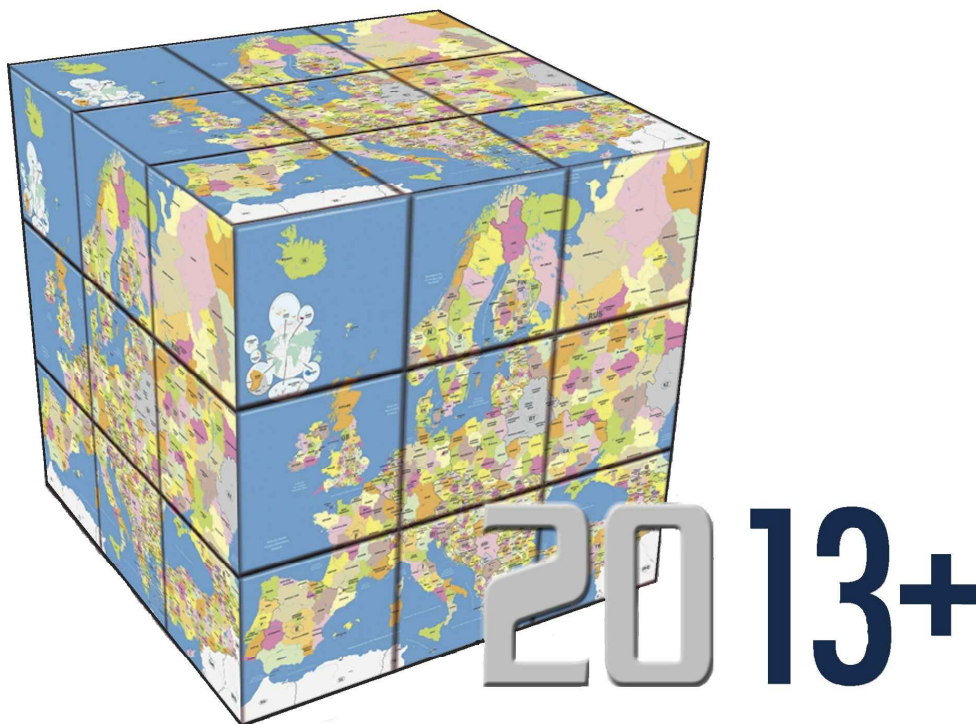




COHESION IN EUROPE: REGIONS TAKE UP THE CHALLENGE

*AER White Paper on the future of Cohesion Policy:
Towards a territorially-based policy for all Europeans*



**Assembly of European Regions
Strasbourg, December 2010**



This white paper on the future of Cohesion Policy was drafted by Estelle Delangle, AER
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It was adopted by the AER General Assembly in Istanbul on 12 November 2010



Executive summary

Cohesion policy is aiming at ensuring economic, social and territorial cohesion across the EU. Its integrated approach has largely proven to be beneficial to most territories across Europe, taking into account the different parameters that support the development of a region. Even if it is difficult to assess its precise impact, the tremendous contribution that cohesion policy makes to regional development and territorial cohesion in Europe should not be underestimated.

The EU Regional Policy should be defined and implemented in full partnership with European Regions

Cohesion policy should remain European, with no re-nationalisation of any kind and with an increased involvement of Regions at all stages of the decision-making process.

- **Full adoption of a place-based approach**

Member States must trust their regions, which are best placed to achieve the territorial cohesion objective. The need to focus on limited priorities based on the Europe 2020 strategy should not take this objective into account and leave some margin for choice at territorial level.

- **An integrated policy, encompassing the EU's economic, social and territorial objectives**

Turning towards a sector-based approach would be very detrimental to cohesion in Europe and a step back from all that structural funds have improved and achieved over the past 30 years.

On the contrary, through the synergies that can be created between the different structural funds, cohesion policy responds, through its integrated and long-term action, not only to structural issues but also to economic difficulties. In this respect, AER welcomes the introduction of a common strategic framework.

- **Tripartite agreements**

Voluntary regions should be able to enter into a three-party agreement/contract with their Member State and the European Union. This contract would set up the objectives, priorities and measures of the Operational Programmes, as well as the institutional framework for their implementation. It would also define evaluation criteria and assessment procedures.

- **A Council for Cohesion policy**

This council should be constituted of Ministers in charge of regional development within their government; creating such a council would give better coherence and visibility to cohesion policy.

Meanwhile, in the framework of the present institutional arrangements, AER calls for

regular political debates in the Council of General affairs and the European Parliament at different stages of implementation of European structural funds programmes.

An agreed overall goal, clearly identified objectives and priorities in line with the main challenges coming ahead

EU regional policy's first goal is to give all European citizens equal opportunities wherever they live in Europe.

Involving regions in the very early phase of designing future programmes

Regions will play a key role in making the Europe 2020 strategy a success: they should therefore be able to participate in the design of the flagship initiatives, so that synergies can be created with the territorial challenges and opportunities. To avoid the risk of subordinating cohesion policy to Europe 2020, multi-level governance should be implemented in a way not to adopt an excessively top-down approach.

Clearly identified objectives

The current architecture is relevant and clear enough for all stakeholders. Should transition regions become a full category, it should be named as a 4th objective, in order to keep the architecture clear. The criteria for this objective should therefore be made as fair as possible and straightforward enough to avoid any ambiguity on the status of one region or another.

A policy for all Europeans

Cohesion policy should not concentrate on the poorest regions only, even though the convergence objective remains the main EU tool to support regions in their catching-up process.

A continuing support should be granted to all European regions, where targeted and innovative programmes dedicated to specific difficulties can leverage regional potential and convince all citizens that Europe is not only about deregulating the market but that it can also improve their daily lives.

Considering that all regions should benefit from EU funding, with varying levels of intensity, new indicators, apart from GDP, should be defined in order to allow for a more refined definition of eligible regions, the level of funding and policy evaluation.

Asserting that indicators are narrowly correlated to the political objectives attributed to a policy is nothing new. At a time when cohesion policy should fully align with Europe 2020, a strategy that encompasses the main challenges ahead, and surely not only competitiveness and production issues, it is more than timely to think about how we can accurately measure the situation of each European region regarding Europe 2020 objectives.

GDP and further Indicators

Reflecting on indicators requires a genuine thinking on what cohesion policy is really about. If it is only about rising GDP in the poorest regions in Europe, then GDP is enough. It seems clear however that cohesion policy is about much more than just increasing GDP per head and is also about social and territorial balance: there is consequently an urgent data gap to fill in order to adequately distribute European funding.

Reducing Territorial disparities

Cohesion policy is about reducing inequalities among territories in Europe: measuring how income is distributed would give a clearer idea of inequalities among European regions rather than just comparing GDPs per head between countries. Disparities shall not only be measured at national and regional level: infra-regional disparities are often growing in regions that are in a catching-up process.

Sustainability and well-being

Measuring sustainability and well-being is tremendously difficult and still, would give some relevant information to assess where and how a territory needs to receive support. It will be increasingly complicated to assess the impact of structural funds in regions if we are not in a position to measure improvement in these sectors at a European scale.

Complementing GDP with further indicators

GDP is not deficient as an indicator in itself: the main problem today comes from the fact that GDP is often misused. In itself, it is not sufficient to assess economic health and is not meant to be an accurate indicator of the capacity of a society to tackle issues such as climate change or social inclusion. For this reason, future policies should be based on data that cover all these major issues.

AER recommends that:

Our measurement systems should no longer concentrate solely on measuring economic production and should start measuring people's well-being and the sustainability of our territories' overall development. This does not mean dismissing GDP and production measures but bringing forward further indicators and criteria to assess the situation in a region.

Increased effort should be dedicated to researching in the area of measuring the combination of wealth, competitiveness, sustainability and well-being. The main challenge for such research work, apart from collecting the data, which is sometimes available at different levels and in different organisations, would be to provide decision-makers with comparable and easy to use information.

Territorial actors should be more and better involved in the definition of indicators for the distribution of funds and impact assessments.

