



# The Added-value of European Union Cohesion Policy

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# A position paper from CEMR

## INTRODUCTION

Member states in the EU 15 (and previously in the EU12, EU9, and EU6) have benefited from cohesion policy since its inception. Now a more significant enlargement is on the horizon, in which the EU will expand by 30% in population terms but by only 11% in terms of average GDP. The CEMR believes that it is more important than ever to restate the value of intervening at EU level to ensure that economic and social disparities are kept to a minimum.

Previous European Commission Cohesion Reports have stressed that, while member states' economies are increasingly converging, regional disparities are growing. This trend is likely to intensify given the large differences in national incomes, which in turn can reflect domestic disparities. At EU level, over 50% of EU15 GDP is created in the current geographic centre of Europe, in an area covering less than 20% of the Community's territory. This requires urgent attention to be given to territorial cohesion objectives.

This paper sets out therefore the main orientations which CEMR would wish to see in the next round of cohesion policy after 2006, when the "first wave" of accession is complete. These we believe offer genuine European added value, i.e. those benefits that would be hard to realise if regional policy existed purely at the level of the member state.

It should be said that, while it is appreciated that the debate on the future of regional policy is being conducted as if there is no expectation of any net increase in EU budgets, CEMR stresses that regional policy is by definition a dynamic process with new challenges arising while others are being solved. Therefore, CEMR believes that ways of financing regional policy at EU level must continue to be found, in line with continuing need.

The paper is set out under the following headings, for ease of reference:

- Cohesion policy remains essential at European Community level
- Sustainable development is at the heart of EU added value
- Balanced development (territorial cohesion) is essential for a sustainable Europe
- A greater emphasis on rural development is essential after 2006
- The EU should pay greater attention to the potential of urban areas as engines for growth and balanced development
- The internal needs of urban areas require more concerted actions with cohesion policy post-2006
- Interregional, transnational and cross-border co-operation - the unique contribution of the European Union
- The EU offers localities and regions the opportunities to shape policy in partnership
- Cohesion Policy can help achieve other EU competitiveness goals
- The European Social Fund should support the objectives of the Lisbon Agenda
- Budgets should be commensurate with need, and programmes simplified and made more sensitive to local and regional variations post-2006
- Improved governance and consultation are necessary

## Cohesion policy remains essential at European Community level

- The EU is more effective than individual member states in terms of establishing a sustainable development perspective that is integrated into all EU policies and at all levels of governance.
- The impact of the common market and the single currency require a concerted response at European level.
- Trans-national co-operation, learning from the EU 15 member states and development of common methodologies and comparative benchmarking is essential if the EU is to remain a “learning region” in global terms.
- Improved labour mobility requires a common philosophy when it comes to employment and training.
- For Europe to benefit from its diversity, rather than to suffer from fragmentation, some collective effort is needed in order to provide a common frame of reference which supports modernisation and growth.
- Core Community values such as gender equality, full employment and the growing realisation that balanced territorial development is an ethical as much as practical consideration, are essential to sustainability. Equality and justice should be reflected throughout the policy making process, including in the design and evaluation of programmes.
- For all these reasons, a pan-European Cohesion policy remains valid. It engages both rich and poor regions, and goes beyond monetary transfers, not least by its contribution to preserving the European model of society, particularly solidarity.

## Sustainable development is at the heart of EU added value

- Sustainable development policy aims to develop, in equilibrium, the three dimensions of economic growth, environmental protection and social improvement.
- This impacts on the policy making process, from conception to implementation, and requires a holistic approach between “cohesion policy” and sectoral policies such as transport, research and development, competition policy, agriculture and employment, to ensure that these particular interventions work together to support sustainability objectives.

## Balanced Development (territorial cohesion) is essential for a sustainable Europe

- Spatial planning principles, as for example outlined in the European Spatial Development Perspective, can offer a practical framework for a cohesion policy which aims to overcome major differences that exist between “growth regions” and those that are lagging behind. Polycentric development - that is, maintaining existing centres and creating new centres of industries, employment and services - is a particularly valuable way to ensure the viability of rural areas.

- Integrated development zones, of the type outlined in the INTERREG programme (e.g. The Atlantic Arc, the Mediterranean area), are also important as natural trans-national areas of trade, shared labour markets, areas sharing common issues and problems, and in some cases, a shared cultural heritage.
- These zones may also take into account territory outside Community boundaries. The Barents

Euro-Arctic region is one such region. Future cohesion policy must take account of the need to offer assistance across the external boundaries of the expanded European Union.

