

Position Paper on Cohesion Policy

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1 Executive Summary

EURADA represents economic development agencies. The importance of cohesion policy for our members and their societies, on which they have a positive and tangible impact, cannot be underestimated. For our members, cohesion policy is so much more than a policy which dictates the allocation of funds and that is why this paper will make suggestions for its future improvement.

This paper highlights:

- an introduction to the importance of cohesion policy **(2)**.
- the evolving context in which cohesion policy is being made and the merits of continuity in post-2020 cohesion policy **(3)**.
- EURADA's position vis-à-vis prospective changes to cohesion policy's funding, i.e. a highly minimized reduction in the budget **(4.1)**.
- EURADA's suggestions for a flexible and simplified policy orientated towards results and focused on the importance of SMEs **(4.2 – 4.4)**.
- EURADA's availability and willingness to assist in informing cohesion policy's development as far as it relates to any of the points raised in this paper **(5)**.

2 Introduction

For European development agencies, Cohesion policy is:

- the constant improvement and development of the economy and Europe's social fabric.
- the reduction of disparities between regions and Member States for the benefit of the Single Market.
- a policy framework which makes possible interregional development.
- a bottom-up and tailor-made approach for development which is best suited to the needs of local/regional actors (evident in Research and Innovation Strategies for Smart Specialisation).
- a driver of direct and indirect economic growth.
- and an effective changemaker in industrial structures and innovation eco-systems.

For all of the aforementioned reasons supporting cohesion policy and our suggestions for enhancing future cohesion policy, EURADA understands that EU policies do not operate in a vacuum. Following the recently published European Commission's communication on the future of Multiannual Financial Framework (MFF) (which unveiled important, significant implications for cohesion policy after 2020), it is wise to consider that the status quo of MFF, which impacts the three main funds financing cohesion policy, is unlikely to continue and as such change should be expected. The prospective changes take place in a European context which is ever evolving and challenging. From the United Kingdom's forthcoming withdrawal from the European Union (EU) and its consequences for MFF, and the increasing interest of all Member States in the



deepening of EU Defence Cooperation to respond to security challenges, to ongoing societal issues most recently posed by migration flows, there is no doubt that our context is challenging. Yet it is precisely these European challenges which make cohesion policy so relevant today. As without or with less cohesion policy, economic growth and employment creation will be threatened.

3 An evolving Europe and the merits of cohesion policy

Post-2020 cohesion policy is not simply a technical issue dependent on the future of MFF. The future of cohesion policy is intrinsically linked to regional economic development, meaning that it plays a clear, forceful role in economic growth and prosperity, as well as employment in European regions. Cohesion policy affects all European actors and European citizens. Financed by multiple ESIFs (European Structural and Investment Funds), cohesion policy aims to advance socio-economic development, reduce disparities, make structural adjustments and facilitate industrial conversion. It is a policy which puts useful, thoughtful investment at the centre of its reasoning for Europe to reach its full economic and social potential. Cohesion policy is, however, not exclusively a policy based on financial investment; it underpins a policy framework for integrated regional development favouring and facilitating regions to enhance and develop their own regional, specific economic strengths. Initiatives such as TAIEX REGIO offer a good example of bringing together multi-regional actors. TAIEX offers peer to peer exchange, specifically for those who implement European Regional Development Fund (ERDF) and the Cohesion Fund (CF), by pairing regional actors to increase their capabilities and those of their governance structures together. Under the TAIEX programme, the pairing of one of our members, the Development Agency for North-East Romania (ADR), and with an experienced Managing Authority, Northern Netherlands Provinces Alliance (SNN), has allowed two regions with their own distinct profiles to find common solutions to social challenges that they face.