Principles and rules

Concerning the main principles ruling cohesion policy, AER recommends the following:

- **Additionality principle:** it should be re-emphasised and better observed. To this end, the additionality principle should be regularly monitored by the European Commission and the European Parliament.
- **Conditionality principle:** The main conditions should be based on the coherence of the programmes and consecutive projects with the main EU orientations. However, conditions should only apply where those receiving the funds in the end, have a responsibility in the implementation of the conditions. Conditionality should also be positive: the suggestion of rewarding efficient regions with a reserve fund seems interesting, as it can constitute a strong incentive, at political level in particular
- **Partnership principle:** this principle has allowed for a better participation of regional authorities in the past and should continue to be implemented. There is still a long way to go, in particular in older member states where regional authorities are still not in charge of managing structural funds.
- **Programming principle:** it provides all stakeholders, and regions in particular with a significant degree of certainty
- **Rationalising and simplifying the management of structural funds:** European structural funds programmes are, unlike many thematic programmes, well articulated with local and regional mechanisms. Nonetheless, the administrative burden is hampering the efficient and successful implementation of European-funded projects, the main factors being the complex and bureaucratic application processes; the disproportionate and heavy auditing and control procedures; and the restrictive and inflexible monitoring and reporting procedures.

Regarding the main procedures ruling cohesion policy, AER recommends the following:

Measures for making financial management smoother

In particular, and without losing sight of the need to make sure European money is spent efficiently and in accordance with the principles laid down at EC level, the culture of control needs to be replaced by a culture of trust.

Reducing uncertainty

Uncertainty is one of the main obstacles hindering the efficient implementation of structural funds but also making it difficult for beneficiaries to propose innovative and ambitious projects. A clarification of the implementation rules is essential: adopting the regulations on time, better coordinating the rules among member states and between the different programmes, reducing the room for interpretation by the different authorities amongst others.

Better assessing the quality of the programmes' implementation

Specific evaluation criteria should be defined at the earliest stage of the programming phase, when the objectives and priorities are set in cooperation between EC, Member States and regional authorities.

Making the de-commitment (N+2) rule more flexible

The EC proposal to except the 1st year for all programmes is a good start but will not in itself fully solve the problem. The solution suggested in the Barca report - implementing the N+2 rule over the entire country rather than at programme level - could also be an interesting option.

Enlarging the partnerships

Even though AER is aware that state aid regulations and public procurement rules are essential to preserve the common market, it strongly recommends simplifying the regulations regarding the involvement of the private sector in structural funds programmes, including in European Territorial Cooperation projects.

Coordination between EU funds

AER welcomes the idea of a Common Strategic Framework and hopes it will enhance the coordination between funds and make sure they are all used towards the same objectives.

- *Coherence between rural development and cohesion policy:*

Synergies should be enhanced between CAP and Cohesion policy, in order to support a multifunctional development of rural areas. The challenges faced by rural areas should be taken into account in the guidelines. Bridges should be envisaged to foster the non-agricultural factors of rural development.

- *Stronger integration between ESF and ERDF:*

The European Social Fund should be regionalised and work with similar rules to ERDF to enable tailor-made approaches, which address the real problems faced by the regions.

Territorial cooperation

Stronger priority should be given to territorial cooperation after 2013, in order to build upon the extensive experience acquired all over Europe and the knowledge accumulated in the past 20 years. Beyond the budget issue, improving territorial cooperation is about ensuring the appropriate institutional support and reducing obstacles, especially at Member State level.

Europe 2020 and main orientations of European Territorial cooperation

The objective of territorial cooperation, should articulate Europe 2020 priorities with territorial needs, based on a regional strategy in which the projects should be integrated.

Architecture of European Territorial Cooperation

- Each strand of territorial cooperation should also have delimited objectives, so that their differences are more clearly identified.
- Programmes should be limited in priorities but not in methodology and the field of possible activities in the interregional strand of territorial cooperation should be enlarged, in order to exploit the potential of this programme further than just in the context of a “networking policy”.
- A priority should also be dedicated to pilot innovative projects. To this end, territorial cooperation should be more open to private stakeholders.
- Additional measures to mainstream territorial cooperation within the Operational programmes should be further explored.
- The new macro-regional scheme has stirred up an extraordinary number of comments since its creation and some proposals have already been made to make it better integrated with the territorial cooperation objective. AER will follow-up on this issue, to examine and assess if the new concept of macro-region can become an interesting tool for cohesion policy and bring genuine benefits to regions.

Improving strategic planning

European territorial cooperation programmes often suffer from weak political endorsement and therefore a limited integration into regional policies. The focus is inadequately put on administrative and financial issues in the application process, which leaves too little room for building strong partnerships and well-designed policy-oriented projects. In order to improve the regions’ policy-oriented approach to territorial cooperation projects and integrate them within long-term strategies, the Assembly of European Regions recommends the following:

- Improve governance
- Review the preparation and application phase, providing applicants with improved capacity to define appropriate indicators, ensure the quality of partnerships, strengthen partner’s commitment and concentrate on policy-oriented content.

Foreword

In this paper, the Assembly of European Regions presents its official position on what cohesion policy should look like in the future. It is based on the various AER position papers adopted between 2007 and 2009 and on the reflection carried out by the AER Task Force on cohesion policy, chaired by Thomas Andersson, County Councillor in Jämtland (S).

All positions, survey results, the AER study, AER's definition of territorial cohesion and answer to the EC Green paper are available under:

<http://www.aer.eu/main-issues/cohesion-regional-policy.html>

A list of all those documents is also detailed in Annex 1 of this White Paper.

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Puglia (I)
Salzburg (A)
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Umbria (I)
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Västra-Götaland (S)

Introductory remarks

By Michèle Sabban, President of the Assembly of European Regions

The Assembly of European Regions is the largest interregional organisation in Europe. It was the first organisation mentioning and defining the concept of territorial cohesion as early as 1995. In recent years, the Informal ministerial meeting of Leipzig followed by, most importantly, the Lisbon treaty, confirmed the role of regions in making Europe more dynamic and the need to ensure territorial cohesion, to preserve the tremendous diversity that makes it strong and fit for future challenges.



AER has for long demonstrated that regions are best placed to assess their territorial strengths, weaknesses and needs, and therefore to implement territorial development strategies. In this context, the regularly updated AER regionalism report, the 2009 study “From Subsidiarity to Success: The Impact of Decentralisation on Economic Growth” or the many projects highlighted in the context of the “AER Innovation award for European Regions” bring further evidence of the key role of regional authorities in making Europe a smart, inclusive and greener economy. On the other hand, the experiences showcased by the “AER Communicating Europe award” and the activities carried out by European regions in the context of the AER Youth Regional Network demonstrate that regions have a strategic potential for bringing Europe closer to citizens

Cohesion policy is the European Union’s policy designed for and implemented by regions, aiming at achieving economic, social and territorial cohesion in Europe, thanks to the policy and financial instruments called structural funds, which run over a period of 7 years. Although the current programming period started in 2007, the reality was rather different: delays due to institutional agreements caused a number of problems hampering the start of the programmes. AER has always been convinced that thinking about how we can improve cohesion policy and adapt it to ever rapidly changing times, is an ongoing challenge that requires full attention, independently from the EU political agenda. That is why, in summer 2007, AER carried out a survey among its members, to assess their views and concerns regarding the design and implementation of the current rules for cohesion policy. Based on that survey, AER published a study entitled “AER study on cohesion policy 2013+” in January 2008.

Today, at a time when the economic recession is threatening the social balance of many countries and climate change is forcing European, world leaders and populations to re-think their development patterns, cohesion policy must remain the European Union’s main asset to ensure economic and social cohesion in all territories.

This paper proposes a set of recommendations discussed and agreed upon by our task force over the past two years. These will be the basis of any AER future communication on cohesion policy.

It is now necessary to further elaborate on the position adopted last year by AER. The negotiations are starting and new elements have emerged and will continue to develop in the coming months. AER must answer all these new elements, which is why this White paper will encompass both the major political orientations already agreed upon by AER and the new elements for discussion.

This White paper is not only dedicated to European institutions, but is also aimed at regions. Some recommendations therein call for improved responsibility on the regions' part, and on national governments' part. This is what multi-level governance stands for: it means increased responsibility for all partners. Not only more prerogatives for one level or another: but better awareness of the duties that they have one regarding the other. Regions must be at the height of the challenges ahead: integrating European programmes into coherent and strategic policy frameworks, which are based on the potential and the needs of their territories, and designed in full partnership with other territorial actors such as civil society, local authorities, social partners etc. This White paper is here to make proposals to territorial actors on how they can increase their sense of responsibility, how they can increase their ownership of cohesion policy.

This White paper is the direct outcome of 4 years of sustained and detailed work on cohesion policy. It is the fruit of a series of political debates, experts discussions, the outcomes of many meetings and conferences and above all, it is the result of AER listening to what regions have to say. An accurate assessment of how a policy can better work can only exist if one listens to those who implement this policy in the end.

