



Brussels 27 April, 2009

AN AGENDA FOR A REFORMED COHESION POLICY

***Independent Report prepared at the request of
Danuta Hübner, Commissioner for Regional Policy***

by Fabrizio Barca

THE BUDGET REVIEW: A UNIQUE OPPORTUNITY FOR RECONSIDERING COHESION POLICY

➤ The starting point of the Report

very conflicting views on the policy model, its results,
the rationale for EU responsibility

high risks of

- wrong changes
- no change at all

purpose of the Report: to help avert these risks and
initiate the debate

➤ The method of the Report

launching a wide survey of different views:

- 40 academics through 3 Hearings, 1 Workshop, 10 Working Papers
- 40 policy-makers of Member States and Regions through 5 Seminars
- 40 Commission officials through 15 months of work
- a review of more than 200 articles and documents

examining conceptual, political and operational aspects

taking a comparative and historical perspective

FOUR CONCLUSIONS

1. There is a strong case for allocating a large share of the EU budget to a “place-based development strategy”
2. Cohesion policy provides the appropriate basis for this strategy, but a comprehensive reform is needed
3. The reform requires:
 - a renewed policy concept
 - a concentration of priorities
 - a change of governance
4. Three conditions for change to happen:
 - a new high-level political compromise is needed soon
 - some changes can/should start in this programme period
 - the negotiation process must be adjusted

THE POLICY CONCEPT: THE “NEW PARADIGM OF REGIONAL POLICY” OR PLACE-BASED POLICY

- **Objectives**
 - reducing persistent underutilization of potential (inefficiency)
 - reducing persistent social exclusion
- **Unit of intervention**
 - places or functional regions, set through the policy process
- **Rationale = market and government failures**
 - appropriate institutions fail to be chosen by the local elite
 - institutions have a strong inertia
 - high uncertainty on efficient agglomeration patterns calls for verifiable public action
- **Instruments**
 - supply of bundles of integrated public goods and services
 - triggering institutional change
- **Method**
 - external intervention through conditional grants
 - eliciting and aggregating local information and preferences

WHY SHOULD THE EU DO IT?

I. Sustainability:

- no Union (with unified markets) can do without a development policy:
 - the EU is blamed if expectations of equal access to opportunities created by market unification and of equal chance to cope with its risks are not met
 - common market rules erode national identities and bonds and call for a “feeling of community” to be built at a supra-national level
 - it is NOT a “cost to pay” to preserve market and currency unification, BUT a complementary means to achieve the EU's aim of growth and peace
- place-based strategy objectives are the modern way to interpret the EU Treaty tasks of promoting “harmonious development” and “reducing disparities”
- a place-based strategy is the only policy model compatible with the EU’s limited democratic legitimacy

II. Taking care of over-the-border interdependencies

III. Credibly keeping its distance from places

MISCONCEPTIONS AND CLARIFICATIONS

A place-based strategy is not:

1. A policy for “financial redistribution”
 - the fallacy of the renationalization critique
 - the need for intervening in all regions
2. A policy aimed at “convergence”
3. A policy restricting people's mobility
4. A policy constraining “natural” agglomerations
 - the fallacy of self-proclaimed “spatially-blind policies”

POLICY RISKS

- However, place-based strategies are complex and risky. When they go wrong, they can:
 - shelter regions from markets
 - create a dependency culture
 - fuel rent-extracting machines at local level, or, on the contrary
 - fail to give enough certainty to businesses and individuals who invest in the process
 - prevent agglomerations

- So the question is:
 - How is cohesion policy actually performing?
 - Does it follow successfully the place-based policy model?

THE STATE OF THE EMPIRICAL EVIDENCE ON THE IMPACT OF COHESION POLICY IS UNSATISFACTORY

- there is great accountability (greater than in most national and EU policies) on how the resources are spent, but
- econometric studies do not offer any conclusive general answers on policy impact
- there is no systematic impact evaluation of interventions
- the system of outcome indicators and targets is of poor quality

HOWEVER, THE AVAILABLE EVIDENCE LEADS TO TWO TENTATIVE CONCLUSIONS

1. Cohesion policy provides the appropriate basis for an EU place-based strategy, for the following reasons:
 - a system of multi-level governance, “contracts” and cooperation of high value
 - a track record of achieving targets in specific contexts
 - a contribution to institution-building in many regions
 - an EU-wide network for cooperation and disseminating experience

2. A comprehensive reform is needed, for the following reasons
 - a failure to adopt coherently a place-based perspective
 - a lack of focus on priorities and a failure to distinguish between economic and social objectives
 - a failure of contracts to focus on results and to create adequate incentives to use resources effectively
 - methodological problems in the use of indicators and the evaluation of impacts
 - a remarkable lack of political debate on results

THE REFORM DRAWS FROM THE POLICY CONCEPT AND FOLLOWS FIVE PRINCIPLES

- Concentrating resources
- Orienting grants to results
- Mobilizing and learning
- Strengthening the Commission
- Reinforcing political checks and balances

CONCENTRATING RESOURCES

Pillar 1. An innovative concentration on core priorities and a conservative territorial allocation

