



**COUNCIL OF EUROPEAN MUNICIPALITIES AND REGIONS
CONSEIL DES COMMUNES ET REGIONS D'EUROPE**

CEMR Policy Paper on the Future of EU Cohesion Policy

Brussels, January 2011

Key political messages of CEMR on the future of EU Cohesion Policy after the 5th Cohesion Report proposals

1. The local and regional level is crucial for achieving cohesion and the Europe 2020 objectives

The local level is closest to the citizens. Local and regional authorities play a decisive role in economic and social development of all territories in the European Union and in implementing EU policies and achieving cohesion.

2. Cohesion Policy is a permanent EU Treaty objective for all regions, not just a delivering tool for Europe 2020

We strongly welcome that the 5th Cohesion Report makes clear that future EU cohesion policy must continue to support all EU's territories in their social and economic development as well as environmental sustainability, with a special focus on the regions lagging behind. CEMR stresses that the future architecture of cohesion policy has to continue supporting the existing three objectives.

It needs to be ensured that the new EU objective of territorial cohesion, added by the Lisbon Treaty, is comprehensively the driving force behind the future cohesion policy and not unduly limited by the Europe 2020 objectives or turned into a mere delivery instrument of this strategy. Rather the contrary, without a strong place based focus, Europe 2020 would not work on the ground.

3. Local Development approaches will ensure that Cohesion Policy is more decentralised and the partnership principle applied, thus making cohesion policy more effective.

We welcome that the 5th Cohesion Report has agreed that more responsibilities, accompanied with appropriate resources, should be allocated to local and regional authorities. The next EU regulations should include detailed criteria requiring Member States to involve the local and regional level in planning, decision-making, implementation, monitoring and evaluation of both programmes and partnership contracts.

The Local Development approach is a horizontal concept and would include EU support for the urban agenda, as well as for rural areas, the urban-rural links and functional areas. Urban areas should be addressed within the Operational Programmes and according the national context.

Likewise CEMR is strongly opposed to an exclusively metropolitan approach that would concentrate on big cities to the disadvantage of smaller cities and towns. A Common Strategic Framework (CSF) that integrates all relevant EU Funds (Cohesion Fund, EFRD, ESF, EAFRD and EFF) as well as thematic funds where they impact the local and regional level, can enforce the local dimension.

4. The participation of local and regional authorities must be ensured through a detailed and legally binding definition of the partnership principle

These binding standards should include, at the very least, specific criteria to guarantee that local and regional authorities can effectively participate in the design and implementation of all Structural Fund programmes.

5. Municipalities and regions cannot be held responsible for, and should not be penalised because of, the failure of national institutions to meet macro-economic criteria or for incorrect implementation of EU rules

Withdrawing regional development funding as punishment for breach of the Stability and Growth Pact or incorrect implementation of EU rules would be in contradiction to the EU's objective of territorial, economic and social cohesion enshrined in the Lisbon Treaty.

6. We fully support a strong European Cohesion Policy as expression of European solidarity

We strongly welcome that the EU Budget Review has recognised EU cohesion policy as the visible expression of European solidarity; it helps to create a sense of European citizenship and fosters regional development within a common economic and social framework.

7. Simplification of funds and concentration on results are necessary but must be based on a comprehensive agreement of all administrative levels involved and shall not be an excuse to impose top down Europe 2020 measures

The new Common Strategic Framework needs to ensure that the funding programmes must be made more simple and consolidated in order to reduce the administrative burden for local and regional authorities and to make it easier for the actors on the ground to mobilise funding.

Imposing measures on simplification and concentration on results without involvement of local and regional authorities would mean a top-down approach contrary to the spirit of cohesion policy, losing the chance of ownership on the ground.

8. Rural development is not an appendix of agricultural policy

Current EU rural development programmes within the Common Agricultural Policy do not sufficiently serve the development of rural areas in a comprehensive sense. Development of the rural areas is not only driven by agriculture but rather by valuing the potential of rural economies and local entrepreneurship.

