

*Summary
of the work of the Hungarian
Presidency*

COHESION POLICY





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EXECUTIVE SUMMARY OF ACHIEVEMENTS OF THE HUNGARIAN PRESIDENCY IN THE FIELD OF COHESION POLICY

1. JANUARY - 30. JUNE 2011

ACHIEVING OUR AIMS

The Hungarian Presidency of the Council of the European Union was aiming at a “**Strong Europe**” building on the foundations and protecting the future. Within its overall strategy, **Cohesion Policy** was a key priority for the Hungarian Presidency. Our intention was to strengthen Cohesion Policy and proceed with the debate on its future with a view that an economically more balanced EU is more competitive globally. We envisaged a strong Cohesion Policy, an integrated development policy which responds more effectively to new challenges and is a crucial tool for the implementation of the Europe 2020 Strategy.

The **strategy of the Hungarian Presidency** in the field of Cohesion Policy was established to take into account both the broad economic environment of the European Union – a post-crisis budgetary situation where increased effectiveness from all common policies is needed – and the current state of play of Cohesion Policy, that is, the first steps in planning its future and helping the timely publication of the legislative package on the next programming period.

Therefore, in line with our **strategic objectives** we focused on emphasising the importance as well as on enhancing the effectiveness and visibility of Cohesion Policy. During its term the Hungarian Presidency positioned the Policy at a high political level, attracting the attention of the media and facilitating the broad recognition of Cohesion Policy.

According to our **operative aim** we discussed in more detail key topics concerning future Cohesion Policy such as thematic concentration, result-orientation and the integrated approach. We examined the implementation aspects of important ideas put forward by the Commission, thus successfully moved towards their common interpretation and bridged the gap between the publication of the Fifth Cohesion Report and that of the draft regulatory framework on the post-2013 Cohesion Policy.¹

ENHANCING RESULTS FOR THE FUTURE COHESION POLICY

A significant accomplishment of the Hungarian Presidency was the preparation of the **Council Conclusions on the Fifth Cohesion Report**, a first formal document on that level in Cohesion Policy area, adopted by the **General Affairs Council** on its 21 February 2011 meeting. The aim of the document was to identify those issues of the debate in which there is a consensus between Member States and at the same time to pinpoint the areas where further discussion is needed, thereby setting the ground for the Council work to follow. The Conclusions declared an agreement on the importance of Cohesion Policy as a tool for European integration and a commitment from Member States to further improve the effectiveness of Cohesion Policy through focusing investment on a limited number of key priorities, a more integrated approach and a clear and transparent implementation system. Two topics in which further discussion was deemed necessary – the system of conditionalities and incentives and that of thematic concentration – were selected as the thematic basis of subsequent Presidency events.

At the same General Affairs Council meeting, Ministers engaged in an **orientation debate** about the Policy and reaffirmed their commitment to a strong Cohesion Policy at high political level.

On 31 March - 1 April 2011 we have organised a **High Level Meeting on the Future of Cohesion Policy** in Budapest to discuss the topics of thematic concentration and flexibility as well as the

¹ Our basic principle was to avoid those questions and issues on our agenda, which could prejudice the multi-annual financial framework.

result-oriented approach of Cohesion Policy on the basis of discussion papers prepared by the Hungarian Presidency. In the expert-level discussion conducted, the twofold objective of **thematic concentration**, that is, the alignment with the Europe 2020 Strategy and increasing the effectiveness of Cohesion Policy was accepted by delegates, however, the latter was regarded as a stronger objective. Participants stated that while the original objectives of Cohesion Policy remain unchanged and relevant, the Policy can make a significant contribution to the Europe 2020 Strategy. It was also underlined that for an effective Cohesion Policy flexibility should be allowed for Member States and regions as there are no „one-size-fits-all” solutions. Concerning **result-orientation**, Member States strongly supported the necessity to enhance the result-oriented approach of Cohesion Policy. They concluded that new conditionalities should build on accumulated experience and cannot increase administrative burden. It was deemed crucial that conditionalities should have a direct link with the effectiveness of Cohesion Policy, that their fulfilment needs to be objectively assessable, and that affected actors need to have the competence and capacity to influence them. These main messages of the event were listed in the **Conclusions of the Meeting**.

