

Non-paper on thematic concentration of future Cohesion Policy

This is a document intended for discussion on the working paper presented by the European Commission at the High Level Group meeting on 2 December 2010, and does not represent an official position of Member States.

Context

All main priorities of Europe 2020 Strategy (smart, sustainable and inclusive growth) are relevant for future Cohesion Policy (CP) interventions. CP is one of the key instruments for the Europe 2020 Strategy success but it should not become just a simple subordinate to the strategy. Cohesion Policy, whose main aim is to contribute to the reduction of backwardness of less developed regions and to ensure harmonious development of all EU regions in all their aspects – social, economic and territorial, is not only a chapter of this strategy. Other policies (CAP and R&D) should also contribute to the objectives of the strategy.

In order to achieve its development goals, Treaty-based CP must address key issues to maximise the benefits for European citizens. It should deal with the failure of lagging regions to exploit their development potential, the need for continued adjustment in order to increase competitiveness and employment and the need to address cross-border barriers to integration. Cohesion policy must ensure faster convergence through greater connectivity and integration within the Single Market.

Objectives of thematic concentration

The aim of thematic concentration, which is shared by the Member States, is to maximise the impact of the policy and its effectiveness, to create critical mass of investments to reach real results on the ground, to set clearly defined objectives and targets and last but not least to increase visibility of structural operations.

On the other hand, the risk is that while trying to achieve concentration and synergies, some areas crucial for development of regions (and crucial for reducing disparities) may be left out.

Hence, the logic should be the following:

- CP supports all main objectives of Europe 2020 Strategy
- CP should primarily focus on its main goal as defined in the Treaty
- The philosophy is that CP should help all regions to stimulate their development potential and this way help reduce disparities within EU and contribute to growth and jobs and strengthening of the competitiveness of the whole EU
- This naturally means that CP interventions should be based on the needs of Member States and their regions, and the concentration of priorities should be a result of negotiations (consensus) between Member State (and regions) and the Commission – according to specific circumstances in a given territory
- Territorial concentration should also be considered, meaning focus on the less developed Member States and regions, and concentration of interventions in a given territory, instead of only applying the presented logic to themes.
- The need or justification of an intervention should be the main criterion for EU financing. Based on the needs and strategies, interventions should be concentrated and integrated to activate the potential; therefore, in some territories, several basic

prerequisites have to be completed first (such as infrastructure as a precondition of connectivity)

- Concentration should mean that national authorities focus on a few areas to modernise the economy, and avoid using the resources e.g. for simple and “shallow / flat” maintenance or renovation of infrastructure
- These interventions will naturally contribute to Europe 2020 Strategy objectives and should come from a European “higher” strategy, but should also focus on the specific territorial needs using tailor-made solutions. Member States and regions should therefore be able to choose from a menu that would allow this

Table presented by EC at the High Level Group

However, the proposal in the form of table presented by the Commission omits this view and focuses only on Europe 2020 Strategy objectives, targets and flagship initiatives. This seems to be inappropriate, as such strictly defined interventions would not allow for the place-based approach, which implicitly requires certain flexibility and sharing of responsibility. Regional development is strongly “multi-conditioned”.

- o For the above-mentioned reasons, the proposal does not reflect the nature and added value of Cohesion Policy, and represents rather a sectoral (top-down) approach
- o The simple horizontal link *EU2020 – flagship initiatives – Integrated Guidelines – Cohesion Policy interventions* is not only artificial but also it seems extremely difficult to measure and assess the contribution of Cohesion Policy interventions to Europe 2020 Strategy objectives in this way
- o The table does not seem to represent all factors of growth, as proposed e.g. at the World Economic Forum in The Global Competitiveness Report 2010–2011¹

In order to keep Cohesion Policy’s integrated character, flexibility and highest added value (i.e. more effective use of resources), there should be no universal obligatory priorities for all regions and there should not be an overly rigid definition of thematic areas on the European level.

Also, for the same reasons, the financial weight of Cohesion Policy instruments (individual Funds) within the allocation for a Member State (based on the level of economic development – GDP/GNI) should be based on the needs and should be a result of negotiations. This is absolutely crucial if Cohesion Policy should keep its integrated character and added value!

The Commission proposes to accompany the thematic menu by outcome and core indicators and even the categorization of expenditures, therefore in order to fully understand the thematic menu, one would need to discuss it together with the categorization of expenditure (sub-priorities?).

Moreover, the set menu of future Cohesion Policy thematic priorities as proposed by the Commission is not exhaustive and therefore should provide certain flexibility and should remain open for further country-specific negotiation.

¹ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf

Possible solutions

Taking into account the characteristics of Cohesion Policy, there are several preconditions to interpret the table presented, which would make it feasible:

1. there is room for regions and Member States to choose from themes that are not precisely defined in the table among thematic priorities (e.g. culture, health, housing). The suggested themes should be broader and should allow for the best territorial strategy to attain the “objective” of developing the potential e.g. in the area of innovation
2. the horizontal link in the table (EU priority – Objective – Headline target – Flagship initiatives – Thematic priorities) is not rigid. Otherwise investments will not be effective and tailor-made, e.g. basic infrastructure certainly is not linked exclusively to the “20-20-20” objective and the box “Sustainable development” does not reflect what should be financed in Member States under “Removing bottlenecks in key network infrastructures”. Why should we attempt to increase at all costs the share of renewable resources when recent innovations (e.g. shale gas) allowed us to use national resources in a more effective way, cheaper than from the world market or from renewable sources? Sustainable growth should use the appropriate and up-to-date technology, relevant to our environment. Therefore the horizontal link cannot be rigid but must allow for the flexibility that almost all Member States stress as crucial. There are interlinkages among set of thematic priorities – successful implementation of some priorities is not feasible unless others are implemented (e.g. innovation vs. support to SMEs vs. developing skilled workforce) – while some of them are horizontal (employment)
3. since most interventions will contribute to more than one Europe 2020 Strategy objectives, interventions would be based on the needs of a territory and then we can focus on these thematic areas and assess how they contribute to Europe 2020 Strategy. No percentages/values should be bindingly stipulated for areas of intervention as regards the direct link to Europe 2020 Strategy / **Headline targets**. Rather, only the links of areas of intervention to the Europe 2020 Strategy **objectives** should be set.

Based on the above, it seems that the complete concentration on the activities in the current table is not feasible and would not provide a base for an effective Cohesion Policy (an interesting suggestion is provided by Barca’s report: “55-65% of funding on 3-4 core priorities”). The list of thematic priorities is not exhaustive. The percentage of correspondence between the chosen supported interventions and the current priority list should be a part of negotiations. In any case the thematic priorities cannot be linked to categories of expenditure. Only in this way can CP remain a flexible and effective instrument for all Member States and regions.