There are many challenges ahead and the Assembly of European Regions will support all European regions in their effort to tackle these. Thanks to its programmes and tools, AER is building capacity across the whole European territory, and not only the European union as we currently know it today. The Eurodyssee programme is helping regions to promote international mobility and contributes to match skills and labour market needs; the Training Academies bring practical knowledge and experience to many different categories of stakeholders on a wide variety of topics, from lobbying in Brussels to bringing European affairs management in Bulgaria, from training officers on FP7 and Competitiveness and Innovation programmes (CIP) in Republika Sprska to bringing methodologies to encourage women entrepreneurship in Istanbul. With the peer review methodology, AER encourages capacity-building in different fields, such as energy, sustainable tourism, economic development, alcohol prevention.

Through all these instrument, AER supports European regions in achieving their goals and

everyday to become a little bit closer to the European dream: an inclusive continent, that will have achieved peace, prosperity and openness to the world, ready for future challenges and gathering a large consensus among European citizens. This is the European Union that AER is fighting for and this is what, if given the appropriate means, cohesion policy can contribute to achieve.



Michèle Sabban
President of the Assembly of
European Regions

A European Union Regional Policy defined and implemented in full partnership with European regions

Cohesion policy is a European policy, with real European added-value and aiming at ensuring economic, social and territorial cohesion across the whole European Union. Its integrated approach has largely proven to be beneficial to territories throughout Europe, taking into account the different parameters that help a region to grow and to become more attractive to people and businesses, going further than the purely economic dimension.

Of course, this policy is not meant to solve all the difficulties encountered by our territories, nor does it aim to tackle all European priorities at regional level. The high expectations it sometimes raises partially explain the many criticisms it has suffered from various observers, institutions, national governments, researchers, who are all pointing out some delivery failures and a lack of real accountability for results or an absence of results. Beyond this gap between expectations and results, there are two major reasons explaining the difficulty in accurately assessing the impact of this policy on European regions: the lack of clear objectives and priorities and the very nature of the actions implemented in the regions, very often only assessable in the long-run and mixed with a number of other policies - including regional and national strategies - making it a delicate exercise to judge upon the real quality of cohesion policy.

These undeniable difficulties should under no circumstance lead us to downplay the tremendous contribution that cohesion policy made to regional development and territorial cohesion in Europe.

It is therefore essential that cohesion policy remains European, with no re-nationalisation of any kind. The current division of tasks between the European Commission and the Member States should continue, with a strong role of the European Union if the cohesion and subsidiarity principles are to be fully respected in the future, and an increased involvement of regions at all stages of the decision-making process. In this respect and in order to improve the legitimacy and efficiency of Cohesion policy and to fully meet the objective of “territorial cohesion”, AER makes the following proposals:

1. Full adoption of a place-based approach

This is what AER has recommended since cohesion policy was designed in its modern version in 1988. As for territorial cohesion, disseminating a concept and mentioning it in official papers is clearly not enough. Cohesion policy is still very often decided and implemented in a top-down manner, with the underlying idea that national governments know better what is suitable for regional territories and can more efficiently manage the programmes. Countries where regionalisation is a ground reality and where structural funds are being managed by regional authorities have shown that it is not necessarily true. Member States have to trust their regions, which are best placed to achieve the territorial

cohesion objective, because they have the knowledge of local strengths, weaknesses, potentials and needs.

In the future, the imperative for structural funds to concentrate on fewer priorities and to focus on Europe 2020 flagship initiative should not overshadow the objective of territorial cohesion. One major element to integrate in the programmes' guidelines is the territorial perspective, i.e. make the best out of each territory's capital, leveraging the potential, overcoming the weaknesses and not just impose a template of European and national priorities on a given territory.

2. An integrated policy, encompassing the economic, social and territorial objectives of the European Union

With the recession, budget constraints and the need for EU and Member states to show concrete actions to improve the economic situation of the continent, there have been some temptations to insist on thematic policies at the expense of integrated methodologies. Turning towards a sector-based approach, with an increased focus on thematic programmes, at the expense of an integrated cohesion policy would be very detrimental to cohesion in Europe and a step back from all that structural funds have improved and achieved over the past 30 years.

The "competitive" nature of thematic programmes makes it very difficult for regions to get funding that fits into their territorial strategies. This is particularly true for those regions that are most lagging behind and that have limited experience of attracting and absorbing European funding. Many of them are not in a position to take the risk of expending resources on large-scale programmes without any guarantee of success.

Thematic programmes are not specifically suited to regional authorities (tight deadlines, calls that do not necessarily correspond to regional policy cycles, content not always fully relevant to regions). Regions can therefore not rely entirely on these programmes to secure required resources.

Finally, AER wants to draw all European stakeholders' attention to the risks that reorienting the EU budget towards an overall sector-based approach to European development would involve. This approach has shown its inefficiency in developing regions harmoniously and its inadequacy in promoting the much-needed multi-level partnerships for addressing the socio-economic needs of European territories. On the contrary, through the synergies that can be created between the different structural funds, cohesion policy responds, through its integrated and long-term action, not only to structural issues but also to economic difficulties. It is in this respect that AER welcomes the introduction of a common strategic framework, as will be explained further below.

3. Tripartite agreements

Voluntary regions should be able to enter into a three-party agreement/contract with their Member State and the European Union. This would allow regions to be involved in the elaboration of their programmes at the earliest stage and would be a way of increasing political responsibility and ownership at their level. At EU and national level, it would bring a valuable expertise on the needs and implementation capacities on the ground. This contract would set up the objectives, priorities and measures of the Operational Programmes, as well as the institutional framework for their implementation. It would also define evaluation criteria and assessment procedures. Even when the regions do not feel strong enough to take part in such agreements, the principle of subsidiarity requires giving democratically-elected politicians a say in EU funds allocation and management. Regions should therefore have a stronger influence at least on the definition of the institutional arrangements set up to implement cohesion policy in their country.

In this respect, AER has seen some progress with the proposal by the European commission to use the term of “Development contract”. However, we are still very much stressing the importance of integrating all regional authorities who are in a position to be involved as full partners into these contracts, so that they can participate in the definition of the few priorities they will have to concentrate on.



Informal meeting of the Ministers responsible for cohesion policy, Liège, 22/23 November 2010 - Family picture
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4. A Council for Cohesion policy

As proposed in the Barca report, AER takes on board this idea, underlining that this council should be constituted of Ministers in charge of regional development within their government, and not only finance ministers. Creating such a council would give better coherence and visibility to cohesion policy, which is what it lacked most in the past years. The structure and policy objectives should be designed and decided before, or in parallel, to the negotiations on the budget. Creating a Council for Cohesion policy would allow for a better timing in the various decisions relating to cohesion policy: objectives and priorities could then be defined before the finances, which is likely to enhance the efficiency of the measures taken.

Meanwhile, in the framework of the present institutional arrangements, AER calls for regular political debates in the Council of General affairs and the European Parliament at different stages in the implementation of European structural funds programmes.

An agreed overall goal, clearly identified objectives and priorities in line with the main challenges coming ahead

An overall goal

EU regional policy's first goal is economic, social and territorial cohesion, that is to give all European citizens equal opportunities wherever they live in Europe.

Involving regions in the very early phase of designing future programmes:

As was the case for the Lisbon strategy from 2007 onwards, regions will play a key role in making the Europe 2020 strategy a success.

That is why cohesion policy will be the main instrument for implementing Europe 2020: European regions should therefore be able to participate in the design of the flagship initiatives, so that synergies can be created with the territorial challenges and opportunities. Aligning structural funds with Europe 2020 is also a good measure in order to strengthen the European added-value of structural funds programmes and make sure that the European dimension is taken into account when using community funds.

However, this should not happen at the expense of territorial needs and opportunities: the final objective is to support socio-economic and territorial cohesion. To avoid the risk of subordinating cohesion policy to Europe 2020, multi-level governance should be implemented without an excessively top-down approach, which would reduce ownership and limit the impact of the programmes on the ground. For example, the indicators chosen to assess whether the implementation of Operational programmes meet the objectives laid down in both the territorial strategy and the new "Common strategic framework" should be jointly determined between the EC, Member states and regional actors. Indeed, evaluation indicators should be adapted to the characteristics of each territory.

