



The Future of Cohesion Policy: Policy Questions

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**International Evaluation Conference:
'What's New and What Works in the EU Cohesion Policy 2007-
13: Discoveries and Lessons for 2014-2020'**

3-4 March 2011, Vilnius, Lithuania

- Context for reform
- EU budget reform: current state of play
- Current Cohesion policy - eligibility/funding
- Which way forward?
 - Commission proposals
 - Member State perspectives
- Questions

Unfavourable economic context

- Fiscal consolidation - austerity, expenditure cuts, weak growth
- Eurozone crisis - use of EU budget as sanction?
- Euroscepticism

Context for reform: Europe 2020

SMART GROWTH	SUSTAINABLE GROWTH	INCLUSIVE GROWTH
Innovation “Innovation Union”	Climate, energy and mobility “Resource efficient Europe”	Employment and skills “An agenda for new skills and jobs”
Education “Youth on the move”	Competitiveness “An industrial policy for the globalised era”	Fighting poverty “European platform against poverty”
Digital society “A digital agenda for Europe”		

5 headline targets by 2020

- 75% employment rate
- 3% of GDP investment in R&D
- “20/20/20” climate/energy targets met (incl. 30% emissions reduction if conditions are right)
- < 10% early school leavers & min. 40% hold tertiary degree
- 20 million less people at risk of poverty

- EU developments
 - COM consultation (2007-2008)
 - Leaked DG Budget non-paper (Nov 2009)
 - Official DG Budget Communication (Oct 2010)
- National developments
 - Internal consultation and coordination processes
 - Initial 'wait-and-see' approach
 - Positions starting to emerge

- Net payers pushing for freeze on spending - Dec 2010 letter from UK, DE, FR, NL, FI to Barroso
- Net recipients pushing for higher levels of spending - PL, some Central, Eastern and southern European countries
- Several Member States are undecided
- Commission is expecting 'standstill budget' - cautious approach to the 2014+ Financial Perspective

Possible scenarios (2004 prices)

- Freezing budget at 2007-13 absolute levels: €864,316 mill
- Increasing budget at 2007-13 rate of growth: €918,460 mill

Factors

- Underspend of resources in current period
- Scope for non-grant forms of financing post 2013



EU budget reform: Possible changes to the budget structure

Current structure of the budget (2007-13)

- Heading 1a: Competitiveness for growth and employment
- Heading 1b: Cohesion for growth and employment
- Heading 2: Preservation and management of natural resources
- Heading 3: Citizenship, freedom, security and justice
- Heading 4: EU as a global partner
- Heading 5: Administration

Future structure of the budget (2014+)?

- Heading 1a: Smart growth - research, innovation, education
- Heading 1b: Smart growth - infrastructures of the future
- Heading 2a: Sustainable growth - energy and climate
- Heading 2b: Sustainable growth - Common Agricultural Policy
- Heading 3: Inclusive growth - Cohesion policy
- Heading 4: Citizenship
- Heading 5: Global Europe
- ⁸ Heading 6: Administration