During the half-year term of the Hungarian Presidency intensive work has been completed in the framework of **Structural Actions Working Party** Council working group with 11 meetings. Besides preparing the ground for the **Council Conclusions** the SAWP meetings focused on **key issue debates** related to the future of Cohesion Policy with topics such as reinforced strategic programming, delivery mechanisms, the integrated approach and result-orientation. The meetings aimed to facilitate a common understanding of these concepts and a detailed discussion on the practicalities thereof. A **thematic presidency note** for each of the topics to initiate discussion and a summary **outcome document** of the debates were prepared.

Our main event was the **Informal Meeting of Ministers** responsible for Cohesion Policy in Gödöllő on 20 May 2011. High-level political messages formulated by Ministers were summarised in the **Presidency Conclusions** with special regard to result-orientation and Cohesion Policy's contribution to Europe 2020 Strategy. Concerning the **result-orientation of Cohesion Policy**, definite political commitment was expressed towards the further increase of effectiveness. Conditionalities and incentives strongly linked with and contributing to the effectiveness of Cohesion Policy were widely supported. While Ministers endorsed that ex-ante success factors should be jointly agreed upon between the Commission and the Member States and regions should be present before expenditure is made, they shared the view that structural reforms should not be set as conditionalities for they cannot be assessed objectively. Participants emphasised that conditionalities should build on principles like flexibility, ownership, transparency, accountability, proportionality and simplification. As regards its **contribution to the Europe 2020 Strategy** Ministers underlined that Cohesion Policy should continue to be a key tool in implementing the Europe 2020 Strategy by focusing on a limited number of commonly agreed thematic objectives. Furthermore they stressed that such thematic concentration should take account of the different contexts and that these may require different policy-mixes to achieve the same objectives.

The Hungarian Presidency paid attention also to the topic of **territorial cohesion**, the third dimension of Cohesion Policy. Ministers responsible for spatial planning and territorial development on 19 May 2011 agreed on the Territorial Agenda of the European Union 2020 which, besides providing orientations for territorial development, fosters integration of the territorial dimension within different policies and wishes to contribute to the successful implementation of the Europe 2020 Strategy.

With all our efforts made, we believe that the Hungarian Presidency **successfully reached its pre-defined goals and objectives**, did everything at its disposal to build a common understanding of key strategic issues, to sort out possible misunderstandings as well as to explore and identify risks of feasibility of ideas on the ground. Hopefully this work has adequately prepared the ground for the incoming Trio Presidencies for formal discussions on the draft Regulations, and by this, will facilitate the timely start of the of post-2013 Cohesion Policy programmes.

Annex

PART 1

CONCLUSIONS SUMMARIES



Council Conclusions on the Fifth Report on economic, social and territorial cohesion

The Council of the European Union,

1. RECALLING that the promotion of economic, social and territorial cohesion, and solidarity among Member States are fundamental objectives of the European Union,
2. RECALLING the provisions of Article 175 of the Treaty on the Functioning of the European Union according to which the European Commission (hereinafter referred to as ‘the Commission’) has to submit to the Council every three years a report examining the progress made towards achieving economic, social and territorial cohesion, if necessary accompanied by appropriate proposals,
3. RECALLING its conclusions of 14 June 2010 on the Strategic Report 2010 by the Commission on the implementation of cohesion policy programmes,
4. WELCOMES the Fifth Report on economic, social and territorial cohesion (hereinafter referred to as ‘Report’) issued by the Commission and ACKNOWLEDGES that cohesion policy is the European Union’s main instrument for promoting overall harmonious development across the Union, in particular by reducing disparities between the levels of development of the various regions and already helped to improve the conditions of smart, sustainable and inclusive growth within the European Union and TAKES NOTE of the conclusions and proposals thereof, that provide a good basis for further discussions on the future design and implementation principles of cohesion policy,