Clearly identified objectives

The current architecture is relevant and clear enough for all stakeholders. Introducing major changes to this architecture would be likely to bring confusion and to make it difficult for regions to build upon their past achievements. Today, the three objectives are organised as follows:

- First of all, an objective of convergence in lagging-behind regions (Up to 75% of EU average GDP), providing strong financial support, aimed at developing infrastructure, adapting the labour market to the challenges created by EU accession, reaching the EU environmental goals...
- Secondly, the objective for "competitiveness and innovation" is supporting all European regions for them to make the best out of their territorial potentials and reduce weaknesses, mainly by reducing social inequalities, improving their

innovation and growth potential and developing a greener economy.

- Thirdly, the objective of territorial cooperation aims at reducing territorial deficiencies due to national barriers and creates a feeling of common belonging among European citizens.

Should transition regions become a category of its own, it should be named as a 4th objective, in order to keep the architecture clear. A transition objective would aim at reducing the phasing-out and mitigate negative effects that many regions face at a certain point of their development. The criteria for this objective should therefore be made as fair as possible and straightforward enough to avoid any ambiguity on the status of one region or another. Regions situated at the different thresholds should especially be considered.

In the past years, it has been assumed that improving economic efficiency would automatically trigger a reduction of inequalities.

AER argues that it is not always the case and, apart from the purely economic agenda, pleads for:

1. **A social agenda** that would constitute a leading priority of cohesion policy, with earmarking and conditionality principles. In this respect, the use of the European Social Fund is a central asset for European regions, in the framework an integrated approach to social policies at territorial level, in coordination with national measures and a European social strategy.
2. **An environmental agenda**, also constituting a key priority for cohesion policy, with earmarking and conditionality principles. Indeed, in the context of climate change and more general environmental concerns, it seems fair to consider Gothenburg as a similar pre-requisite for regional development.
3. These general priorities should then leave room for each region to define, in cooperation with their national governments and the European commission, a **coherent and integrated strategic plan**, based on their territorial capital.

A policy for all Europeans

Cohesion policy should not concentrate on the poorest regions only, for the following reasons:

- Even though the solidarity dimension is extremely important, the need to develop a common sense of belonging among European citizens is not less crucial.
- Social and territorial inequalities are not necessarily related to GDP and need to be tackled everywhere in Europe.
- The main objective of cohesion policy is economic, social and territorial cohesion, that is to make the best out of a given potential. Therefore, all regions potentially need support to improve their potential, provided that there is a European interest in co-financing it. (Innovative project, cross-border added-value, exemplary value, contribution to overall territorial cohesion...)
- As regions are best placed to implement Europe 2020 and that there is no specific financing instrument foreseen for the strategy as such, they all should be financially supported in this context.

In this context, AER recommends the following:

Maintaining a strong convergence objective and anticipating future enlargements

The convergence objective is not only the symbol of European solidarity but also the main EU tool to support regions in their catching-up process: the budget that is allocated to this objective should not be reduced. In addition, it is extremely important that any decision to be taken keep future enlargements in mind, in terms of budget but also in terms of priorities and rules. It would cause serious difficulties if the rules and budget had to be revised in the course of a programming period because of one or several countries joining the EU. If there is no certainty about future enlargements when the decisions concerning the next period are made, different scenarios should then be foreseen and agreed on in advance.

Transition category

AER welcomes the announcement of a transition category, provided that it becomes a clear objective, with transparent criteria and focused priorities.

Continuing to support all European regions for competitiveness and innovation

Even in the wealthiest regions and cities, poverty rates are high, environmental challenges are massive, migration and demographic change pose challenges that need to be tackled. In addition, strong regions are a motor for the European Union. In these regions, European support should not be reduced. AER encourages the EC to pursue its effort and to bring forward the urban dimension, since cities face specific challenges, regarding environmental degradation, social inequalities and poverty rise, traffic congestion, social unrest...

In addition to this continuing support, further types of funding can be foreseen (low-rate loans, micro-credit...). Concerning the possibility to modulate the level of co-financing

according to regions' GDP, it will be demonstrated further below that GDP is an insufficient indicator to assess the challenges faced by objective 2 regions. It therefore seems difficult to modulate co-financing only on this basis. Such a top-down and one-size-fits-all approach would lead to significantly unequal treatments between objective 2 regions, bringing back to the surface the issue of thresholds; the latter would undoubtedly penalise those regions close to the limit of a given level.

In all regions, targeted and innovative programmes dedicated to specific difficulties can:

- Show citizens in richer regions that Europe can be useful to them too and that they are not only distributing their money to newly arrived and poorer countries.
- Convince all citizens that Europe is not only deregulating the market but that it can also improve their daily lives.

Considering that **all regions should benefit from EU funding**, with varying levels of intensity, **new indicators, apart from GDP, should be defined** in order to allow for a more refined definition of eligible regions, the level of funding and policy evaluation.

GDP and additional indicators

Asserting that indicators are narrowly correlated to the political objectives attributed to a policy is nothing new. At a time when cohesion policy should fully align with Europe 2020, a strategy that encompasses the main challenges ahead, and surely not only competitiveness and production issues, it is more than timely to think about how we can accurately measure the situation of each European region regarding Europe 2020 objectives.

Increasing wealth in Europe

It would be very restrictive to assert that the EU only aims at increasing its citizens' wealth. Even in that case, GDP per head only would not accurately inform policy makers on the actual wealth of their citizens. Household disposable income and consumption would usefully complement GDP so to have a clear picture of the standard of living of regional populations. Similarly, measuring commuting flows and combining it to GDP per head brings a number of corrections that allow decision-makers to have a more precise picture of territorial wealth.

Improving competitiveness is another major objective of Europe 2020. However, GDP and employment rates only do not provide a precise measure of the competitiveness of a territory. One needs to specifically measure the degree of innovation and the attractiveness of the territory in order to map regional competitiveness.

If economic development is not the only objective of cohesion policy, new indicators are needed to assess the situation of regions regarding the other objectives.

Reducing Territorial disparities

Income distribution

Cohesion policy is about reducing inequalities among territories in Europe: measuring how income is distributed would give a more precise idea of inequalities between European regions than just with a comparison between GDPs per head. As explained in the Report by the Stiglitz Commission on the measurement of Economic Performance and Social Progress¹, substantial increases of inequalities are not accurately assessed by GDP because some *“people can be worse-off even though average income is increasing.”*

Infra-regional disparities

Disparities should not only be measured at national and regional level: infra-regional disparities are often growing in regions that are in a catching-up process. Many “objective

¹ Report by the Commission on the Measurement of Economic Performance and Social Progress, Professor Joseph E. STIGLITZ, Chair, Columbia University Professor Amartya SEN, Chair Adviser, Harvard University Professor Jean-Paul FITOUSSI, Coordinator of the Commission, IEP, 2009 (<http://www.stiglitz-sen-fitoussi.fr/en/index.htm>) p. 8

2” regions also point out the significant territorial inequalities they have to deal with, which cannot be identified by the current measurement systems. It is not because the GDP of a region/country is growing that there can be no increase of people living in or at risk of poverty. The distributional issue is key and disparities need to be measured accurately if any policy aiming at reducing them is to be successful.

Sustainability and well-being

Measuring sustainability and well-being is tremendously difficult but still, assessing where and how a territory needs to receive support would provide some relevant information. Health, environmental quality, education, living conditions of the growing elderly population, youth unemployment are all factors of strategic importance for future regional development, which should be reflected in specific indicators. It will be increasingly difficult to assess the impact of structural funds in regions if we are not in a position to measure improvement in these sectors at a European scale.

Measuring sustainability

As explained in the Report by the Stiglitz Commission on the measurement of Economic Performance and Social Progress², the environmental crisis fails to be sufficiently reflected in our current measurement systems. Measures of economic performance that would reflect the costs due to environmental degradation may differ from standard measures. In order to measure sustainability, indicators are required that inform us about the changes in the quantities of the different factors that matter for future wellbeing. Within the European Commission, with the Communication to the Council and the European Parliament: “GDP and beyond – Measuring progress in a changing world”³, the Directorate General on environment has been working on harmonising environmental indicators: the outcomes of this reflection should be shared among the different institutions and DGs.

