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Crises, territories and cohesion
Synthesis

1. Crisis and cohesion : evolution of the public policies in Italy, Rossella Rusca, Head of Unit, Department for development and economic cohesion, Ministry for Economic Development, Italy

Territorial cohesion has a strong legitimacy in Italy because the Italian constitution mentions the obligation for the State to take specific measures to remove economic and social inequalities, to reduce the gaps between the regions and to target specific funds to that purpose. The State has therefore developed a national fund for development and cohesion managed by the minister for territorial cohesion.

Italy faces a persistent gap between the centre north and the southern part. The difficulties of the south have been accelerated and become heavier as a result of the crisis because of low dynamic factors. Even if the centre north suffered, it was able to resist better thanks to its international orientation. New paths of development have to be found for the South. The most important gap in the south is the supply of essential services to the citizens that urgently need to be addressed.

In the face of the crisis regions need to make a trade off with stability pact in order to ensure the additionality of the funds. The decisions of the regions were made difficult because of a lower political commitment and an uncertainty of the availability of the funds: the condition to respect the stability pact to use the funds reduced their ability to invest.

At central level, there was a lack of guidance and coordination of the interventions of the regional level. The fragmented intervention needed to be better focused on some key objectives and results. In 2009 the appointment of the first minister for territorial cohesion tried to address this issue and enabled the launch of a debate with the regions, the implementation of a state of the art and an overview of the achievements of the regions. When Fabrizio Barca was appointed by the technical government in 2011, he could use all the information to launch an action plan based on a few principles: thematic concentration, focus on actions and outcomes, enhanced partnership and open government to increase transparency. It means that first the funds were redirected to a few strategic priorities. Then a task force in the form of a guidance committee chaired by national authorities with the

European Commission reinforced the partnership, the commitment and enabled better shared knowledge. Italy therefore implemented specific task forces for specific regions such as Sicily and Campania to back the regions in their choices with more effectiveness. Moreover in order to improve the transparency on the use of the funds the government launched an “open cohesion web portal” with open data provided for all single projects. Finally 8 billion euros were reprogrammed in three phases. The first phase started in December 2011 with the reprogramming of 3 billion Euros on education, vocational training, energy efficiency and tax benefits system for disadvantaged workers. The second phase started in May 2012 and reprogrammed 2.3 billion Euros for childcare, competitiveness, elderly care and civil justice. The third phase is in course and supports direct action for workers and firms. The focus has been made on the delivery of essential services to the citizens.

The Italian action plan is relevant because it creates the basis for public action for 2014-2020. The position of Italy in the debate about the next programming period aims to support better rules of guidance, results oriented policy and better spending with ex ante conditionalities and no watering down of the rules.

Discussion:

- *What about the confidence building in the south of Italy?*
- *To which extent is the place based approach a framework of reference for the public action of the ministry for territorial cohesion?*
- *What is the place of research in the financing in Italy?*
- *Why was one of the focuses of the action plan based on energy efficiency?*

2. The financial crisis and its impacts on cohesion: some thoughts from Latvia, Alf Vanags, Director, Baltic International Centre for Economic Policy Studies, Latvia

Latvia is an interesting example to discuss considering the fact that it shows record growth in the boom, then record burst in 2008 and record austerity afterwards.

Despite the small size of the country, there is a high degree of inequality of incomes, a large shadow economy and a low level of social cohesion. The GDP is one of the lowest in Europe, the unemployment is very high and the number of emigrants increased dramatically. Latvia was hardest hit during the first wave of the crisis in 2008 with the government unable to borrow to cover wages and utilities bills. It was the first country to experiment the “programme crisis” led by IMF and the European Commission as early as December 2008. Latvia suffered unprecedented fiscal consolidation up to 17% of the GDP and policy making was taken over by lenders. The Latvian decision makers didn’t resist since unpleasant decisions could be blamed on international lenders. The programme was completed in 2011.

In such a difficult context, cohesion policy remained local. Targets were set for cohesion policy spending but the targets were not met because of procurement problems among other things. Latvia represents a Nuts 2 region, in the Convergence objective and has three operational programmes: human resources; entrepreneurship and innovation; infrastructure and services. But this does not make things easier for Latvia. Indeed, the only financing source during austerity was the cohesion policy. They were supposed to be much helpful thanks to extended use of financial engineering instruments. But these instruments were very slow to be implemented because the implementing agency had little experience with such instruments and unclear information from the European Commission concerning legal

problems about what could be done or not. Moreover all these funds needed private co-financing which was difficult to attract. There was a switch in expenditure from the regional development funds to the social fund in order to address the unemployment problem which rocketed that led to distorting long run aims.

At the end of September only 15.6% of available funds were contracted. Indicators for monitoring the funds were not changed. It means that we monitor new instruments with evaluation and monitoring tools developed in 2006. We need a high quality evaluation and monitoring.

The crisis questioned the social cohesion. A second survey of attitudes carried out by the EBRD shows that the level of support of Latvian citizens for the market economy and for democracy declined between 2006 and 2010. The results present a very disillusioned society with the political and economic system. But in the end there is not blood in the streets because the society is not organised: the trade union density and coverage are quite low. The political system is not characterized by a left-right division but by two axes: Russian speakers and business interests.

Although Latvia was hit hard by the crisis, it is still lucky to have the crisis then than now. If the cohesion policy mitigated some of the impacts in macro-economic terms, social cohesion remains fragile. Although Latvia is far from being a success story, we can conclude that there is life after austerity.

Discussion:

- *At what scale the cohesion policy should be practised?*
- *Is there a need to concentrate on growth?*
- *What are the priorities of the next programming period*
- *How to deal with inequalities*
- *Aren't we facing a method deadlock?*