Rural Development programmes, particularly those addressing the rural economy as a whole should be much more robustly funded. Via the Common Strategic Framework rural development should effectively become more coherent with the rest of territorial cohesion policy.

9. Sustainable development as the guiding principle of Cohesion Policy

Funding should support the integration of economic and social development as well as environmental sustainability and be designed in a mid- and long-term perspective. Therefore, local and regional authorities, in their capacity to reconcile the sometimes contradictory effects of policies at the relevant territorial level, should play the central role in the design and implementation of programmes.

10. The local and regional level, not only central government, must be included in legally binding partnership contracts

While we strongly support the partnership principle, we are extremely concerned that the new Development and Investment Contracts proposed in the 5th Cohesion Report do not mention the local and regional level. Failure to involve them would be contradictory to a development policy based on the needs of the territory concerned and seriously undermine the value and implementation of the EU funds as delivery instruments of territorial cohesion on the ground. These contracts cannot be just bilateral, clear EU-level provisions to foresee local and regional authorities' involvement is therefore imperative.

Rationale for a European Cohesion Policy

1. CEMR strongly welcomes that the 5th Cohesion Report foresees the continuation of a robust European cohesion policy for all regions in the EU avoiding renationalisation.
2. EU cohesion policy is the visible expression of European solidarity; it helps to create a sense of European citizenship and fosters local and regional development within a common economic and social framework.
3. CEMR rejects any further attempts to renationalise cohesion policy. EU programmes have considerable additional value over national funds. By providing local and regional authorities with European support the EU enables them to pursue common European objectives.
4. Hence we welcome the signal given by the EU Budget Review for the continuation of cohesion as one of the key policies to be supported by the EU financial framework.
5. Structural and cohesion funds finance projects which may not be possible without European support and they bring in additional public and private sector match funding (multiplier effect). The multi-annual nature of the programme needs therefore to be maintained. CEMR opts for a ten year period with a midterm review that would not hamper the continuity of the programmes. Notwithstanding, we reject any proposal that would result in programming periods that are shorter than the current seven years.
6. EU programmes need to continue encouraging cooperation with partners EU-wide who face common problems and develop new partnerships and governance arrangements on the ground which would not otherwise exist.

Objectives for the future EU Cohesion Policy

7. The future EU cohesion policy must continue to support local and regional authorities across the EU in fostering the development and territorial potential of all of the EU's territories. The future architecture of the cohesion policy will continue to support the three existing objectives (Convergence, Competitiveness and Territorial Cooperation). It should be based, above all, on the principles of subsidiarity and territorial solidarity and aim to achieve economic, social and territorial cohesion across the whole European Union with a special focus on those regions lagging behind.

8. While we note the importance of the new Europe 2020 objectives we strongly stress that cohesion is a legally binding permanent objective of the EU Treaties. Cohesion policy therefore cannot become a mere implementing tool of this time-limited strategy.
9. The major challenge and opportunity of the EU cohesion policy is to identify, strengthen and further develop the potential of each territory while keeping in mind that the EU objective of economic and social cohesion still needs to be achieved. The notion of "smart specialisation" that is now being advocated via the Europe 2020 Strategy has always to respect cohesion core values (like using the potential of the territories through a bottom up approach).
10. Local and regional development is a highly political task in which local and regional authorities are best placed to take the lead. They are the levels which know best the specificities of the territory and are closest to the citizens. A bottom-up approach and the integration of all relevant sectoral policies is required. Therefore top-down Europe 2020 objectives implemented via contracts agreed only between the EU and national levels would absolutely undermine the objectives of cohesion policy.
11. Cohesion policy should thus focus on the exploitation of the territorial potential of the entire EU. This requires an EU budget sufficiently endowed to support a policy that can be implemented in all regions of Europe. In this regard the creation of a new Transition Category has to maintain proportionate funding of the three existing objectives. Transition should be considered as a time limited objective phasing into Competitiveness.