Complementing GDP with further indicators

GDP is not deficient as an indicator in itself: the main problem today comes from the fact that GDP is often misused. For example, GDP has often been treated as if it were a measure of economic well-being. As stated in the conclusions of the EC Communication to the Council and the European Parliament: “GDP and beyond – Measuring progress in a changing world”⁴: *GDP should be taken for what it is: “a powerful and widely accepted indicator for monitoring short to medium term fluctuation in economic activity, (...) For all of its shortcomings, it is still the best single measure of how the market economy is performing. But GDP is not meant to be an accurate gauge of longer term economic and*

² Report by the Commission on the Measurement of Economic Performance and Social Progress, Professor Joseph E. STIGLITZ, Chair, Columbia University Professor Amartya SEN, Chair Adviser, Harvard University Professor Jean-Paul FITOUSSI, Coordinator of the Commission, IEP, 2009 (<http://www.stiglitz-sen-fitoussi.fr/en/index.htm>)

³ Communication from the Commission to the Council and the European Parliament – Beyond GDP - Measuring progress in a changing world - COM(2009) 433 final
(<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0433:FIN:EN:PDF>)

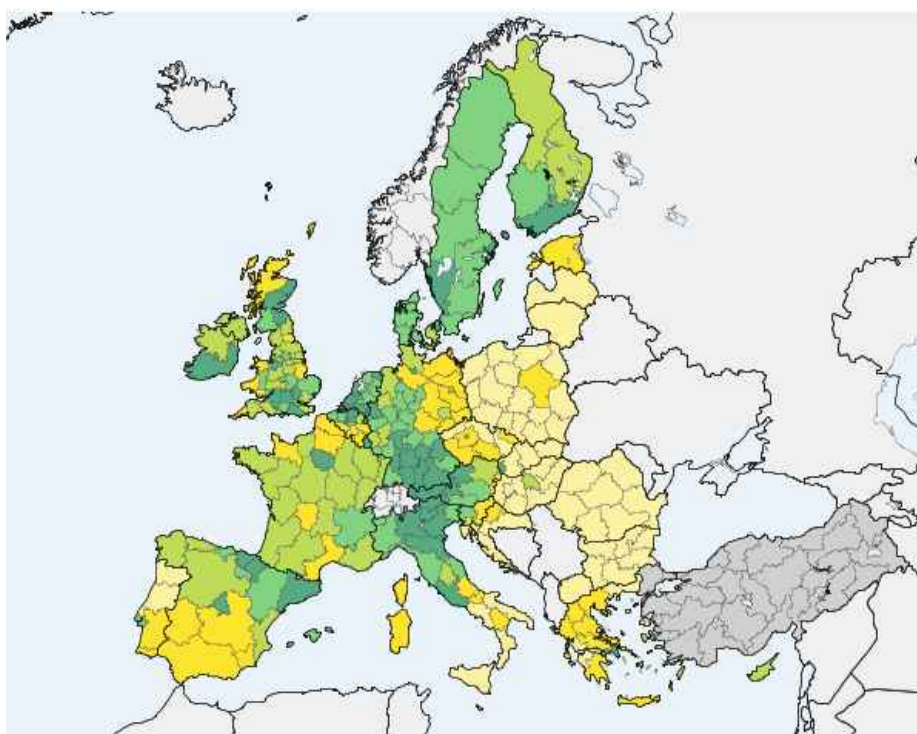
⁴ id. P.10

social progress and notably the ability of a society to tackle issues such as climate change, resource efficiency or social inclusion.” GDP in itself is not sufficient to assess economic health and is not meant to be an accurate indicator of the capacity of a society to tackle issues such as climate change or social inclusion. For this reason, future policies should be based on data that cover all these major issues.

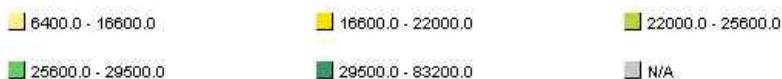
AER main recommendations:

Time has therefore come for our measurement systems to no longer concentrate only on measuring economic production but to start measuring people’s well-being and sustainability of our territories’ overall development. This does not mean dismissing GDP and production measures but bringing forward additional indicators and criteria to assess the situation in a region.

Regional gross domestic product (PPS per inhabitant), by NUTS 2 regions - [tgs00005]
2007



Legend



Minimum value:6400.0 Maximum value:83200.0

Source of Data:: Eurostat

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Last update: 18.11.2010

Date of extraction: 19 Nov 2010 14:08:29 MET

Hyperlink to the map: <http://epp.eurostat.ec.europa.eu/tgm/mapToolClosed.do?tab=map&init=1&plugin=1&language=en&pcode=tgs00005&toolbox=legend>

Disclaimer: This map has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible.

General Disclaimer of the EC: http://europa.eu/geninfo/legal_notices_en.htm

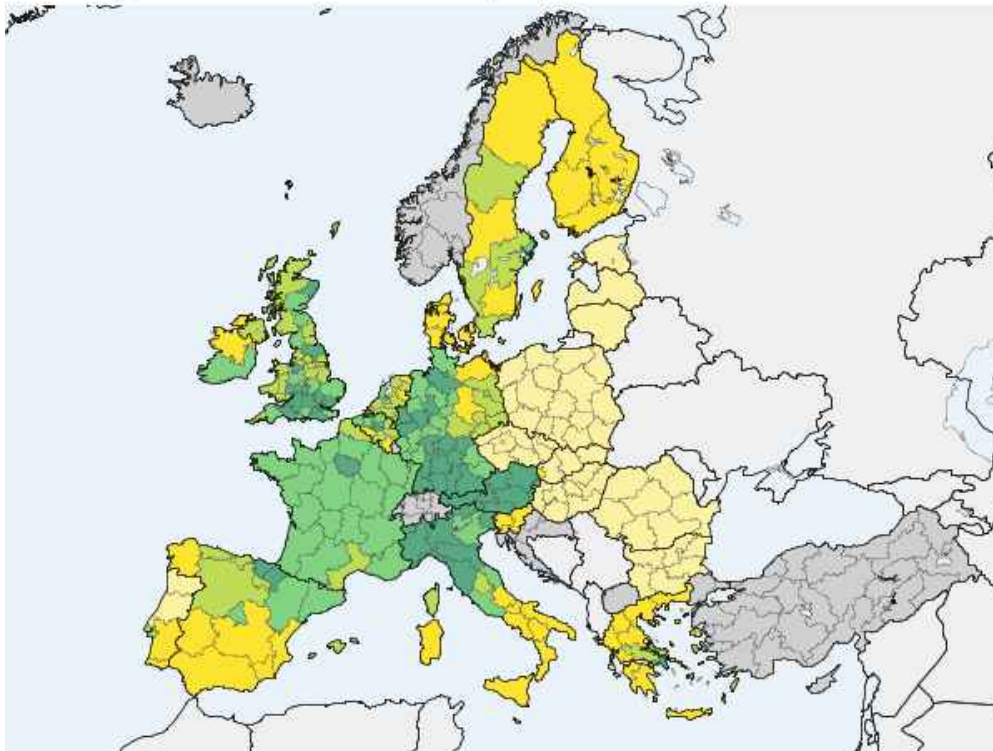
Short Description: GDP (gross domestic product) is an indicator of the output of a country or a region. It reflects the total value of all goods and services produced less the value of goods and services used for intermediate consumption in their production. Expressing GDP in PPS (purchasing power standards) eliminates differences in price levels between countries. Calculations on a per inhabitant basis allow for the comparison of economies and regions significantly different in absolute size. GDP per inhabitant in PPS is the key variable for determining the eligibility of NUTS 2 regions in the framework of the European Union's structural policy.

Carrying out some substantial research work

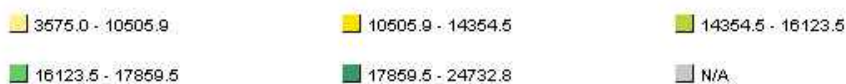
Increased effort should be dedicated to research in the area of measuring the combination of wealth, competitiveness, sustainability and well-being. Of course, some extensive research work would be needed, which could be carried out in the context of ESPON for example, with the support of Eurostat and in coordination with institutions like OECD, who have themselves already completed substantial research work in this field. The main challenge for such research work, apart from collecting the data, which is sometimes available at different levels and in different organisations, would be to provide decision-makers with comparable and easy to use information.