EU Cohesion policy reform: Policy questions

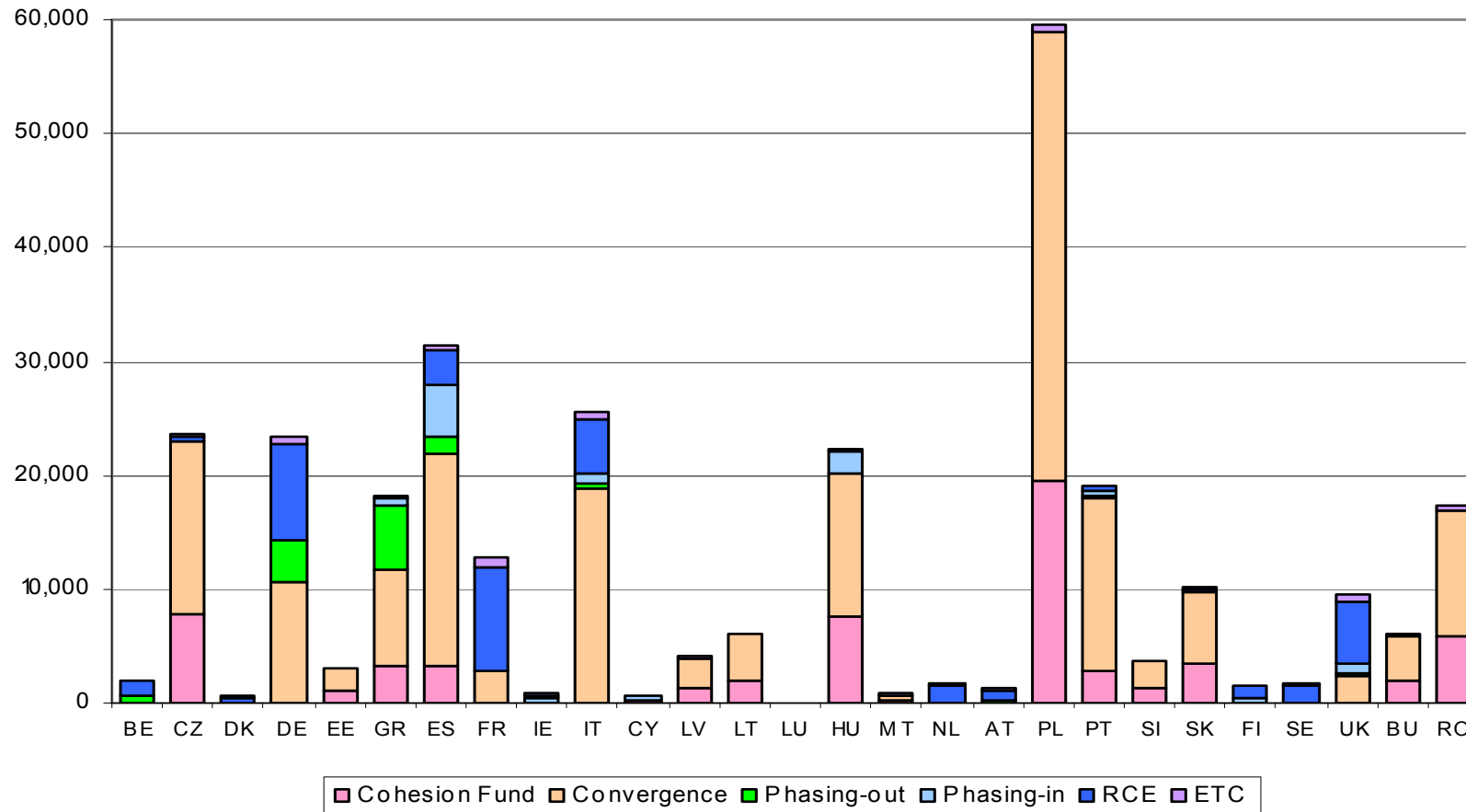
- Eligibility and financial allocations
 - current allocations
 - future allocations
- Policy content and governance
 - Commission proposals
 - Member State views