- Balanced territorial development will rely heavily on the stimulus of cities and regions, acting as engines for growth.

## A greater emphasis on rural development is essential after 2006

- The CAP as currently constituted is unsustainable both within the European Union and at global level. A move towards diversification, land stewardship, sustainable tourism and creating and maintaining new and essential services is required for rural areas. This will assist coastal areas under pressure, as well as remote and peripheral areas.
- While the Second Cohesion Report makes reference to both cohesion policy and Agricultural Policy (CAP), there seems to have been little practical discussion between those responsible for each of these policy instruments.
- The CEMR believes that it is crucial that greater coherence in strategy and implementation is achieved between cohesion policy, regional development policy, agricultural policy (not forgetting fisheries policy), and emerging rural development policy. Greater understanding is also needed about the regional impact of CAP-related activities, and their link to regional competitiveness and broader wealth creation.
- Rural areas are not just the "spaces between towns". The CEMR believes that targeted economic development is key to maintaining population and therefore the viability of rural areas.
- Rural development policy and urban development policy are not contradictory or conflicting, but complementary. They are both part of the same spatial system. Small and medium-sized towns and market towns in particular are important nodes in predominantly rural areas, and should be supported in order to retain the viability of the surrounding countryside. Transport is an essential element of spatial planning in rural areas.
- Access to transport networks, and particularly strategic networks such as TENs is vital for both remote and rural areas as a whole. This should be recognised and prioritised in the next phase of Objective 1 programming. This will be particularly relevant to support the integration of the new member states into the European economy.
- The role of networking between towns of different sizes, with different functions, should be strengthened, as should networking between rural areas facing common challenges, in order to identify good practice and common solutions.
- Social and community development are essential to the viability of rural areas.

## The EU should pay greater attention to the potential of urban areas as engines for growth and balanced development

- In 1998 the European Commission published its Communication on “Sustainable Urban Development in the European Union: A Framework for Action”. It identified four interdependent objectives as a means of helping to achieve sustainability:
  - Strengthening economic prosperity and employment in towns and cities;
  - Promoting equal opportunities, social inclusion and regeneration of urban areas;
  - Contributing to good urban governance and local empowerment;
  - Protecting and improving the urban environment.
- These objectives and actions related to them were discussed extensively at the Vienna Urban Forum.
- In 1999, the intergovernmental initiative “The European Spatial Development Perspective” was launched in Potsdam. This identified three fundamental goals of European policy:
  - Economic and social cohesion;
  - Conservation and management of natural resources and cultural heritage and;
  - A more balanced competitiveness of the European territory.
- Specifically, the ESDP suggests that a polycentric settlement structure with a graduated city ranking, is essential for balanced and sustainable development of localities and regions. To this end, new ways must be found to enable cities and regions to complement each other and co-operate. There are two practical examples of polycentric development emerging:
  - The Oresund region of Denmark and Sweden, lying outside the European central “core area”. The Oresund city-region, whose development has been stimulated by the new bridge, is beginning to offer radically useful lessons not just for economic development but also for cross-border political and administrative co-operation. Proposals are emerging for a directly elected joint Danish-Swedish Council with tax-raising powers, to govern the region;
    - The spatial plan for Northern Ireland - “Shaping our Future”. This maps out an urban hierarchy in the region, with different towns serving clearly different functions, within a coherent regional structure. Rural development and strategic transport are also developed in an integrated way. This spatial plan explicitly takes the ESDP as its frame of reference.
- The CEMR calls on the Commission and the member states to revisit the Framework for Action and the ESDP, with a view to putting their recommendations into practice.
- As indicated above, dynamic, attractive and competitive cities and urban regions can promote a more balanced and polycentric development in Europe.
- 80% of the population of Europe lives in urban areas: 20% in conurbations of more than 250,000 inhabitants. These urban areas are motors for regional, national and economic progress and because of this, they are key areas for the application of policies for territorial cohesion and sustainable development.
- How effective a city is in this role depends on its level of competitiveness. Efforts must be made to improve the economic development and competitiveness of towns and cities, whatever their place in the regional urban “hierarchy”. Some cities serve an international function, eg world financial centres. Some are national capitals, some are regional capitals, some are gateways, or key nodes on development corridors. Some are hubs in a transport or distribution system. Some

are market towns, offering employment and key services to rural communities.