Disposable income of private households, by NUTS 2 regions - [tgs00026]

Purchasing power standard based on final consumption per inhabitant - 2007



Legend



Minimum value:3575.0 Maximum value:24732.8

Source of Data:: Eurostat

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Last update: 18.11.2010

Date of extraction: 19 Nov 2010 14:11:18 MET

Hyperlink to the map: <http://epp.eurostat.ec.europa.eu/tgm/mapToolClosed.do?tab=map&init=1&plugin=1&language=en&pcode=tgs00026&toolbox=legend>

Disclaimer: This map has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible.

General Disclaimer of the EC: http://europa.eu/geninfo/legal_notices_en.htm

Short Description: The disposable income of private households is the balance of primary income (operating surplus/mixed income plus compensation of employees plus property income received minus property income paid) and the redistribution of income in cash. These transactions comprise social contributions paid, social benefits in cash received, current taxes on income and wealth paid, as well as other current transfers. Disposable income does not include social transfers in kind coming from public administrations or non-profit institutions serving households.

Further involving territorial actors in the definition of indicators for the distribution of funds and impact assessments:

In countries where it is not the case, there should be a negotiation process between all regions and the national government, for the definition of eligibility criteria that reflect at best the socio-economic situations of the territories and impact indicators that take territorial characteristics into account. For instance, infra-regional disparities could also be taken into account at national level when deciding on the distribution of EU funds among regions.

To conclude, reflecting on indicators will require genuine thinking on what Cohesion policy is really about. If it is only about rising GDP in the poorest regions in Europe, then GDP is enough. It seems evident however that cohesion policy is about much more than just increasing GDP per head and is also about social and territorial balance: there is consequently a urgent data gap to fill-in in order to adequately distribute European funding, at a time of budgetary constraints, and to accurately assess the impact of structural funds on regional development.

Economic recession

The survey carried out by AER to establish how European regions have reacted to the economic recession, showed that they adopted a number of measures including:

- Public investment, in particular in the “Green economy”, based on innovation;
- Access to finance for SMEs in difficulty;
- Training and development of skilled labour.

By supporting entrepreneurship and SMEs and boosting their innovation capacities, regional authorities contribute to turning the recession into an opportunity to strengthen regional economies and safeguard jobs. This will have to be taken into account in the next programming period of cohesion policy.

Even if the recession may be behind Europe by the time the new cohesion policy starts, it should be seriously taken into account for the priorities of the new programming period:

- Indeed, whenever the recession will be overcome, it is essential that all levels of governance and all economic actors **take lessons from this crisis** and learn for the future.
- This recession will have a **long-term impact**: Europe cannot just continue as if nothing had happened. European and national leaders should pay careful attention to the experience of regional actors and the answers they have found to overcome the recession, in particular when it comes to supporting SMEs.
- The **social consequences** of the present recession are deep and broadly spread, with the level of unemployment rising everywhere in Europe.
- Cohesion policy should also help the weakest regions to set up **sustainable financial and economic structures**, better able than today to resist crises.
- Regional economic actors should be trained in **foresight exercises**, which can help anticipating a downturn in a particular sector, hence speeding up the transition of a traditional sector towards growing activities, such as services or green industries. In this respect, the

European Social Fund has a strong part to play, training European workers to these new branches of the economy.

If the present situation can encourage European regions to diversify their economies towards new growing sectors, to reinforce their economic and financial structures and institutions and to learn how to foresee future possible economic downturns, they will come out of the recession even stronger than before. Yet, they need support to do this and these initiatives should be supported by ERDF and ESF.

Principles and rules

Concerning the main principles ruling cohesion policy, AER recommends the following:

1. The **Additionality principle** should be re-emphasised and better observed: EU money is distributed to support EU-added value initiatives with an objective of territorial cohesion. Eu financial support cannot replace national funding and should always be in line with EU priorities and objectives. Additionality should be contractual and a condition for the continuation of financial support. To this end, the additionality principle should be regularly monitored by the European Commission and the European Parliament, on the occasion of the debates that AER called in the first section⁵.

2. The **Conditionality principle**: the principles and rules of cohesion policy must be respected and the activity and financial reports should show positive outputs.

The main conditions should be based on the coherence of the programmes and consecutive projects and the main EU orientations, regarding environmental rules as well as from a socio-economic perspective. Also, the policies carried out on the ground have to be coherent with the strategies laid out in the Operational Programmes.

This conditionality principle should however remain flexible enough to allow for adjustments in case of extraordinary difficulties (such as delayed public investments caused by an economic recession) and should take into account the inconvenience caused to projects holders, when for instance, co-financing agreements are delayed or not respected.

In addition, conditions should only apply where those receiving the funds in the end, have a responsibility in the implementation of the conditions. This leads us to the macro economic conditionality proposed by the European Commission in the Budget Review published on 19 October 2010⁶, on which AER can only disagree. Reducing funding at regional level because the national government did not carry out a number of reforms seems unfair, politically unrealistic and counter-productive. It would mean making regional

⁵ Section 1: "A European Union Regional Policy defined and implemented in full partnership with European regions"

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the National Parliaments – The Budget Review, Brussels, 19.10.2010 COM(2010) 700 final

development dependent on national governments' ability to reform, turning a blind eye on the national political stakes and on ground realities.

Conditionality should also be positive: the suggestion of rewarding efficient regions with a reserve fund seems interesting, as it can constitute a strong incentive, at political level in particular.

3. **Partnership principle:** this principle has allowed for a better participation of regional authorities in the past and should continue. There is still a long way to go, in particular in older member states where regional authorities are still not in charge of managing structural funds. In countries where experience has shown that regions could successfully act as Managing Authorities, the principle should be spread to all regions asking for it. In other countries, experiences should be carried out in order to assess the capacity of regional authorities to hold such a responsibility. In newer member states, there is a strong need for technical assistance and training to allow regional authorities to improve their administrative capacities and staff.

4. The **Programming principle** is not to be questioned and remains the best way to effectively plan a long-term European strategy for regional development. It **provides all stakeholders, and regions in particular, with a significant degree of certainty**. Regarding the calls for proposals, AER suggests replacing periodic calls for projects by ongoing calls in territorial cooperation programmes. The projects could be sent to the secretariat at any time, which would avoid the uncertainty of EC calls and problems linked to short deadlines. A longer period of time to prepare applications would increase the quality of projects. It would also solve problems linked to the N+2 rule. Ongoing calls are already possible in the framework of Operational Programmes but this option is rarely chosen. In this context too, ongoing calls should be encouraged when the types of programmes concerned allow for it.

Rationalising and simplifying the management of structural funds:

European structural funds programmes are, unlike many thematic programmes, well articulated with local and regional mechanisms. Nonetheless, asserting that the administrative burden is hampering the efficient and successful implementation of European-funded projects by regional/local actors is nothing new. The main factors hampering the use of European funds are the complex and bureaucratic application processes; the disproportionate and heavy auditing and control procedures; and the restrictive and inflexible monitoring and reporting procedures.

The European institutions and Member States should be aware that when rules keep changing, outcomes are less effective than expected. The adaptation period needed when new implementation rules are defined should not be underestimated. However, a number of harmonising management and controlling procedures are necessary, provided that they **do** not only apply at EC level, but also benefit regions.

A network on the pattern of the European Network for Rural Development could be set up, in order to share outcomes of programmes and projects, ideas of reform, problems of implementation... All cohesion policy actors should be represented in this network, via the different interregional organisations, along with representatives from all EU institutions and national Ministries. This **European network for cohesion policy** should be open enough to allow for discussion on all topics.

Regarding the main procedures ruling cohesion policy, AER recommends the following:

Making financial management smoother

AER supports the EC's idea of only reimbursing national authorities once the corresponding contributions have been paid to beneficiaries. This will for sure significantly speed up the payment processes to the final beneficiaries.

AER encourages the European Commission to continue supporting and promoting the use of simplified methods of reimbursement, including encouraging the member states that have not done so to translate these new measures into national law, so that Managing Authorities can decide on whether or not they find it relevant to use them. Even though flat rates, for example, initially involve substantial additional work for Managing Authorities, using them proves very beneficial for project holders, since it significantly reduces red tape.

AER recommends further investigation further on a single-level auditing mechanism, which would replace today's different control layers, going up to six possible audit levels for one single project.

It would also be beneficial to control projects in a more proportional way: small-scale projects should have less administrative burden than larger ones.

Finally, in order for project holders and programme managers to mainly concentrate on the policy implementation and coherence of the programme with EU and territorial strategies, it could be time to reverse the burden of proof, maybe starting with those countries and regions that have long proven their ability to efficiently and reliably manage structural funds programmes. In these regions, controllers could proceed with sampling and not systematic

controls. Without losing sight of the need to make sure European money is spent efficiently and in accordance with the principles laid down at EC level, the culture of suspicion should be replaced by a culture of trust.