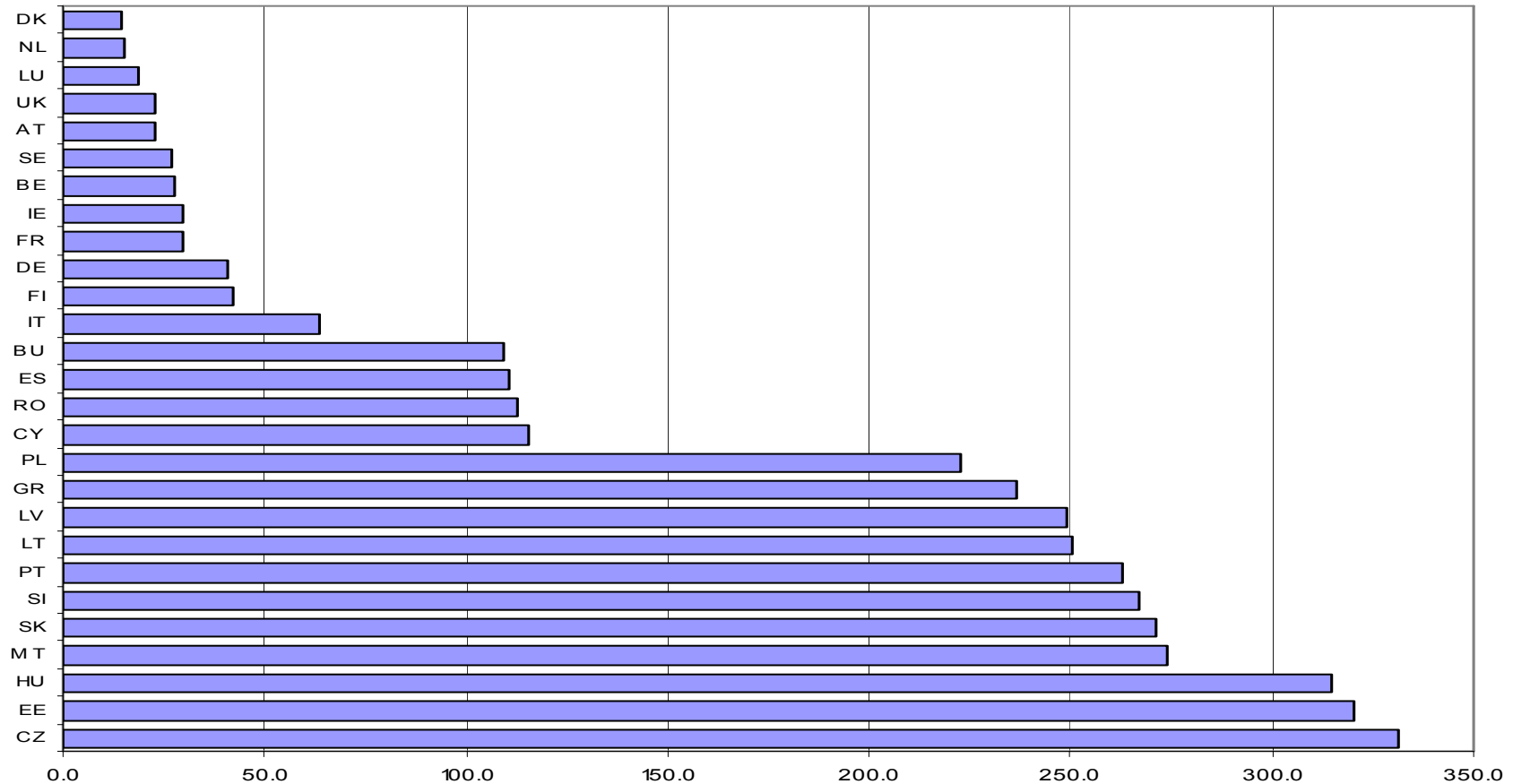
EU Cohesion policy reform: Budget questions: current allocations

	€ million	%
Convergence regions	177,084	57.5
Phasing out	12,521	4.1
Cohesion Fund	58,308	18.9
Cohesion Fund Transition (Spain)	3,250	1.1
CONVERGENCE TOTAL	251,163	81.5
RCE regions	38,742	12.6
Phasing-in	10,385	3.4
REGIONAL COMPETITIVENESS TOTAL	49,128	15.9
Cross-border cooperation	5,576	1.8
Transnational cooperation	1,582	0.5
Interregional cooperation	392	0.1
PEACE	200	0.1
EUROPEAN TERRITORIAL COOPERATION TOTAL	7,550	2.5