Territorial scope and level of intervention of EU Cohesion Policy

12. CEMR welcomed that the Lisbon Treaty added a territorial dimension to the EU's goal of social and economic cohesion. We strongly insist on the need to ensure that the territorial dimension is at the core of the future cohesion policy and taken into account by all relevant EU policies.
13. We therefore welcome the 5th Cohesion Report report's new focus on Local Development approaches, together with the urban agenda, support for urban-rural links and functional areas.
14. However we strongly disagree with the fact that the 5th Cohesion Report foresees the above mentioned different local levels of intervention in isolation. CEMR strongly believes that Local Development should be a horizontal and holistic policy intervention, ensuring an integrated and coherent approach.

Local Development is the strategic framework in which areas of all types can undertake local development. The urban agenda in particular, cannot be seen in isolation of other dimensions on this overarching Local Development approach, which includes also urban-rural links and rural development.

15. We believe that the 5th Cohesion Report is not ambitious enough as regards Local Development. Local Authorities, irrespective if they are urban, peri-urban or rural, should play the leading role in the design and implementation of local development strategies and programmes.
16. Local Development, irrespective of if it is urban, rural or urban-rural should continue to support existing convergence priorities. The 5th Cohesion Report outlines a number of ideas: social innovation, social inclusion, developing innovation strategies with companies, universities, and researchers, prevent environmental degradation as well as designing and implementing schemes for regeneration of deprived areas. All these and other thematic actions could be open for Local Development approaches helping the implementation of local integrated projects, like regeneration of local deprived areas and investments in local and regional infrastructure.
17. CEMR calls for clear provisions in the structural funds regulation concerning local development including clearer and more significant ring-fencing for Local Development as a holistic concept of the future cohesion policy, and not just for experimentation as proposed in the 5th Cohesion Report.
18. Also, as the functional economic geography of local areas might vary and does not necessarily follow administrative borders we welcome the 5th Cohesion Report's reference to functional areas. They should be defined by the spatial scope of the problems to be tackled as well as by existing local and regional development strategies. However functional areas must be linked to local governance structures. We welcome the fact that the 5th Cohesion Report states that groups of cities or towns should be allowed to design and manage cohesion programmes, but we strongly stress that this needs to be expanded to any group of municipalities holding common concerns.
19. An obstacle to an effective cohesion policy, are disparities within one region. There are "rich" regions in the EU where "pockets" of deprivation or areas with structural handicaps exist. CEMR notes the recognition of areas with special geographic features in the 5th Cohesion Report. Notwithstanding the EU Treaty provisions for special treatment of a number of such areas we continue to stress that geographical conditions should not be the sole eligibility criterion for special support measures from the cohesion policies.

Regions of all types must demonstrate their relative deprivation under agreed criteria, irrespective of their geographic type.

20. Finally any intervention should be properly coordinated with the CAP activities including Rural Development programmes of that same area, starting with the creation of common rules being shared via the Common Strategic Framework.
21. The Territorial Cooperation programmes should be, where applicable, aligned for the support of the macro-regional strategies. The macro-regional strategies will in those cases where a strategy already exists, constitute the strategic framework behind the use of the territorial cooperation programmes.