- All towns and cities have the potential to network or link up by size, by function or by theme. All require good facilities and good governance in order to differentiate themselves and to thrive.
- INTERREG is a key programme for applying the philosophy of polycentric development, and the CEMR looks forward to its retention post-2006.
- In other EU programmes covering large areas of territory such as Objective 1, territorial balance should also be applied as a key policy objective.
- Community actions in the field of spatial planning should add value to the efforts of member states to enhance the role of their towns and cities in promoting domestic balanced development.
- Spatial planning actions at Community level, e.g. in the areas of trans-European transport and Communications networks, should be mindful of the impact on the role of cities in their broader regions, and enhance their overall competitiveness.
- As stated above, urban and rural areas are inter-dependent, and spatial development policies should reflect this in design and implementation, across administrative boundaries where appropriate.

## The internal needs of urban areas require more concerted actions within structural funds post-2006

- The combined efforts of the urban element within Objective 2, actions in Objective 1 and the URBAN community initiative, while valuable, do not in themselves add up to a coherent urban policy. Also many actions combat social exclusion and environmental degradation, and promote community economic development within an urban setting, but such "projects" may be disconnected from broader urban policy and governance.
- In many cases, programmes have been too small to be effective in linking up areas of need with areas of potential. Distressed neighbourhoods do not always contain the seeds of their own revival, and even though the URBAN community initiative has tried to re-integrate problem areas within the fabric of the city as a whole, this has met with limited success.
- A coherent urban policy will be multisectoral, taking account all Community actions which impact on cities, such as transport, environment and waste treatment, information society, justice, competition policy and energy.
- Co-ordinating Community actions with member states' own urban regeneration policies, encouraging good practice exchange and urban networking, integrated funding, partnership approaches, streamlining and simplification of regimes and user involvement are all essential to developing inclusive, prosperous cities.

## Interregional, trans-national and cross-border co-operation - the unique contribution of the European Union

- Many regions and localities in different member states share common problems, but national boundaries can become barriers to exchange of information and the development of common approaches. The unique contribution of the EU is its emphasis on trans-national, interregional and cross-border working, particularly in the programme INTERREG.
- The CEMR believes that all EU cohesion programmes should involve information exchange and that these should work across programme and member state boundaries in the spirit of promoting genuine EU added value.
- Even largely domestic-based EU programmes such as Objective 1 should carry an element of interregional, trans-national and cross-border networking, as appropriate, in order to demonstrate this commitment to learning (and indeed teaching) at pan-European level.
- Programmes such as INTERREG, TACIS and MEDA should be better linked together to work effectively across external boundaries of the European Union, in order to take into account the economic, social and labour market patterns and flows on the ground, and to encourage greater understanding with countries adjoining the EU global region.
- The number of programmes aiming to encourage exchange of good practice, over and above INTERREG, should be kept to a minimum for operational simplicity. Instead, a greater emphasis should be placed on mainstreaming this function into INTERREG. The positive results emerging from linked community actions such as urban and transnational observatories should also be mainstreamed.
- The Committee of the Regions' suggestion that there should be one strategic programme covering both sides of the EU-external border should be seriously considered.

## The EU offers localities and regions the opportunity to shape policy in partnership

- Localities and regions, which have engaged in Community-funded programmes, have benefited greatly from being involved in policy shaping, programme design and project implementation.
- This experience has had three main beneficial effects: it has raised the management and administrative capacity of localities; it has stimulated partnership working between layers of government and "civil society", and it has enriched the quality of EU policy-making, particularly where the latter has taken into account the practical lessons learned on the ground.
- Moreover, where EU assistance has been genuinely additional, it has stimulated public and private sector investment. However, the CEMR believes that added value in EU programmes is more than purely financial.
- Exchange of experience between localities and regions, both bilaterally and collectively at pan-European level, has allowed beneficiaries to identify innovative ways of working and to learn from others' mistakes.
- Methodologies have been developed which are both comparable with each other and tailored to individual circumstance. The binding ingredient is the EU offering a common frame of reference in which diversity can flourish.