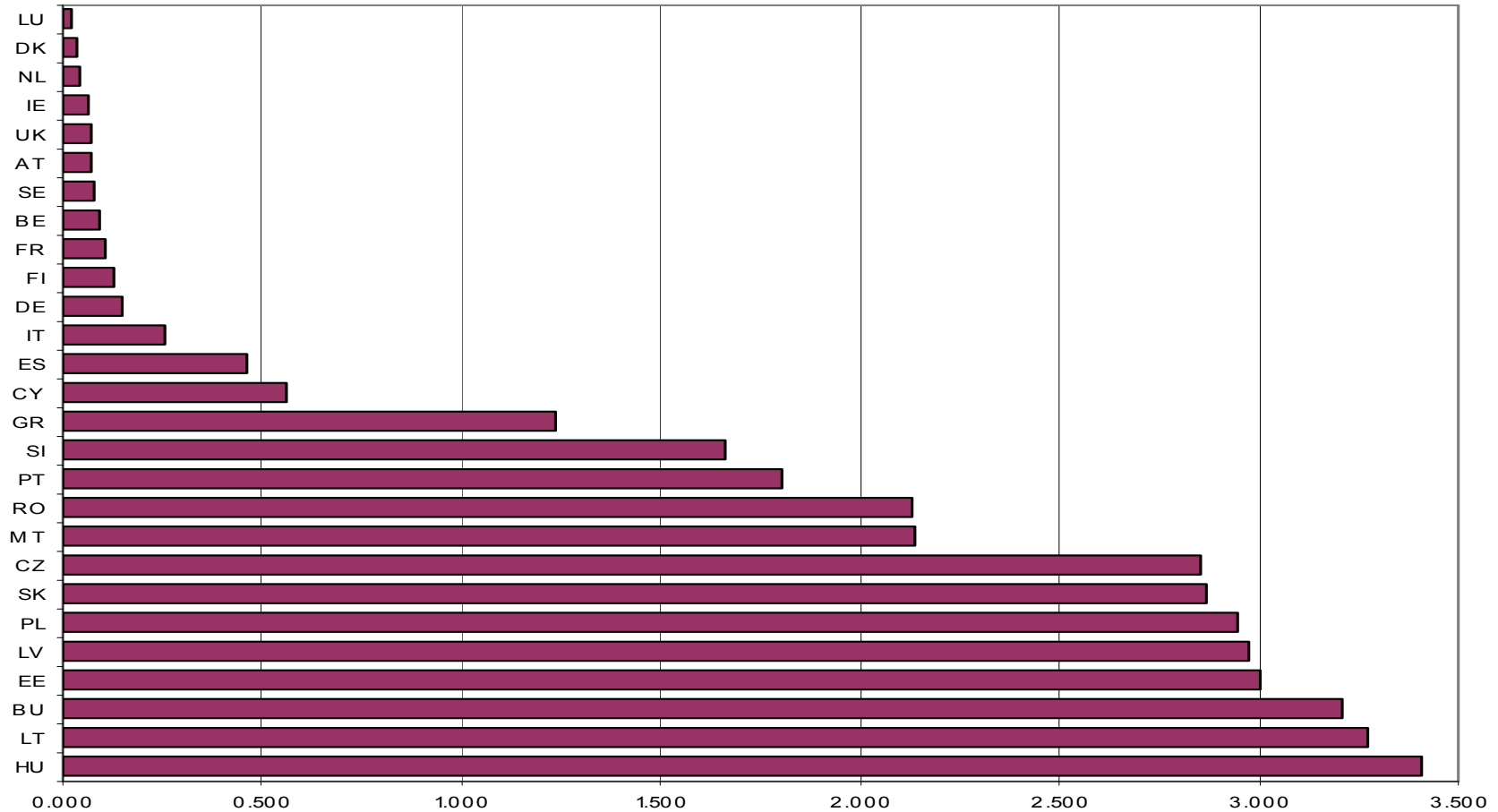
EU Cohesion policy reform: Member State allocations



EU Cohesion policy reform: MS allocations: € per head p.a.

