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***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 3<sup>rd</sup> 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](http://ec.europa.eu/regional_policy/policy/future/barca_en.htm)*