Achievements of cohesion policy

5. NOTES the Report’s findings that cohesion policy has proven its European added value as it has made a marked contribution to the reduction of disparities among the regions, has contributed to raising the level of GDP in the European Union as a whole and assisted the enhancing of employment prospects,

6. UNDERLINES in this respect the contribution cohesion policy has made to the achievement of the goals of the competitiveness and growth agenda of the European Union through innovation and modernising the economy providing help to exploit the underutilised potential of all regions and individual citizens, with a long term socio-economic development perspective,
7. NOTES that at present cohesion policy intervenes in all regions covering the whole territory of the European Union, concentrates the majority of its resources to the least developed Member States and regions, and applies certain transitional regimes, ACKNOWLEDGES that this has positive impact that benefits the whole of the European Union,
8. STRESSES the need for cohesion policy and all its funds to continue pursuing the objectives of reducing the disparities between the levels of development of the various regions and the backwardness of the least developed regions, as well as promoting overall harmonious development and economic, social and territorial cohesion of the European Union and NOTES that this can only be achieved in a sustainable way, taking into account the challenges, needs and potentials i.e. starting points of each of the addressed regions and Member States, and the available means of the European Union,

Cohesion policy and the Europe 2020 Strategy

9. UNDERLINES that the objectives of the Europe 2020 Strategy can only be achieved in a sustainable manner if disparities between the levels of development in the European Union continue to be reduced,
10. STRESSES that while pursuing the above objectives cohesion policy shall take due account of the main drivers of growth as set out in the Europe 2020 Strategy, its headline targets and its flagship initiatives in order to ensure that policy actions generate sustainable and meaningful results over the long term, and RECALLS that cohesion policy through its unique multi-level governance structure is in a position to provide positive incentives and assistance to ensure the ownership of Europe 2020 objectives at local and regional levels,
11. EMPHASIZES that all common policies including cohesion policy have to contribute to the achievement of the Europe 2020 Strategy in a complementary and mutually supportive manner which will ensure synergies between the policy's own aims as laid down in the

Treaty and those of the overarching Europe 2020 Strategy and **UNDERLINES** to this regard the importance of co-ordination between cohesion policy and other relevant European Union policies,

Strategic and integrated approach

- 12 WELCOMES therefore the reinforcement of strategic programming proposed by the Commission with a view to strengthening synergies among European Union, national, regional and local policies and NOTES that this shall take place within a reinforced partnership and close dialogue between the Commission, Member States, regions and local authorities, as appropriate,
13. BELIEVES that a common strategic framework has the potential to ensure greater complementarity, coordination, coherence and synergies among the different Funds of cohesion, rural development and fisheries policies,
14. INSISTS that, while taking into consideration the different nature of their measures, the European Social Fund, the European Regional Development Fund and the Cohesion Fund have to work together in a more integrated and flexible manner in order to increase their effectiveness in pursuing the goals of economic, social and territorial cohesion,
15. CALLS UPON the Commission to consider all options in that respect, including making available the possibility of multi-fund programmes for Member States and regions that wish to use them, when proposing the most effective arrangements for the next programming period,

Concentration

16. STRESSES that there is a need to concentrate our efforts on a limited number of priorities in order to achieve a critical mass and maximise the impact and the visibility of cohesion policy investments as well as help to reinforce European added value,
17. NOTES however that this thematic concentration should be sufficiently flexible to take due account of specific national, regional and local needs and potentials in order to allow for the greatest effectiveness and ownership, thus have to be a result of negotiations between