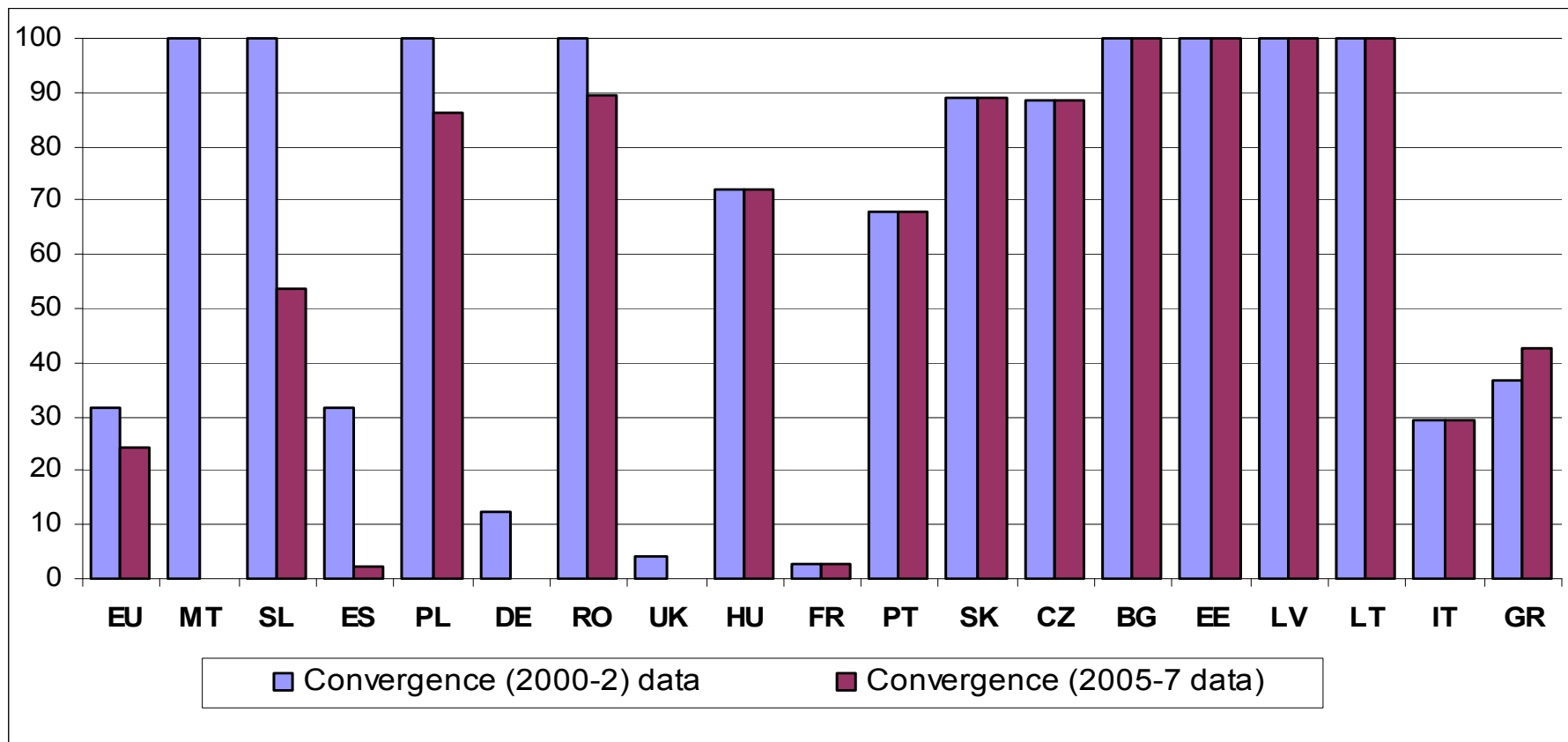


EU Cohesion policy reform: Member State allocations: % of GDP



EU Cohesion policy reform: Future allocations - eligibility

Convergence coverage - Impact of GDP per head trends (% of population)



EU Cohesion policy reform: Future allocations - budget

- Based on the 2005 allocation method, the Cohesion policy budget would increase by €25bn as:
 - most EU12 territories would continue to have Convergence status (except CY, MT)
 - EU12 growth rates have been above the EU27 average since 2004, which raises the level at which transfers are capped
- BUT, DG Regio is planning on the basis of unchanged budget (c.€350bn)
- Options
 - reduction of the Convergence allocation
 - for all eligible regions to constrain the allocation within a fixed budget
 - with different reduction coefficients for EU12 and EU15
 - reconfigure capping

Key proposals in the Fifth Cohesion Report

- continuation of policy across whole EU
- concentration on poorest MS and regions (below 75% of EU27 GDP per head)
- new ‘transition category’ of eligibility between Convergence and RCE
 - 75%-85% of EU27 GDP p.h.?
 - 75%-90% of EU27 GDP p.h.?