Governance and management of EU Cohesion Policy

22. Local and regional authorities by nature play a prominent role in regional and economic development, therefore responsibilities, accompanied with appropriate resources, should be allocated to them. We welcome that the 5th Cohesion Report moves into this direction and we expect the regulations to clearly enshrine this principle.
23. However the partnership principle should be much more emphasised than in the 5th Cohesion Report. The new rules should require Member States to involve, in a structured and systematic way, the local and regional level in planning, decision-making, implementation, monitoring and evaluation. It is regrettable that the 5th Cohesion Report recognises partnership only as a general principle.
24. Otherwise the principle is not enforced resulting in little or no involvement from local and even regional government in most Member States.
25. While all tiers of government in principle recognise the added value of working in partnership, practice shows that multilevel governance tends to be reduced to administrative procedures. With the proposal in the 5th Cohesion Report local and regional authorities will often continue only having limited possibilities to provide input and to be proactive during the negotiations of the new Common Strategic Framework, the Partnership Contracts and Operational Programmes.
26. A more concrete and legally binding definition of the partnership principle in the Regulations would reduce arbitrary or inconsistent interpretations of this principle across the Member States. While respecting Member States' overall authority, local development interventions have to be defined by the local authorities themselves, in coordination with the regional and national authorities.

This is often not the case in many countries and we clearly fear that the new targets set by Europe 2020 in a top down manner would only reinforce that trend.

27. The European Commission should thus propose minimum compulsory standards for the partnership principle and monitor its application. These standards should include, at the very least, specific requirements to ensure that local and regional authorities can effectively participate in the design and implementation of all Structural Fund programmes, either as or in partnership with the Managing Authority. Because of their strategic role in the planning and implementation of the cohesion policy programmes, local and regional authorities should be treated as partners and not as bidding organisations by the Managing Authorities. All public sector partners need to have the same status in determining the criteria by which projects for local development (urban, rural, rural-urban, etc) are selected.
28. However an even more critical issue is that the 5th Cohesion Report's proposals on the partnership principle are not included in the proposals for new development and investment partnership contracts. These contracts are foreseen only between the EU and Member States without any involvement for the local and regional authorities. This would completely contradict the 5th Cohesion Report's provisions on the partnership principle as these contracts will be very detailed and condition the Operational Programmes to a great extent. These new contracts should cover only EU funds, not domestic funds.
29. Multi-level governance is reflected in decentralised management structures and effective cooperation. We strongly welcome that the 5th Cohesion Report allows for consortia of local and regional authorities to become managing authorities (or responsible for sub-programming as appropriate). Whenever added value is better provided this way this should be the rule rather than the exception.
30. Sub-delegation and global grants should be widely available in most future regional programmes. We also welcome that the 5th Cohesion Report supports more financial engineering instruments targeted for Local Development. However it is crucial that this is in addition to and not at the expense of grants.
31. Effective management needs appropriate institutional structures at all levels. Therefore local authorities need to be enabled to choose and establish such institutions to deliver their tasks properly. We welcome that the 5th Cohesion Report supports technical assistance for capacity building at local and regional level towards elaborating and implementing development strategies, programmes and projects.

This assistance should further encourage exchange of experience between managing authorities etc. in order to build capacity and support experimentation.

Simplification and consistency of European Territorial Cohesion Funding

32. CEMR welcomes the proposal in the EU Budget Review and the 5th Cohesion Report for a more output-driven policy. In order to realise this, the rules for implementation of the funds should be simplified and brought more in line with such an output driven policy. The requirements set by the CSF should be clear and unambiguous. We welcome, in principle, the proposed Common Strategic Framework between all EU funds with a territorial dimension (CF, ERDF, ESF, EAFRD, EFF). The CSF should also be aligned with rules for the other "thematic" funds insofar they have a territorial dimension within them such as TEN-T, Research and crucially, new "thematic" local initiatives such as "Smart Cities".
33. Funding programmes must be simple and consolidated in order to reduce the administrative burden for local and regional authorities and to shift resources from administration to concrete action.
34. The Common Strategic Framework needs to undertake a fundamental review of regional development funds. It is important that the Commission does not simply propose minor changes to the current structures. Disappointingly, the 5th Cohesion Report is only proposing a very "strategic" alignment of the funds insofar they help in better delivering Europe 2020 objectives. However, the CSF needs to join up all the administrative programmes associated with the different funds, using common rules and procedures as a rule.
35. Fragmentation of EU funding programmes generates difficulties for local and regional authorities in achieving coherence of their projects and in efficiently addressing social, environmental and economical problems in an integrated way. The CSF needs to find a permanent solution for this. It should effectively be a General Regulation including most detailed implementing provisions (such as eligible costs, financial issues, audit) whereby the specific regulations would be only dealing with unavoidable implementing measures that are specific for a given fund.
36. We welcome that the 5th Cohesion Report shares the view of CEMR in that the most effective model may ultimately be that each territory should receive a single block of consolidated EU funding, which is based on a set of priority outcomes.