- No substantial change in the criteria for territorial allocation and distribution of funds between lagging and non-lagging regions and to territorial cooperation
- The concentration of up to 2/3 of funding on 3-4 core priorities
- Selection of core priorities through a high-level strategic debate based on three criteria:

EU-wide relevance

- needs/expectations of EU citizens
- advantage of EU over Member States
- Member States' interests

place-based nature

verifiability

CONCENTRATING RESOURCES

- 1-2 core priorities must have a predominantly “social inclusion” objective:
 - the social and the territorial agendas must come together in a territorialized social agenda, an agenda aimed at persons and aware that policy effectiveness depends on contexts,
 - a unique opportunity for the EU to respond to the increasing constraints on Member States’ social policies while respecting the diversity of national social contracts,
 - a case for *migration*
- 1-2 core priorities must have a predominantly “economic” objective:
 - a case for *innovation*, by adopting new results-oriented methods
- other possibilities: *climate change, children, skills, aging*

ORIENTING GRANTS TO RESULTS

Pillar 2. A new strategic framework for cohesion policy

- 2010: a high level political compromise on the future of cohesion policy
- Autumn 2010–Spring 2012: strategic dialogue between Member State and European institutions facilitated by a Policy Group
- By Spring 2012: a draft of a *European Strategic Development Framework*, setting out policy innovations, core priorities and indicators and targets for assessing performance, coherent with a new draft *Regulation*

ORIENTING GRANTS TO RESULTS

Pillar 3. A new contractual relationship, implementation and reporting aimed at results

- *A National Strategic Development Contract (Contract)* committing Member States (Regions) to:
 - objectives and targets
 - allocating resources to core priorities and Managing Authorities
 - criteria for the selection of “places”
 - administrative capacity
- *Operational Programmes* follow the same structure and are presented simultaneously
- The Commission can:
 - adopt the whole Contract
 - adopt some parts of the Contract “subject to condition”
 - reject some parts of the Contract
- Conditions for, and checks on, the enhanced Commission’s discretion
- *Implementation Reports Assessment*
- Annual Member States *Report on Results* (after 3rd year) and Commission *Summary Report*

ORIENTING GRANTS TO RESULTS

Pillar 4. A strengthened governance for core priorities

- The institutional framework for each core priority:
 - the EU establishes principles in the “European Framework”
 - Member States commit themselves to implement those principles in the way they see it fit to contests
 - an implementation assessment can be required

- A system of performance monitoring through:
 - a high-standard system of indicators and targets
 - a Commission *Indicators and Target Survey*
 - a *Scoreboard of Progress*
 - a special assessment when no satisfactory justification is provided for the failure to achieve targets

ORIENTING GRANTS TO RESULTS

Pillar 5. Promoting additional, innovative and flexible spending

- Making “financial additionality” simple and politically relevant:
 - linking it to the Stability and Growth Pact
 - eliminating any automatic sanctions
 - extending it to all funds

- Committing Member States (Regions) to “policy additionality”:
 - delivering the value-added which justifies the policy
 - being innovative

- Applying the de-commitment rule not at the level of Programmes but for whole countries

MOBILIZING AND LEARNING

Pillar 6. Promoting experimentalism and mobilizing local actor

- The positive effect at local level of focusing on objectives
- A small share of funding left at the Commission's disposal for *Innovative territorial actions*
- Directly mobilizing local actors: more room for manoeuvre of the Commission

Pillar 7. Promoting the learning process: a move towards prospective impact evaluation

- Promoting all methodologies which investigate "what works", "for whom" and "why"
- Making a special effort to promote counterfactual impact evaluation:
 - the strong disciplinary effect of its "prospective" use
 - a "clearing house" of studies and results at the Commission
 - using random selection when applicable

STRENGTHENING THE COMMISSION

Pillar 8. Refocusing and strengthening the role of the Commission as a centre of competence

- A more ambitious and demanding role for the Commission and more discretion call for its Directorates in charge of cohesion policy....
- ... to make a significant investment in human resources:
 - establishing core-priority task forces
 - staff induction training
 - evaluation department upgrading
 - creating administrative support teams
 - creating a research department
- ... and to achieve inter-Directorates coordination which is now lacking

Pillar 9. Addressing financial management and control

- It is assumed that the current new system, the proposals being debated and new proposals will increase efficiency and make space in the Commission for investing in new human resources

REINFORCING POLITICAL CHECKS AND BALANCES

Pillar 10. Reinforcing the high-level political system of checks and balances

- Improved information on results and greater Commission discretion make a more active role of the two other European Institutions feasible and necessary
- A new formal *Council for Cohesion Policy* would:
 - assess Contracts and Reports on Results
 - assess special decisions by the Commission
 - issue recommendations
- The European Parliament would:
 - contribute opinions on Contracts and Reports
 - receive and debate the Commission's Summary Report

THREE CONDITIONS FOR CHANGE TO HAPPEN

- A strong and timely political compromise
- Anticipating/experimenting some changes in the current period
- Aligning the negotiation on resources, governance and goals

The Report, the transcripts of the Hearings, the summaries of the Seminars and the Working Papers are available on:

http://ec.europa.eu/regional_policy/policy/future/barca_en.htm