

CONCLUSION DOCUMENT

Informal Meeting of Ministers of Regional Policy

Zaragoza, February 19, 2010

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Ministers for Regional Policy of the European Union met in Zaragoza, Spain, on February 19, 2010 to discuss the future of Cohesion Policy.

The Commissioner for Regional Policy, Chairwomen and representatives of the Committee on Regional Policy in the European Parliament, the President of the Committee of the Regions, representatives of the European Economic and Social Committee, representatives of the European Investment Bank, and representatives of the Organization for Economic Cooperation and Development also took part in the meeting. The Presidency was also pleased to welcome representatives from the candidate country Croatia, as well as representatives from Norway, as a member of the European Free Trade Association.

The aim of this document is to synthesize the main contributions under each of the two major topics discussed during the meeting, namely: i) Design: Mission, Priorities, and Objectives of Cohesion Policy; ii) Cohesion Policy Development: Economic Effectiveness and Simplification in the Current Context of Economic Crisis.

1. DESIGN: MISSION, PRIORITIES, AND OBJECTIVES OF COHESION POLICY.

From the beginning, various delegations conveyed that there is a need for a high level debate on the future of Cohesion Policy, although it was agreed that further thought should be given to the specific format that it should take. Some delegations expressed their doubts about this issue.

The Economic Crisis and the EU 2020 Strategy

Participants concurred that, currently, the EU finds itself in a crucial moment as regards the debate on the future of Cohesion Policy. On the one hand, the economic crisis has revealed the existence of structural weaknesses in many countries and regions in the European Union, regardless of their level of economic and social development. This entails a series of implications that should be taken into account in the future of Cohesion Policy, namely:

- The urgent need to carry out structural changes that allow Member States and regions to face the challenges derived from globalization and continuous environmental changes, in a sustainable manner in the long run.
- The need to foresee mechanisms that provide flexible and short run answers to situations of acute crisis (or shocks) such as the recent one, on the other hand difficult to foresee and that generally affect regions in an asymmetric manner.
- The possibility that disparities between Member States or regions widen in the near future. It is possible that in the next years the process of convergence between Member

States and EU regions slows down, in a context of less public investment and higher budgetary constraints. Currently, there is greater pressure for Member States to carry out their structural changes. This situation will be exploited by some States and regions, while others will lag behind.

- The economic recovery should be the point of entry into a new sustainable social market economy, a smarter, greener economy, where the EU's prosperity will come from innovation and from using resources better, and where the key input will be knowledge. Cohesion Policy should help the knowledge economy to become a development factor in all regions, taking into consideration regions' peculiar economic and social structures.

In this respect, most representatives agreed that Cohesion Policy has played an important role in the current juncture of economic crisis; although some Member States pointed out that the purpose of the said policy is not to combat the crisis. Instead, Cohesion Policy should ensure an adequate structural framework that helps Member States to overcome the crisis. Anyhow, delegations recognized that Cohesion Policy has been a useful instrument to help Member States out of the economic crisis and, thus, should be a crucial element in the post-crisis economic strategy.

On the other hand, participants coincided that Cohesion Policy plays a pivotal role as the pillar of balanced integration and growth of European regions, as well as the contributor of structural adjustment to new conditions. In fact, some delegations highlighted that Cohesion Policy is one of the most important EU instruments available to face new challenges. The unanimous position, in this regard, was that Cohesion Policy needs to continue to be a key policy of the EU and that it needs to have a leading role within the EU 2020 Strategy, along the same lines as the Lisbon Strategy.

Some delegations pointed out that there are other EU policies, in addition to Cohesion Policy, that should also contribute to the EU 2020 Strategy. However, a few delegations observed that the consecution of the EU 2020 Strategy should not be at the expense of Cohesion Policy.

Whilst a number of delegations argued that a stronger link between the future EU strategy and Cohesion Policy should be pursued, some Member States reasoned that Cohesion Policy should be differed from the EU 2020 Strategy itself. In addition, although some delegations emphasized the importance of strengthening the *earmarking* within Cohesion Policy, other participants remarked that it is time to evaluate this component of Cohesion Policy given that, at times, this has hindered the adequate development of the said policy.

A few Member States considered that Cohesion Policy should not be completely subordinated to the EU 2020 Strategy and that the link between the two elements should not impose additional requirements on the least developed regions.

Cohesion Policy Objectives

As to the future design of Cohesion Policy, representatives concurred that the purpose of Cohesion Policy is not simply to redistribute resources. Indeed, Cohesion Policy not only seeks to promote economic development in the least developed regions, but also aims at unleashing regions' potential, eliminating inefficiencies, facilitating institutional changes, and eliminating social exclusion pockets through the provision of public goods and services. In this regard, practically all Member States agreed that all EU regions should remain eligible for EU funding;

although it was stressed that financial resources should be concentrated on the least developed regions.

Many delegations called for a long run and more strategic approach to Cohesion Policy, as well as a concentration on key priorities in order to better deliver its objectives. Also, they considered that the current design is adequate, albeit some changes need to be made. For example, some Member States considered that intermediate objectives or milestones need to be introduced in the policy. Furthermore, a few delegations argued that, when designing new objectives, regions' different starting points and levels of development should be taken into account.

As to the current **convergence objective (objective 1)**, there was unanimity as to its continuity, even though it was deemed that the possibility of introducing modifications in order to reinforce its effectiveness had to be further analyzed.

On the other hand, the majority of the delegations supported the introduction of **transitional periods** for those regions that abandon the convergence objective in order to guarantee their harmonious and balanced development. Transitional periods avoid abrupt changes in the financial resources that regions receive from Cohesion Policy and thus guarantee financial stability during the exit process. Some representatives highlighted that were these to be introduced, further thought should be given to their design.

