of varied and complex challenges, it was noted that the solutions needed to be tailored to the needs of places/regions, with policy responses at different spatial scales. Success depends on whether regions are able to exploit their potential by mobilising local assets and also strengthening the interconnections between regions. A place-based policy approach provides a way of responding, conceived (using an OECD definition) as a ‘timely, transparent and responsive framework for integrated projects, combining knowledge at sub-national levels with national and EU strategies’. A panel discussion identified several issues for the reform debate.
 - The current policy has too many objectives – there is a need to concentrate resources more on specific objectives and priorities, although some questioned whether Member States would have the ‘courage’ to agree to

tighter thematic concentration (which was not the case during the negotiations for the 2007-13 period).

- There is also a need for clarity in how the implementation of objectives is to be achieved and assessed. Some objectives associated with the Lisbon Strategy are vague. This applies even more to territorial cohesion: how will we know whether progress has been made with this objective?
 - The eligibility criteria need to be reconsidered, potentially with modulated Convergence support for regions immediately above the 75% threshold. This would help address the needs of those Regional Competitiveness & Employment (RCE) regions ‘falling behind’ – currently they need to fall below 75% of EU GDP per head before the policy responds. A gradation of support levels would also help address the ‘boundary effect’ between contiguous Convergence and RCE regions in some Member States.
 - The scope of the Cohesion Fund should be broadened to include science and research infrastructure. It would allow focused investment to qualitatively enhance the European Science and Research infrastructure, and it would strengthen links between Cohesion Policy and the Lisbon Strategy at the same time.
 - The potential for new geographies should be exploited in responding to new challenges. Territorial cohesion means thinking more about ‘functional regions’.
 - A place-based policy demands the mobilisation of local resources, yet many programmes are designed from the top down, whether at national or regional level. The roles of local authorities and civil society need to be strengthened.
 - A new approach to the ‘shared management’ (between Commission and Member States) of the policy is required. The spirit of positive partnership has been lost in favour of a controlling/audit-centred role for the Commission.
 - The management of the policy on the ground needs to become more professional. Better training is required for those delivering programmes in the regions in the face of more complex challenges.
8. ***Reforming policy implementation: evolution or revolution?*** There is widespread discontent with the implementation system; it was argued that problems arise because a single set of rules cannot accommodate the different institutional arrangements of 27 Member States. While some participants advocated simplification, others asked whether a differentiated approach to the rules would be politically acceptable. Arguments were put forward for radical reform of the implementation system, but others favoured continuity on the basis that every set of changes causes implementation adjustments and delays for those administering the policy on the ground – the implications for the large number of implementing bodies was said to be analogous to ‘trying to change the course of a flotilla of

hundreds of ships of different sizes'. A different relationship between the Commission and Member States is also needed. It was felt that the Commission should develop the competence and expertise to take on more of an advisory role and promote experimentation and learning.

INTEGRATED LOCAL DEVELOPMENT

9. The importance of local development starts from the premise that *European challenges have an important local dimension*. Integrated local development is a way of combining different measures at local level, and building appropriate institutions to respond to local problems. Several speakers cited examples of effective EU, national and sub-national initiatives to promote integrated local development. Often, such initiatives do not provide the whole solution to problems, but they are a complementary (possibly essential) part of wider strategies. The question is whether the successful examples of local action can be developed into wider frameworks of integrated development.
10. *The boundaries for policy action are becoming fluid*. The differentiated territorial incidence of the challenges means thinking about policy responses at different spatial scales and over different timescales. Different indicators for defining the 'spaces' for policy action may be needed. One presentation drew a distinction between the 'hard spaces' – which comprise territorial government units such as local authority areas or administrative regions – and 'soft spaces', which are defined by the development challenges and involve different types of interaction and interrelationship between places. 'Soft spaces' such as functional regions, macro-regions and networks often cut across or transcend administrative boundaries. It is, though, important for new territories to be meaningful to people; one of the disadvantages of using NUTS II for policy implementation is that it sometimes creates administrative capacity for regions which people cannot identify with. An issue for Cohesion policy is how it can accommodate, or actively facilitate, new spaces and forms of institutional relationship. The Baltic Sea Strategy is an example of a new space; can this approach be replicated elsewhere?
11. *How can integrated local development best be promoted?* Effective local development was said to have three main requirements: it needs to be regarded as a long-term process; it requires appropriate management capacity to mobilise local actors and resources; and it needs commitment from all parties. A panel discussion identified a further set of important factors, based on experience of local development initiatives:
 - a *sustainable development* approach, combining the economic, social and environmental dimensions of development;
 - *tailored measures*, with a sophisticated, place-specific mix of hard and soft measures;
 - *cooperation between local actors*, involving not just the 'standard' organisations but a wide range of bodies and groups to generate new ideas – especially at a time of crisis when new sources of growth and new ways of doing things are needed;

- *subsidiarity* – areas need the right responsibilities and incentives to exploit local potential;
- *connectivity* – between territories is important to ensure that places/regions are outward looking and exploit interactions with other places;
- *inspiration* – leadership/motivation is needed as a stimulus to act and to change – which can come from within regions but may need impetus or intervention from outside; and
- a *supportive policy framework*, which is partly an issue of funding, but also a question of having the right instruments, flexible institutions and a strategic planning framework to ensure coherence of interventions at different levels.

12. The final question concerned *the role of Cohesion policy in integrated local development*: should all regions be required to mainstream integrated local development in programmes, or should the Commission act as a facilitator/ animator for those wanting to promote integrated local development? Four main issues were highlighted during the discussion.

- Integrated local development is complex and requires appropriate knowledge to avoid ‘reinventing the wheel’. The differences between Member States and regions mean that there is no ‘best practice’, but there is scope for learning and exchange of experience. The role of the Commission could be developed further to support the mobilisation of knowledge flows and provision of advice.
- New or adapted instruments could be considered to make financial support more accessible, especially using more commercial instruments such as venture capital and revolving funds and other experimental instruments currently being considered by the EIB and DG REGIO – but these need to be adapted for local development needs. It is also important to simplify access, such as through ‘one-stop-shops’ or a rationalisation/simplification of the Funds.
- Cohesion policy needs to become more generally accessible to local communities. Experience of local development initiatives has shown the difficulties of engaging local communities – first in understanding the policy system, then in designing and implementing projects, and then in complying with the financial management and audit requirements.
- Evaluation and feedback loops are important to ensure good understanding of what is being done. This will require further research on the appropriate mix of quantitative and qualitative indicators capable of monitoring and evaluating the progress and effects of integrated local development initiatives.

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