EU Cohesion policy reform: Future allocations -new architecture

- almost all MS in favour of Cohesion policy continuing throughout the EU although UK, SE, NL may advocate lower spending
- broad support for transition category (although DE is uncertain):
 - would ensure a more graduated change in aid intensity between Convergence status and RCE status
 - would ensure that more EU15 regions are eligible for non-RCE aid
 - question of upper limit is still open

EU Cohesion policy reform: Future allocations -new architecture

- BUT, the transition category involves a very diverse set of regions
 - 53 regions would currently be eligible for transition status
 - 16 Convergence regions
 - 4 due to statistical effect
 - 12 due to growth
 - 12 Phasing-out regions
 - 4 Phasing-in regions
 - 21 Regional Competitiveness & Employment
 - 6 would have been Objective 1 in EU15
- How do you reflect these differences in the policy?

EU Cohesion policy reform: Policy content and governance

Fifth Cohesion Report proposals

- Territorial Cohesion
 - urban dimension and macro-regions
- Strategic coherence
 - Common Strategic Guidelines, reinforced NSRF and more focus in OPs
- Performance focus
 - conditionalities: Structural/institutional and macroeconomic
 - incentives: a performance reserve at EU level
 - evaluation: obligatory evaluation plans and summative evaluation
 - financial instruments: reinforce scale and scope
- Simplification of delivery
 - differentiation in financial control and audit
 - harmonise eligibility rules
 - facilitate partial closure

Member State views on the priorities

- Support for strategic alignment with Europe 2020, but
 - process lacked reflection on the successes and failures of the Lisbon agenda
 - perceived domination of ‘sectoral approach’
 - resistance to Cohesion policy having ‘unrealistic objectives’ or ‘losing sight of its Treaty mission’
 - Europe 2020 is vague
 - other development drivers or challenges are important too
- Sufficient flexibility is needed to adapt EU priorities to different domestic contexts

Member State views on conditionalities and incentives

- Scepticism due to methodological challenges, but also
 - administrative burden
 - perverse effects on behaviour
 - politicisation
 - unfair penalisation of lagging regions
- Pre-conditions
 - concentration on specific themes and interventions
 - applied within countries/programmes
 - strict enforcement to have a genuinely incentivising effect
 - depends on the type of interventions or objectives being pursued.
 - EU performance reserve based on decommitted funds

Member State views on ‘strategic coherence’

- Support for:
 - a common EU strategic framework for structural policies
 - harmonised management rules, eligibility conditions and operational coordination between the Funds
- Mixed views on
 - integrated programmes - reform the cross-financing instead, i.e. allow soft and hard investments to be combined, and increase and differentiate the thresholds limits?
 - integration of CAP pillar II - more coordination at the strategic planning stage instead, i.e. merging the National Rural Strategy with the NSRF?



EU Cohesion policy reform: Policy content and governance

Member State views on monitoring, reporting, capacity

Monitoring and evaluation

- continue / encourage ongoing, needs-based evaluation
- improve data quality, consistency of indicators & definitions across MS
- strengthen national and sub-national capacities
- encourage the use of more rigorous evaluations methods
- more political buy-in needed

Strategic reporting

- reduce scope of reports and concentrate on strategic issues
- common core indicators needed
- mixed reaction to high-level debate

Institutional capacity

- important but largely a domestic matter
- more COM oversight on how technical assistance is being deployed

- **Coverage of the policy**
 - Status quo? Transitional region eligibility?
- **Objectives/priorities**
 - Focus on Europe 2020? Which priorities? How focused?
- **Governance**
 - Strategic framework? Partnership contract?
 - Use of conditionalities and incentives?

Thank you for your attention!

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