However this needs to be agreed between the given territory, the Member State and the EU under the partnership and investment contracts with the given territorial level.

37. The controlling activities must be proportionate with the level of the intervention in order to reduce administrative burdens and costs.
38. A crucial concern is the 5th Cohesion Report's proposal on differentiated co-financing rates. CEMR is against changing the current arrangement. CEMR is afraid this could lead to unpredictable consequences and might ultimately render EU funds unavailable in some, especially "competitiveness" regions as restrained domestic budgets will prevent increased rates of national co-financing.
39. CEMR notes that the N+2 rule is particularly problematic for the first year of the programming period, given the late approval of the Operational Programmes, launching of calls for projects, evaluation etc., and asks for application of the N+3 rule to all EU 27 Member States in the first half of the programming period.

Contribution of Cohesion Policy to Europe 2020

40. CEMR notes that the Europe 2020 Strategy and the EU Budget Review demarcate in a great deal the scope of action for EU cohesion policy post 2013. However, we believe that the Lisbon Treaty obligations towards Territorial Cohesion, as a permanent EU objective, cannot be limited by this time-limited strategy.
41. While cohesion policy can contribute, on a territorial basis, to reach Europe 2020 objectives, cohesion policy is an autonomous EU policy to support economic, social and territorial cohesion. By realising these in the Lisbon Treaty mentioned objectives, cohesion policy can contribute to the Europe 2020 objectives, but it stays a policy of its own with broader objectives.
42. A crucial and yet unresolved issue, is how the CSF, the Contracts and the Operational Programmes are related and cross-referenced with the Europe 2020 flagship initiatives and National Reform Programmes that are being developed in isolation to the Cohesion and Budget Review discussions.
43. CEMR agrees that at a time of scarce EU resources, prioritisation needs to be undertaken. However, we are clearly opposed that this context and the introduction of the Europe 2020 objectives via the CSF and the Development Contracts be used as an excuse for top-down measures, thus rendering the Operational Programmes mere implementing provisions.

This violates the subsidiarity principle and would hinder the effective implementation of many of the proposed measures on the ground. The important point is not the number of priorities, but that local authorities are directly involved in deciding them.

44. We strongly argue for Member States to urgently establish a strategic dialogue with the representatives of the regional and local authorities while the National Reform Programmes are being discussed, in order to bring the national objectives and regional and local ambitions together. This would be subsequently reflected in the Operational Programmes. Conversely and in the full application of the Partnership Principle the same involvement of the local and regional representatives needs to be undertaken when scoping the CSF, Development Contracts and of course the Operational Programmes.

Support for cohesion objectives through other EU policies and funds

45. We very much welcome that the 5th Cohesion Report devotes a great deal of attention on how the cohesion objectives should be respected and better supported by other EU policies which also have an impact on cohesion. We believe that this is essential as the EU institutions still fail to recognise that while cohesion policy will be crucial for realising Europe 2020 objectives, it is neither the task nor is it possible for cohesion policy to deliver on targets that are not territorialised. Hence it should be clearly demarcated where cohesion policy is crucial for realising Europe 2020 objectives and in turn define the role of thematic policies and funding programmes.
46. The combined effects of different policies from different parts of the Commission -such as transport (particularly TEN-T), energy, environment, internal market and competition (particularly state aid) policies, the Common Agricultural Policy (especially rural development), the Common Fisheries Policy and Research and Development Policy – become visible at local and regional level.
47. The EU should therefore no longer focus on the regeneration of regions in isolation, but should apply greater territorial significance to all those EU policy areas which could contribute towards cohesion.
48. Crucially, rural development programmes should be more in coherence with the rest of funds that deliver territorial cohesion. It is particularly important to ensure that there is much more use of programmes to deliver broader rural development. The CSF should bring more coherence between the Operational Programmes of the Structural Funds and the Rural Development Programmes.