For EURADA's members, Europe's economic development practitioners, what is central to cohesion policy's implementation (as far as its assistance in developing the strengths of all European regions is concerned) is that its formation has received a significant input from those for whom cohesion policy matters most – regions and their stakeholders. It is therefore this tailor-made policy which favours the priorities and input from all actors, but most specifically the actors who implement the policy closest to the challenges that cohesion policy seeks to address. At a technical policy implementation level for funds management, those who oversee the distribution of funds remain near the beneficiaries. For regions which are the main beneficiaries, cohesion policy plays a significant and important role in economic growth and prosperity. According to macroeconomic models and their estimations provided by DG REGIO, for some EU countries there has been an increase in GDP by 4% due to cohesion policy's contribution, and with₂the



example of Poland, GDP is estimated to be 6% higher. The example of the Baltic States demonstrates that cohesion policy is working well with funds invested as part of cohesion policy under the 2014-2020 programming period having provided the necessary steps for a higher than expected annual growth in GDP of 2.5% until 2023. Such high levels of improvement are also significant for all regions due to ameliorated, new trade opportunities. At a micro-level, the impact of cohesion policy's implementation is strong and clear with its focus on business Research and Innovation which is facilitated by the adoption of new technologies across all EU regions. The previous programming period's impact was good with over 400 000 SMEs and 121 400 start-ups receiving financial assistance and 94 955 research projects receiving funding. Building on the previous programming period, for regional governance the pioneering initiatives of Research and Innovation Strategies for Smart Specialisation (RIS3) have been instrumental in tailoring support to regions' strengths and potential.

4 Technical considerations for the future

Despite its benefits, cohesion policy must readapt to be more effective to the new framework. For the post-2020 cohesion policy a common strategic framework is required to make possible an easier combination of funds, the reinforcement of bottom-up approaches, the redefinition of the partnership principle for greater multilevel governance and an overall orientation towards results which consider societal needs. Following on from several reforms of cohesion policy, the governance capacity level in EU public administration should allow those who implement cohesion policy to be ambitious post-2020. In the ongoing programming period, our members have demonstrated that it is possible to implement sophisticated policy instruments, for example smart specialisation strategies.

To increase the impact of the ongoing policy, we suggest EU cohesion policy should be reformulated considering the following observations and recommendations:

- a minimal reduction in the budget should be pursued because cohesion policy is an investment that pays back in economic growth.
- a flexible approach for future regulations, coupled with a simplified implementation, will ensure an improvement in stakeholder familiarity with legislation and enhance cohesion policy's impact.
- a policy which is even more results orientated, i.e. operative.
- a policy which puts SMEs at its core.



4.1 The overall budget and ESIF

At the centre of discussion on cohesion policy is the future budget and its impact. The favoured option is a minimized reduction to the budget considering that there will be less funds available after the departure of the United Kingdom, the increased needs of the EU security and defence policy and societal challenges that need to be addressed like migration. However, this reduction is not the sole change to which we seek to react, there are significant additional considerations which go beyond budgeting concerns and relate to Cohesion Policy and its implementation. A limited reduction in the budget used to implement Cohesion Policy is what we and our stakeholders seek. Understanding the political context in which Europe operates, we consider that ESIF supports effectively competitiveness and growth, making possible to upgrade the overall economic output of the EU. Cohesion policy should be a key pillar of public investment policy that pays back in terms of general, overall economic growth.

4.2 Flexibility and simplification

European development agencies welcome a smooth transition from the current programming period to the next one, with an evolution of the current regulation that will not imply major changes. The changes in the regulation of cohesion policy should aim to achieve greater simplicity and flexibility as far as regulations are concerned. This could be practically applied with a reduction of articles and a harmonization of funding sources to increase stakeholder familiarity with legislation. For successful implementation of simplification, an increased level of trust between levels of government and their stakeholders should be presumed. At a technical and operational level, where Cohesion Policy is implemented, simplification and harmonization would ensure that stakeholders who are working directly on Operational Programmes are afforded ample opportunity to improve and enhance their work. Additionally, to limit administrative burdens, simplification at an implementation level could affect mutual recognition of certified audits which would avoid the double-checking of the same projects for the final beneficiaries (e.g. innovative enterprises).

