



## KEY MESSAGES of the Polish Presidency Conference

(on a the basis of the Conference Report prepared by Carlos Mendez and prof. John Bachtler, EPRC)

### Meeting of Ministers responsible for EU Cohesion Policy (Regional Policy), Territorial and Urban Development held in Poznań on 24-25 November, 2011

#### Introduction

1. The Informal Meeting of Ministers provided an opportunity for Member States and European institutions to exchange views on the reform of Cohesion policy. The discussion was based on two Presidency documents: 'Presidency Conclusions on the territorial dimension of EU policies and the future Cohesion policy'; and the 'Roadmap towards promoting and enhancing an integrated, territorial approach based on the Territorial Agenda of the European Union 2020'.
2. Member States welcomed the Polish Presidency initiatives and expressed general support. Building on previous informal meetings and conferences, the discussions helped to clarify positions and take forward the debate on key principles and substantive negotiation issues in preparation for the General Affairs Council meeting on 16 December 2011.
3. Member States noted the importance of advancing the negotiations on the draft legislative package timeously to enable the launch of strategic preparations and discussions with stakeholders and partners in the Member States and regions on the 2014-2020 strategies. The Danish and Cypriot Presidency representatives expressed their commitment to progress the negotiations with the aim of reaching agreement shortly after the MFF negotiations are finalised, as did the chair of the European Parliament's REGI committee.
4. Notwithstanding a broad degree of consensus on the main reform principles and directions, the exchange of views revealed the need for further examination and discussion on a range of issues. These relate to strategic programming, thematic concentration, the performance framework, administration, eligibility and finance, and the territorial agenda.

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#### Strategic programming

5. There is widespread support for a reinforced strategic dimension to increase strategic coherence across policy domains and the focus of structural policies on Europe 2020. The proposals for a **Common Strategic Framework (CSF) and common rules for shared management funds** provide a good basis for strategic coordination across the Funds and with other policy areas, and they could encourage better exploitation of synergies and complementarities than in the past. However, more detailed views on the substantive content can only be given once the Commission's draft proposal for the CSF has been published. One important concern about the CSF is that Europe 2020 priorities may override territorial objectives and priorities.
6. In relation to the Partnership Contracts, Member States are keen to avoid additional administrative burdens and excessive rigidity. The need for sensitivity to territorial specificities was underlined, including adherence to the subsidiarity principle in countries where regional development competences are partly or fully devolved to regions. Some Member States argued that Partnership Contracts should be a framework rather than a 'straightjacket' for programmes, which should remain the main management instrument. There is, however, recognition of the need to upgrade the level of strategic dialogue within Member States and with the Commission.

## Thematic concentration

7. As part of the strategic approach, there is broad acceptance that programming needs to focus on Europe 2020 objectives, achieve critical mass and avoid excessive dispersion of funding. However, most Member States have strong reservations about the ring-fencing mechanism proposed by the Commission, calling instead for more flexibility and sensitivity to territorial specificities. A commonly expressed view is that strategic decisions on resource allocation should not be constrained by 'artificial' expenditure rules that do not necessarily reflect needs on the ground. Further, a number of Member States consider that the targets would lead to absorption difficulties, in areas such as the ESF and R&D and innovation spending, particularly in less-developed regions. By contrast, in more-developed regions which already have narrowly focused strategies, the ring-fencing provisions may require an increase in the number of priorities in some cases and, therefore, less thematic concentration. In short, the Member States called for more flexibility on how to achieve concentration according to their individual needs and on the appropriate mix of priorities and interventions for different categories of regions.

## The performance framework

8. The need for a greater performance orientation geared towards results commands strong support. Yet, there is considerable reticence about the strengthening, extension and formalisation of **conditionalities**. While several Member States support ex-ante conditionalities, there are concerns about the adoption of a perceived formulaic or 'checklist' approach by the Commission at the programming stage or when assessing the fulfillment of objectives/targets. Some warned of the risk of so-called 'competence creep' into areas where the Commission does not have formal responsibility. There are also reservations concerning the use of ex-post sanctions. Positive incentives would be preferable for some Member States, particularly to avoid the artificial setting of easily-achievable targets and or the discouragement of innovation. Further, the debate on conditionalities needs to take account of comments already made by Member States in the Task Force on Conditionalities, for example ensuring that conditionalities focus on improving policy effectiveness, are linked directly to Cohesion policy, are limited in number, respect subsidiarity and are agreed jointly between the Member States and Commission in a timely manner.
9. Member States have divergent views on macro-economic conditionalities. Those offering support underlined the importance of ensuring fiscal discipline in the EU. However, many Member States oppose macro-economic conditionalities on the grounds that they would impact more negatively on poor countries with larger financial allocations, may have pro-cyclical effects on macro-economic imbalances by penalising indebted countries, and would discourage private sector participation in Cohesion policy (public-private partnerships and banks). Concerns were also expressed about Cohesion policy becoming a 'hostage' to other policy objectives unrelated to the Treaty objective of reducing regional disparities. Some Member States argued that the legal basis of the Commission's proposal is dubious, and the link between sanctions and responsibility is unclear, potentially punishing regions for decisions taken at higher levels. Others considered that Cohesion policy should not be the sole target of macroeconomic sanctions, maintaining that it should be extended to other budgetary policies too (such as the CAP).
10. An increased emphasis on **result indicators** is also intended to enhance the performance orientation of Cohesion policy, increase accountability over outcomes and raise the visibility of Cohesion policy impacts. Many Member States underlined the need for robust indicators, further development of common indicators, clear indicator methodologies and explicit linkages with theories of change in programme documents. However, caution was also expressed. The production of robust indicators is a challenging task and many regions do not have consolidated monitoring systems or the capacity to produce, gather and analyse the data systematically. Lastly, the streamlining of indicator sets may not be necessary in all countries.