49. We remain unclear what the 5th Cohesion Report means on the European Social Fund (ESF). For CEMR the ESF shall remain closely integrated in the cohesion policy, alongside with ERDF and the rest of funds via the CSF. We believe that differences between purpose and implementing provisions on both funds would be counterproductive to cohesion policy objectives and should be more the exception than the rule.
50. Local and regional public services play an important role for territorial cohesion. High quality and accessible services of general interest are crucial for economic survival, quality of life and the stability of local communities. All of the above mentioned sectoral policies should be applied to complement and support these objectives.
51. We agree that an ex-ante impact assessment of sectoral policies on territorial cohesion could be a very useful tool to ensure an integrated approach. Territorial Impact Assessments should be carried out in a structured and formal way, with local and regional stakeholders involved at the earliest possible stage.

Indicators for Cohesion Policy

52. CEMR supports the introduction of performance indicators to ensure effectiveness of the policy and to enhance its legitimacy. Indicators should be measurable and comparable, including among equivalent levels of government. One option would be the introduction of outcome based contracts, as proposed in 5th Cohesion Report. However they would not work if they are agreed only between the Commission, the Managing Authority and the Implementing Body, leaving Local Authorities as mere executors.
53. CEMR advocates a "governance indicator" measuring the implication of local authorities into decision making on a regional level.
54. We also support the introduction of a wider set of criteria relating to the environment, demographic change and social welfare for the orientation and assessment of cohesion policy to complement the traditional GDP -based indicators. We welcome the recommendation of the Beyond GDP Communication as well as the Opinion of the CoR on it.
55. It would be useful to set up a comprehensive environmental index and a harmonised social survey at EU, national and regional level without causing excessive additional administrative obligations at local and regional level.

However this sensitive issue requires the selection and content of indicators to be the result of a wide-scale, bottom-up procedure to involve local communities, regions, Member States and the EU in a process of structured discussion.

56. CEMR also supports the application of indicators at the most appropriate spatial level, also at levels below NUTS II (regions).

Conditionality

57. In the 5th Cohesion Report and in the Budget Review, the Commission raises the question of macroeconomic conditionality, proposing that "the receipt of EU funds could be used to reinforce both preventative and corrective measures to support the Stability and Growth Pact". CEMR is opposed to such an approach: First, such sanctions would affect the regional and local level which is not responsible for the financial management and related decisions of the central government. Second, to withdraw regional development funding as punishment for breach of the Stability and Growth Pact would be in contradiction to the EU's objective of territorial, economic and social cohesion enshrined in the Lisbon Treaty.
58. Within cohesion policy, CEMR supports result oriented conditionality for the Structural Funds under certain clearly defined circumstances: a) the conditionality has to be limited to cohesion policy, thus on the fulfilment of specific cohesion policy aims for a specific region, by a specific region b) only if these aims have been jointly agreed upon by all governmental levels with the obligatory involvement of local and regional authorities.
59. CEMR wants to make sure that the proposed performance reserve does not result in rewarding the strong and punishing the weak. This would completely contradict the solidarity rationale of cohesion policy. A performance reserve might rather award efforts than outcomes which are often out of control of the territory concerned.
60. CEMR wants to underline that in the current regulations there are already enough instruments available for the Commission to control and punish Member States abusing Structural Funds.

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