Reducing uncertainty

Uncertainty is one of the main obstacles hindering the efficient implementation of structural funds but also making it difficult for beneficiaries to propose innovative and ambitious projects. Indeed, it is commonly acknowledged that innovation means taking risks, which proves very difficult in the context of structural funds. To reduce uncertainty regarding the implementation rules, a clarification of these rules is essential.

The regulations and implementation guidelines governing the use of EU funds should be adopted, finalised and made available on time before the programmes start and should not be changed in the course of the period. Similarly, Member States have to inform all partners on the various auditing authorities and methods before the start of the programming period.

The lack of coordination between rules at different governance levels is a serious obstacle to efficiency and risk taking, since each level of governance has a varying interpretation of which rule should apply in the end. This interpretation may change from one interlocutor to another in the same period of time. It may also change within the same authority between the beginning and the end of the period.

In the case of territorial cooperation, the national eligibility rules should be better coordinated, if not harmonised, at least on key issues such as overheads, per diem, involvement of private sector, staff and administrative costs, first level control, public procurement rules... The lack of clarity also comes from different provisions for the different ETC programmes on how to interpret these national differences. This applies for example to per diem and first level control.

All these factors create a complex and fluctuating set of rules that involve a high dose of risk when implementing European programmes in general.

Better coordination between national and European rules, between the different authorities in charge of implementing and monitoring the programmes, but also among the different DGs of the European Commission, including DG competition, would prove very beneficial to the quality of the programmes.

Better assessment of the programmes' implementation's quality

Monitoring and evaluation should focus more on impact assessment, before the start and after the end of a project. Specific evaluation criteria should be defined at the earliest stage of the programming phase, when the objectives and priorities are set in cooperation between EC, Member States and regional authorities. These indicators should be both quantitative and qualitative and, with reference to the chapter on indicators above, be coherent with the different objectives of the programmes.

Reporting procedures, in particular, should also be harmonised as much as possible across different programmes.

Making the de-commitment (N+2) rule more flexible

This rule, although essential in order to ensure the efficiency of project management, has a number of negative effects. Beyond the administrative pressure it operates at the expense of content-related activities, this procedure tends to hinder the creation of innovative projects and favours projects that have a potential to rapidly absorb a large amount of funding. The EC's proposal to except the 1st year for all programmes seems to be a good start but will not in itself fully solve the problem. The solution suggested in the Barca report - implementing the N+2 rule over the entire country rather than at programme level - could also be an interesting option. An experimentation period in one Member State could be foreseen before 2013 in order to assess the workability of the proposal. Furthermore, and whatever the system chosen in the future is, this N+2 rule should be made more flexible, in particular in exceptional times such as the economic recession Europe is now going through, where co-financing is often missing or delayed in projects that involve a strong public investment.

Enlarging the partnerships

More flexibility should be considered for public/private partnerships and smaller entities (sub-regional entities). To be attractive to companies, the investment should bring profit in the near future. Regarding the private sector, more legislative certainty is absolutely crucial if the private sector is to be convinced to get involved in European projects, which is becoming increasingly necessary when dealing with competitiveness, smart growth, labour market measures, development of green-businesses... Regions are often asked by the European Commission to involve the private sector but in practice, such partnership are very complicated to establish. Not only is there the issue of how enterprises can concretely be involved but also how to convince them to get involved.

Firstly, state aid regulations often discourage Managing Authorities from accepting partnerships involving private stakeholders, in particular due to the strict rules regarding public funding to private companies. The profit issue and

varying national interpretation regarding its measurement also create uncertainty in this context.

Secondly, public procurement rules also hamper the participation of private stakeholders, who are doubly impacted. Indeed, public procurement rules apply for choosing the private partner that would participate in a given project. This discourages regions and other partners to enter into partnerships with private sector companies since it involves additional paper work and added constraints. Similarly, this involves additional red tape to the potential private partners, who, once they are full partners in the project, will also have to comply with the same public procurement rules as any public authority in the context of the project.

Even though AER is aware that state aid regulations and public procurement rules are essential to preserve the common market, we strongly recommend simplifying the regulation regarding the involvement of the private sector in structural funds programmes, including European Territorial Cooperation.

Coordination between EU funds

Coordination must be improved between cohesion policy and other policies involved with territorial development, such as state aid, transport, employment and social policies, environment, enlargement etc. This applies at all governance levels. Increased synergy between future EU regional policy and other community policies is necessary to ensure optimal investment and increase its efficiency. It is particularly important to improve the cooperation between DG REGIO and DG Competition, regarding the application of rules involving the private sector or support that may be granted by the Managing Authorities to potential beneficiaries, during the project preparation periods.

AER welcomes the idea of a Common Strategic Framework and hope it will enhance the coordination between the funds and make sure they are all used towards the same objectives.

Coherence between rural development and cohesion policy:

Synergies should be enhanced between CAP and Cohesion policy, in order to support a multifunctional development of rural areas. The challenges faced by rural areas should be taken into account in the guidelines.

The link between the second pillar of the Common Agricultural Policy and Cohesion policy is a sensitive point. Although it is undeniably necessary to better coordinate both policies, which both have a strong territorial impact and an influence on development issues; the two policies are nonetheless not interchangeable. Bridges should be foreseen to foster the non-agricultural factors of rural development. The provision of public goods and services of general interest in rural areas currently often constitute a grey zone where it is very difficult to find financial support for projects. Similarly, the question of accessibility, closely linked to environmental issues and services of general interest are at the border between the 2nd pillar of the CAP and cohesion policy. New mechanisms should therefore be foreseen to allow for the definition of programmes providing joint support from ERDF, ESF and EARDF to these projects.



Stronger integration between ESF and ERDF

The European Social Fund should be regionalised and work with similar rules to ERDF to enable tailor-made approaches, which address the real problems faced by the regions, in key areas such as employment, human

capital, poverty, housing... Enhanced coordination between DG Regio and DG Employment and Social Affairs would be highly beneficial to future cohesion policy.

Territorial cooperation

Stronger priority should be given to territorial cooperation after 2013, in order to build upon the extensive experience acquired all over Europe and the knowledge accumulated in the past 20 years, and to foster new partnerships, which encourage innovation and constant improvements in regional administrations. In this respect, it is absolutely essential to keep the INTERREG label for European Territorial Cooperation: grounds practitioners know and make use of this European label.

Territorial cooperation is at the root of cohesion policy for several reasons:

- It is the main instrument in Europe to develop a feeling of common belonging and interlinked future, to make people from different countries and regions work together and make this become something normal and customary for future generations. This is a learning process where territorial cooperation plays a great part.
- The common market is about mobility throughout Europe and synergies of competences: this can only be achieved with programmes encouraging those regions that are not situated on borders to cooperate with each other, to convince them that they can improve their own results taking into account what is being done elsewhere. There can be no territorial cohesion if people are not encouraged to work together on similar issues.
- Territorial cooperation is THE mark of EU added value: ETC programmes make it possible to achieve activities that would never be carried out if they were not being encouraged by the European Union.

Beyond the budget issue, improving territorial cooperation is about ensuring the appropriate institutional support and reducing obstacles, especially at Member State level.

AER recommends the following:

Europe 2020 and main orientations of European Territorial cooperation

Clearer priorities should be attributed to territorial cooperation: they should be defined after a formal discussion with the regions and their representative organisations. The objective of territorial cooperation, should articulate Europe 2020 priorities with territorial needs, based on a regional strategy in which the projects should be integrated.

Architecture of European Territorial Cooperation

Each strand of territorial cooperation should also have with delimited objectives, so that their differences are more clearly identified.