Flexibility in cohesion policy is important because it will enable the mobilisation of the resources and strengths of the whole policy. All stakeholders of cohesion policy should be involved in the design of management systems to easily re-programme operational programmes. This is important to guarantee the current tailor-made approaches of the programmes implemented and taking into consideration the specific circumstances of each territory. Flexibility will empower the role of the EU as whole because it will be possible to use the full power of cohesion policy to respond with tailored investments to challenges like environmental emergencies (e.g. floods in



Germany and France in 2016), disasters (e.g. forest fires in Portugal in summer 2017), or humanitarian crises (e.g. the arrival of 857 000 refugees and migrants in 2015 in Greece). Additionally, flexibility is one of the requisites to align operational programmes and smart specialisation strategies. The RIS3 development requires continuous monitoring and evaluation of the priorities and as a result the possibility to change approved Operational Plans to address challenges identified by updated monitoring and evaluation systems will reduce and avoid the additional administrative burdens for managing authorities, intermediate bodies and beneficiaries.

4.3 A cohesion policy oriented to results

The new regulatory framework of the post-2020 cohesion policy should be more operative to emphasise the delivery of results and to satisfy the demands of each territory. The focus should be to transfer from the realisation of activities to the development of project pipelines. As it is indicated in 7th Cohesion Report, the ongoing systems for the project selection criteria, which will consider the objectives set at the programme level to ensure that projects are properly focused and deliver tangible results aligned with policy, should be continued.

In the field of Research and Innovation, the Operational Programs should have their activities aligned with the already established smart specialisation strategies of each territory. After the development of the RIS3, the focus should be to capitalise on the this highly participatory governance system. It is important to go beyond the existence of the strategies and focus stakeholders' undertakings on establishing a good, prioritised project portfolio with a coherent policy mix, roadmaps and actions plans fully aligned with the Operational Programs to leverage all possible efforts to invest in the priorities already identified.

4.4 The importance of SMEs

Support to entrepreneurs should be the top priority of the next generation of ESIF. All the governance structures (e.g. managing authorities) should be client oriented. There needs to be measures which when implemented will improve the impact of funds. For example, including a single interlocutor for managing authorities that might be specifically oriented to answer the requirements of the enterprises (and accountable for the results of this activity of orientation to the users), the possibility of establishing global grants in a single operation that would combine internally funds like ERDF and European Social Fund (ESF) for a single beneficiary, the extension of the use of lump sums that would make easier reporting of the expenditures (just with the results).



SME support should be done with comprehensive mechanisms that would foster at the same time their innovation, internationalisation and competitiveness. For that purpose, the ecosystem approach of the Cohesion Policy has proven its value. It is not only about the amount of funds (accordingly with 7th Cohesion Report ERDF is the largest single EU source of financing for innovation and competitiveness), cohesion policy substantially supports the activity of intermediaries which create an ecosystem where entrepreneurs flourish with the creation and scaling up of private companies.

5 Conclusion

EURADA's considerations for the future:

- with an expected overall reduction to the budget, a minimized reduction to funds used for cohesion policy is sought.
- ESIF can continue to support effectively the competitiveness and growth of economic actors.
- Simplification of regulations would ensure a stable transition from the current programming period to the post-2020 programming period.
- A flexible policy which allows stakeholders of cohesion policy to fully participate in its formulation will strengthen the EU's ability to respond to emergency and non-emergency challenges alike with tailor made solutions. Additionally, following on from RIS3's development and its inherent flexibility, we seek increased flexibility in Operational Plans to respond to challenges without additional administrative burdens.
- The delivery of results matched to the needs of specific needs of regions should be prioritized.
- At a microlevel, ESIF should prioritize and favour support for entrepreneurs and SME with mechanisms which combine and enhance innovation, internationalisation and competitiveness.

Cohesion policy's merits do not exclusively lie in assisting regional development. Its merits are borne from much more than funding regions; it's true, principal merit lies in the fact that it is Europe's way of preparing for the future through investment. Cohesion policy invests in innovation, SMEs, climate change, social inclusion and integration which combat cross-sectorial divisions in Europe, from economic and social disparities to those firmly resulting from regional and territorial specificities.

Despite its benefits, cohesion policy must readapt to be more effective to a new framework and policymaking context. Consequently, EURADA considers that the current post-crisis economic framework, the ongoing societal challenges, and the already developed smart specialisation strategies allow and make possible an ambitious post-2020 cohesion policy in line with the emerging budgetary re-prioritisations. European development agencies remain fully available and willing to develop the suggestions and recommendations for cohesion policy.