## Administrative simplification

11. The rationalisation of administrative procedures for managing and implementing Cohesion policy is considered by most Member States to be a critical issue, and one which is still perceived to be insufficiently addressed. While the Commission's efforts to harmonise rules and encourage simplified cost options are welcomed, it was pointed out that the proposals collectively are likely to increase administrative burdens and complexity. A stronger effort to simplify administrative requirements for both beneficiaries and programme managers is considered to be imperative. Specific areas of concern include the complexity of rules, inconsistencies across the rules of different Funds, the reporting obligations, and restrictive financial management rules, including for major projects.

12. Some degree of stability in rules and implementation systems is considered by some Member States to be a necessary condition in efforts to reduce administrative burdens. In the area of audit and control, for instance, some Member States argue that the adoption of the CAP model, as proposed by the Commission, would involve significant changes and lead to greater administrative burdens and costs without necessarily reducing the error rate. More generally, several Member States underlined the need for greater proportionality on the basis of track record and levels of funding. The need to avoid duplication of controls by different bodies was also noted.

#### Budgetary allocations and eligibility

13. Although not part of the formal agenda of the meeting, many Member States used the opportunity to express concerns about budgetary questions of eligibility and allocations. A number of countries called for adequate resources to be allocated to Cohesion policy, underlining that a reduction in the budget would be counterproductive for investment and growth in the post-crisis era. In this context, the transfer of Cohesion Fund resources to the Connecting Europe facility was regarded critically by some Member States.
14. On the issue of eligibility, several Member States called for the primary focus of support to be on the less-developed regions / Convergence Objective, or the poorest Member States. The proposed Transition category (for regions with a GDP per head between 75 and 90 percent of the EU average) was opposed by a number of Member States. Some emphasised the need to take account of particular territorial features in the treatment of eligibility - notably sparsely populated areas, outermost regions and small island states – or more up-to-date data to reflect the recent impacts of the crisis. The particular problems faced by capital cities in some less-developed countries was highlighted, notably how the relatively low financial allocations presents an obstacle to national development given their critical role in fostering growth and spillovers across the entire country. Similarly, the proposed new capping percentage was criticised for being too low and distorting allocations across countries and regions.
15. Lastly, co-financing concerns were raised. The proposed maximum co-financing rate of 75 percent for European Territorial Cooperation programmes is considered to be problematic for less-developed countries and regions. Similar financing challenges arise in relation to the ineligibility of VAT for regions and local authorities in particular.

#### Implementation of the Territorial Agenda 2020

16. Member States voiced general support for the Polish Presidency initiatives on implementation of the Territorial Agenda 2020 and welcomed its pro-active approach on this issue. The **roadmap** proposed by the Polish Presidency was considered to be a valuable instrument to take the process forward. Several countries offered support for the principles and specific actions and called for more decisiveness on implementation. Necessary conditions include a clear implementation framework, more detailed actions or concentration on fewer actions, and the development of institutional capacity. Some Member States stressed the informal nature of the document and the need to channel the proposals through the appropriate institutional mechanisms.
17. Several countries welcomed the proposal to elaborate a **White Paper on Territorial Cohesion**, regarding this as an important step forward in translating the Territorial Agenda into practice and following the Green Paper adopted in 2008. However, it was also suggested this may lead to rigidity and that an informal Working Paper would suffice.
18. On **urban development**, the increased emphasis on the urban dimension in the Commission's proposals for Cohesion policy was widely supported. Many Member States expressed the necessity of taking urban areas into account when programming EU policies and the need to prepare tailored actions and instruments for cities and towns. However, some Member States emphasised the need to avoid a prescriptive approach and to take account of the division of competences on urban policy within Member States. The importance of supporting urban-rural linkages was highlighted in several interventions, as well as functional areas and deprived urban areas.
19. The proposed **urban development platform** also featured in the discussions. A key concern for some Member States is how to ensure it has added value and is distinct, in terms of its contribution, to URBACT and other initiatives. Clarification of the relationship or coordination is required to avoid duplication.
20. The value of the **Reference Framework for Sustainable Cities** was acknowledged, now moving from the testing stage to dissemination. Financial or in-kind commitments were made by many Member States for resourcing and/or supporting further work on the tool, and commitments were made to produce own-language versions and to support communication. Suggestions were also put forward for improving the functionality and navigation of the tool.



21. The need for more coherence and structured dialogue between the various **working groups on territorial cohesion** - including the NTCCP, UDG and TCUM - was also underlined. Few Member States offered solutions, although it was suggested that closer coordination may be preferable to a merger of bodies.
22. Several Member States expressed an interest in developing **Territorial Impact Assessment (TIA)** further to avoid losing momentum. On the other hand, one Member State argued that the roadmap should not encourage the generalisation of TIA given the associated increase in administrative burdens. In accordance with the roadmap, there is support for the development of indicators, data, evaluations methods and surveys.
23. Finally, the important role of **ESPON** in generating knowledge was underlined by Member States. Further development of the observatory is supported, particularly to make its outputs more useful for decision-making. Potential avenues to consider include a greater focus on policy recommendations, the production of more indicators at lower territorial levels, and more detailed country-specific reports or macro-regional reports.