1. Programmes should be limited in priorities but not in methodology: it would be easier for regions to integrate ETC programmes into their development strategies if a broader scope of activities and types of partnerships was available.
2. The field of possible activities in the Interregional strand of Territorial cooperation (INTERREG C) should be enlarged. In particular, partners should have the possibility to elaborate beyond the sole exchange of best practices: pilot actions and concrete joint implementation activities should be made possible.
3. The “**networking policy**”, developed in the context of INTERREG IVC should be pursued with caution. Structural funds should not be used to finance the creation of hundreds of isolated networks with generally limited visibility, overlapping objectives, no long-term planned concrete activities. The purpose of these networks should be specific, innovative and a long-term objective should be clearly stated.
4. **A priority should be dedicated to pilot innovative projects.** A number of targeted programmes could be developed in a new shape⁷ with specific de-commitment rules and appropriate EU financial and administrative support.
5. The importance of **external borders** is crucial in the framework of territorial cooperation, which should be better associated to the Union's neighbourhood policy to ensure the distribution of best practices beyond the boundaries of the Union. The participation of non EU-members in territorial cooperation projects should continue to be highly promoted.
6. Better promote the **European Grouping for Territorial Cooperation**, as a tool to facilitate cooperation. It will take time to assess whether the tool is effective or not. A better evaluation can surely be made in the end of the current programming period⁸.
7. Territorial cooperation should be more open to **private stakeholders**; innovation cannot fully be promoted if private research centres and

⁷ The Barca report suggests creating a programme entitled “Innovative territorial actions”

⁸ cf. Annex “AER First comments to the EGTC consultation – Working paper by the AER General Secretariat,” and “The EGTC and your Region: Testimonies” July 2010.

companies are left out. Private stakeholders should be able to become full partners in territorial cooperation projects. Please see above for more details on the obstacles hindering the participation of enterprises in structural funds programmes.

8. Additional measures to **mainstream territorial cooperation within the Operational programmes** should be further explored. AER recommends reinforcing article 37.6b, which gives additional opportunities for regions to cooperate and integrate the partnership into their development strategies. In that case, the differences with the ETC objective and the opportunities raised by this provision should be more and better communicated upon.

9. **The new macro-regional scheme** has stirred up an extraordinary number of comments since its creation and some proposals have already been made to have it better integrated with the territorial cooperation objective. For the moment though, macro regions should be taken as what they are: an experimentation that will surely give indications on the capacity of such large multinational areas to organise and coordinate in a way to build common strategies, to optimise the use of financing and implement coordinated policies. Macro regions essentially consist in giving an institutional framework to already existing cooperation schemes, from a top-down perspective. AER will follow-up on this issue, to examine and assess if the new concept of macro-region can become an interesting tool for cohesion policy and bring genuine benefits to regions.

Improving strategic planning and fully integrating ETC programmes into regional development strategies

European territorial cooperation programmes often suffer from weak political endorsement and therefore a limited integration into regional policies. These difficulties come from a lack of ownership of the programmes, since regional authorities are often left aside from the main decisions at the programming phase. An inadequate focus is also placed on administrative and financial issues in the application process, which leaves too little room for building strong partnerships and well-designed policy-oriented projects. In order to improve the regions' policy-oriented approach to territorial cooperation projects and integrate them within long-term strategies, *the Assembly of European Regions recommends the following:*

Governance

All accepted ETC projects should correspond to well-expressed territorial needs, integrated into a regional strategy and the Operational Programme(s). This is only possible if regions are fully able to build their operational programmes, based on their knowledge of territorial challenges and

opportunities and that these are not only decided centrally, with no or limited consultation of the regional actors.

European Territorial Cooperation programmes are mainly designed for regions. Therefore, it should be time that EC funding is distributed at programme level and not to the Member states. Such a decision would avoid the recurrent trade-off approach and would provide an always more collaborative dimension to ETC.

Preparation period

Defining appropriate indicators for assessing not only the direct outputs but also the long-term impact of the projects:

Territorial cooperation, in particular interregional cooperation, aims at developing behavioural changes, which is very difficult to measure, at least not in a quantitative way, and not in the short-term. In order to overcome these difficulties, the planning phase of the project should be improved. Local/regional actors should be able to propose objectives and indicators to assess the progress made towards these objectives. Asking projects holders to meet regularly before they submit the bid to discuss and propose indicators themselves would clearly increase the sense of ownership. Only local actors can assess which kind of indicators could more accurately measure their behavioural changes.



Improving the quality of partnerships and strengthening partners' commitment

Well-prepared partnerships, with limited number of partners who show a strong commitment to the project, seem to be key factors for successful projects despite the usually limited budget implications. Therefore, the main concern of the applicants during the preparation of the bid should be to build sustainable partnerships and find relevant partners, instead of mainly concentrating on financial and administrative constraints, which are irrelevant compared to the usual amount of money involved. At that stage, the involvement of the political level is central, in order to ensure that the projects are fully integrated in the policy-cycle and benefit from political support in the partner regions.

Allowing applicants to concentrate on policy-oriented content and better integrate the projects into their regional strategies

To this end, application procedures should be made lighter: all the documents that are currently requested are not of an absolute and immediate necessity and could be requested at the occasion of a second level control, or in the context of the 1st semester report. Similarly, originals should not be compulsory and digital versions should be accepted in all the calls for projects. This would go some way in easing the application process.

The low success rate and the administrative burden related to the submission of a bid prevent a number of regions or local authorities to invest too much resources in the preparation phase, which should focus more on the quality of the partnership than on bureaucratic procedures and financial matters.

Supporting applicants during the application phase

Consequently, there is a need for financial support during that preparation phase, in order to make sure that the content of the projects and the partnership are strongly aligned with European and regional priorities and deliverable in the available time.

One proposal could be a two-step selection phase: a first phase with a concept idea, type of partnership, outline work plan, according to a template that all applicants would have to follow. The second phase would involve a group of pre-selected applicants, who would receive some funding to elaborate their project plan further. A number of pre-application meetings could be requested, including at least one meeting with the Managing Authority, several meetings between the partners (who should be considered as such before the project is accepted) in order to get to know each other, establish the main guidelines and indicators of the project and decide on each partners' tasks in the projects. Even if all projects are not likely to go through to stage two, this exercise would be a learning process, compiling experience on project preparation, which would serve the applicants in future calls. As this preparation period would be co-financed, this could be considered by regional authorities and the European Union as an investment in capacity-

building. This would in particular partly solve the problem regularly pointed out by the Commission that some regions rarely/never participate in ETC programmes.

Conclusions

This White paper was born from a double finding by AER and its member regions : cohesion policy is a crucial asset for European integration, favouring not only a genuine solidarity between the people, but above all showing what the EU can bring to its citizens, wherever they live. It is also the target of many criticisms, due to its second position budgetary-wise, it is concentrating the preoccupations linked to possible mistakes, implementation irregularities and most of all a lack of efficiency induced by an outdated evaluation system.

In this context, AER recommends the rationalisation of the rules for distributing the funds, an increasingly decentralised implementation and the reduction of legal and financial uncertainties that beneficiaries and Managing authorities suffer from. To this end, an increased and improved coordination between the different DGs of the European commission would guarantee the success of the integrated approach inherent to cohesion policy.

Beyond the implementation issue, and in order to make sure this policy is granted with clear and agreed objectives, it is essential to launch an institutional modernisation of cohesion policy, which the Lisbon treaty initiated when giving more weight to the European Parliament and stating the objective of territorial cohesion. The debate on cohesion policy must not only involve regions, which would be possible in the framework of tripartite contracts, but must also take place at the EU's highest decision-making level, thanks to a permanent Ministers Council dedicated to this policy.

Cohesion policy must imperatively, and maybe more than ever, benefit to all Europeans, in order to better allow them to achieve the Europe 2020 strategy's objectives. In addition, cohesion policy is not only about financial redistribution aiming at accelerating GDP growth in the poorest regions. It has for main aim to reduce territorial disparities and give European citizens equal opportunities, wherever they live. In this context, AER strongly recommends that a genuine reflection work be carried out so as to review the indicators' system for eligibility to and evaluation of structural funds programmes.

At last, AER particularly insists on the important role of territorial cooperation for regions, but also for Europe itself. Europe can gain a lot from always more elaborated cross-border cooperation, trans-national projects and sustainable interregional network. Territorial cooperation has an extraordinary potential but the programmes' implementation modalities remain perfectible. The AER

proposals are rooted in the daily experience of regional authorities, whether they act as Managing authorities or project holders.

This White paper does not aim at representing in a static manner the different views, the many experiences and individual strategic orientations of all regions in Europe.

Neither does it only aim at answering the EC consultation launched in the framework of its 5th report on economic, social and territorial cohesion in the EU. With this White paper, AER brings its contribution to the construction of Europe 2020 and beyond. Regions prepare the future, with citizens, civil society, enterprises and all the other government levels: the AER's dream is that all of them can own a peaceful Europe and be ready to face the future challenges, without denying its values, its culture and main societal choices.

09/11/2010



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