## Cohesion Policy can help achieve other EU competitiveness goals

- The EU has committed itself to becoming one of the most technologically advanced, competitive and innovative economies and societies in the world by 2010 - "the Lisbon Agenda".
- In the context of sustainable development, in which growth is balanced with social progress and environmental protection, knowledge is almost the one commodity which is inexhaustible and which benefits from maximum exploitation.
- Innovation at all levels and in all spheres - technological, managerial, industrial, services, community development or public administration - adds to regional diversity, connectivity and institutional capacity.
- The European Commission, through past Innovative Actions such as Regional Innovative Strategies, Regional Technology Strategies and Regional Information Society Strategies, and Activities undertaken historically through Article 6, has a wealth of information and experience to draw on. The CEMR believes that lessons learned from these valuable interventions should feature heavily in the design of any future cohesion policy and programmes.

## The European Social Fund should support the objectives of the Lisbon Agenda

- The CEMR believes that simplification of the structural funds delivery system, particularly ESF, is essential. ESF must re-invent itself after 2006 as a programme much simplified in its design and implementation, and more transparent in delivering real benefits to European citizens.
- ESF should be "horizontal" in the sense that it should apply to the whole of the Union's territory, but it should be managed much closer to the ground and tailored to local and regional needs.
- Programmes should involve all relevant territorial actors, in accordance with structures existing in member states, and should be implemented in partnership with all key stakeholders.

## Budgets should be commensurate with need, and programmes simplified and made sensitive to local and regional variations, post 2006

- The CEMR believes that in a Europe of 25 member states, the 75% GDP threshold for maximum assistance should be maintained; regions falling below this threshold should qualify for Objective 1 financing, within an absorption limit of 4% GDP.
- For those areas moving above the 75% threshold owing to genuine development, there should be a degree of highly targeted "consolidation funding", recognising that their underlying economic improvement is fragile.
- For those areas falling out of the threshold owing to statistical changes following enlargement, continuing support should be available to reflect that in some cases, little real improvement has been identified.
- In all cases, emphasis should be placed on developing and applying knowledge and innovation to help overcome the deficits in these areas.

- For areas outside Objective 1, the CEMR is not at this stage committed to one particular type of programme over another, but believes that the following principles should apply:
  - European Union priorities should guide any interventions. The CEMR believes that “re-nationalisation” of regional policy is highly undesirable;
  - The Union’s cohesion policy must be better co-ordinated with member states’ own national regional policy and regional development plans, in order to ensure maximum synergy and added value;
  - It is essential the European Commission reaches a common and coherent position between cohesion policy on the one hand, and competition policy on the other. Subject to safeguards, state aids policies across member states should be flexible enough to allow for genuine publicly-assisted development in those cases where it is highly unlikely to be done under free market conditions;
  - There should be no arbitrary ceilings on population coverage for programmes outside Objective 1. Financial envelopes could be allocated according to indicators of competitiveness;
    - Regions should be free to target interventions from a menu, according to their own priority themes designed to meet their key objectives as set out in their regional plans, in agreement with the member state and the European Union’s strategic orientations. Simplification of management is vital;
    - GDP as an indicator is insufficient. Socio-economic conditions, ecological changes, remoteness, long-term unemployment, demographic factors such as depopulation, ageing, low population density, few industry higher-education links, low innovative capacity, etc, are all relevant as indicators of need;
    - Co-operation, information exchange and pan-European networking should be mandatory in all programmes;
    - The budget devoted to cohesion policy should be commensurate with need, rather than be tied to the Berlin formula as a non-negotiable ceiling.

## Improved governance and consultation are necessary

- Negotiations to ensure coherence between the EU, the member state, the region and the locality are essential, and no sphere of governance should be left out of this “structured dialogue”. Cohesion policy is not just about money, but about partnership.
- The CEMR advocates that the principle of local democracy should be enshrined within the Union’s commitment to democracy, as the discussions progress within the Convention on the Future of Europe.
- In practical terms, this could be done by a specific reference and commitment, in a revised Treaty, to the principles of the Council of Europe’s Charter of Local Self Government of 1985, which has been signed by all current member states and all accession states.
- The CEMR makes the point that tripartite contracts, mentioned in the White Paper on European governance, should also include democratically elected local government where appropriate. If necessary, this could be in the form of “quadripartite” contracts, between EU, member state, regional and local level. Subsidiarity does not end at any intermediate level of governance.
- National and European Local Authority associations and networks should be involved in early “policy-shaping” at EU level, in order to bring to bear their knowledge and understanding of how such policy and legislation will impact on the ground.
- Moreover, an enhanced role for the Committee of the Regions, re-emphasising the importance of the local level in decision-making, may strengthen the political dimension of governance in relation to cohesion and regional development policies.



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