With respect to the **competitiveness and employment objective (objective 2)** it was highlighted that, at least, two thirds of the European regions will be part of this objective during the next programming period, provided that it remains unchanged. Thus, considering this fact and that the delivery of the EU 2020 Strategy make their eligibility essential, most delegations considered that it did not seem reasonable to exclude them in the future Cohesion Policy. In addition, participants observed that this objective is specifically and directly related to regional competitiveness, as it promotes economic change through innovation, supports a knowledge-based society, entrepreneurial initiative, environmental protection, and improves accessibility, whilst favoring the adaptation of the workforce by investing in human resources.

As to the European **territorial cooperation objective (objective 3)**, there was a general consensus on its importance and its future continuity, although many delegates deemed that it should be strengthened and better coordinated. To this end, representatives considered that financial resources and program management systems should be further discussed and studied. Indeed, some delegates stressed that there has been a proliferation and fragmentation of operational programs with different institutional structures and norms. These imply that potential beneficiaries have to become familiar with different institutional frameworks and rules.

Many Member States deemed transnational cooperation and the development of macro-regional tools –such as the Baltic Sea Strategy and the Danube Strategy- important and thus supported their future development.

Territorial Cohesion

The concept and the implications of the territorial dimension of Cohesion Policy, resulting from the explicit inclusion of the territorial cohesion objective under the Lisbon Treaty, were also discussed.

In line with the Green Paper on Territorial Cohesion, Member States agreed that territorial cohesion is fundamentally about *"ensuring the harmonious development of all these places and about making sure that their citizens are able to make the most of inherent features of these territories."* In this regard, a few delegations pointed out that the territorial dimension should be taken into account in all EU policies.

Moreover, it was agreed that considering the territorial dimension of Cohesion Policy requires taking into account a geographic perspective in the debate on the future of the said policy.

Various participants stressed that cities and urban-rural linkages play a very important role and therefore should be taken into consideration in the future design of Cohesion Policy. In fact, it was pointed out that Cohesion Policy is the only tool that can promote urban-rural cooperation.

Lastly, most delegations concurred that reinforcing the institutional capacity and developing all administrative levels –i.e. local, regional, national, and Community- is crucial.

2. COHESION POLICY DEVELOPMENT: ECONOMIC EFFECTIVENESS AND SIMPLIFICATION IN THE CURRENT CONTEXT OF ECONOMIC CRISIS.

All Member States and representatives of the Commission, Council, and European Parliament agreed that there was an urgent need to simplify Cohesion Policy's current and future regulatory framework.

As regards the current programming period, participants concurred that ongoing modifications should be the last ones to be carried out in order to preserve the stability of the regulatory framework.

As for the future Cohesion Policy, some representatives reckoned that simplification should be a general principle that applies to all EU policies. In addition, a few Member States called for a simplification of national norms and procedures.

Most delegations deemed that solving many of the problems that are currently on the table do not require rewriting existing rules. Instead, delegations called for a more flexible application thereof. Indeed, without changing the current regulatory framework, more clarity and transparency could be achieved, whilst avoiding the duplication of tasks.

Likewise, participants highlighted that there is a need for a strict implementation of the proportionality principle, not only in terms of the types of actors considered, but also in terms of the types of measures and the volume of financing involved. Furthermore, some delegations asked for a clear specification of the proportionality principle. According to the majority of participants, all these can be attained without losing any rigor in management and financial controls.

As to strategy design and delivery, many Member States supported the introduction of a single strategic document. However, some participants stressed that programming and delivering the strategy should not be subordinated to the application of excessive normative and administrative rules. Additionally, many delegations considered that a single, more coherent, and better coordinated programming framework should be developed.

In this context, the need to improve the connection between all EU financing channels as well as those of the European Investment Bank was deemed to be important. Considering that resources will be increasingly scarce, it was made clear that more attention should be paid to financial engineering instruments, as well other instruments that do not rely on subsidies.

On the other hand, practically all delegates regarded that managers and management systems should be fundamentally concerned about providing the maximum development for a region. Nonetheless, according to the vast majority, improvements in management require partnership between Member States and the Commission.

In relation to controls, there was a general concern as regards the interpretation of the error rates. Representatives feared that control reports issued by the Court of Auditors in general, and error rates in particular, have been misinterpreted by the general public. Indeed, it has been the case that error rates have been interpreted as a level of fraud, when in fact, most of the time they represent errors that would not have had any incidence on expenditure reimbursements. In this respect, delegates underlined that error rates must not be mistaken for fraud, and that there is a need to convey to the general public that all of those who manage EU funds are not involved in fraud. It was also recognized that this may be a semantic or translation problem.

Many delegations considered that a simplification and more flexible application of the current regulatory framework will facilitate the implementation of a results-oriented management system. Some delegations warned about the need to move carefully on this issue as it may give rise to increased bureaucratic burden on the one hand, and as there is a risk that it ends up turning into a necessary procedure that has to be overcome, thus reducing the usefulness of the exercise, on the other hand. Indeed, this not only would affect the usefulness of the exercise, but also results could be the opposite of those sought, as it could derive in a situation in which work can be simply focused on the attainment of values of the indicators, instead of searching the achievement of real results.

Finally, some Member States pointed out that more attention should be paid to results rather than controls. Indeed, according to a few Member States more emphasis should be placed on the efficiency and effectiveness of Cohesion Policy, and this requires improving evaluation and indicator systems.