Member States at the appropriate level and the Commission in compliance with the principles of subsidiarity and proportionality, so that Member States and regions are given enough flexibility to select priorities and draw up appropriate policy mixes, including, as underlined in the conclusions of the European Council of 25-26 March 2010, the possibility to finance infrastructure and capacity building, where relevant,

18. STRESSES therefore that the distribution of cohesion policy resources among priorities and thus the appropriate funding volume of the different Funds has to be decided by the appropriate authorities in Member States in partnership with the Commission,

Effectiveness

19. ACKNOWLEDGES that in order to further enhance the effectiveness of the policy,
 - a. a common understanding of performance, including a methodology of its assessment established in advance is necessary,
 - b. this requires strong and dedicated focus on the actual outcomes and results of the policy underpinned by the improvement of current evaluation, monitoring and indicator systems, concentrating on a limited number of well-defined, easily measurable targets and a limited set of core indicators, without increasing the overall burden of reporting,
 - c. programme-design and efficient institutional frameworks are very important in this respect, while making sure that administrative burden remains as limited as possible,

Delivery

20. UNDERLINES that further improvement of the implementation mechanisms, including future legislative provisions, of the policy needs to be made on the basis of experiences already accumulated and on an appropriate balance among the following principles:
 - a. resources of cohesion policy must continue to be utilised in the most efficient and cost-effective manner; at the same time the impact of policy actions and investments need to be enhanced,
 - b. the results and impacts of cohesion policy need to be better displayed and thus be more visible for European citizens,

- c. legal certainty of implementation needs to be increased and maintained throughout the implementation period,
- d. clear, unambiguous and stable regulatory provisions, including in audit and control, are prerequisites for the proper application thereof and thus contribute to the trend of reducing the error rate in implementation,
- e. the rules of implementation including audit and control arrangements need to be simplified, with harmonisation among different funds and take account of proportionality as appropriate, thus reducing administrative burden and costs to beneficiaries and to the public administration, without putting at risk sound financial management,
- f. a high degree of continuity in management and control system and capacity is necessary in order to build upon acquired management experience and knowledge,

- 21. NOTES the Commission's proposal to promote the use of financial engineering instruments, and, without prejudice to any ongoing debates concerning such instruments in particular to the recast of the Financial Regulation STRESSES that the use of such instruments should not be made obligatory and it should be up to Member States at the appropriate level to decide whether to use grants, loans or a combination of both, as well as the thematic scope of application of such instruments, UNDERLINES furthermore that regulatory simplification, legal certainty, especially concerning financial accountability and control, is necessary in this field,
- 22. WELCOMES the Commission's initiative to take more account of the objective of territorial cohesion in future programmes and address issues, including but not limited to, functional geographies, areas facing specific challenges as also recognised by articles 174 and 349 of the Treaty on the Functioning of the European Union, NOTES however that territorial cohesion should be taken into account in programming and implementation, as a comprehensive and integrated concept, leaving it to the Member States at the appropriate level, to define the most suitable level of intervention, that takes due account of differences among territories with a view to promoting the harmonious and balanced development of the European Union,
- 23. RECALLS that the European Territorial Cooperation objective has a significant European added value and therefore supports its continuation, and INSISTS that regulatory provisions governing the implementation thereof need to be strategically embedded, and need to take

account of the specificities of such programmes and at the same time significantly simplified,

24. RECOGNIZES the potential of the innovative and integrated macro-regional approach for functional territories as a tool for helping to address territorial cohesion and NOTES that macro-regional strategies based on clear functional areas can address common challenges and assist in fully utilizing existing financial resources, while looking forward to the evaluation of those currently under implementation,
25. NOTES that functional urban areas have an important role as engines of growth, hubs of creativity and innovation and centres of social and cultural wellbeing, at the same time can have major challenges, and CONSIDERS therefore that, where relevant, due attention should continue to be given to the development of functional urban areas, inter alia capital cities, towns and urban-rural linkages through the process of national and regional programming,

Further steps to be taken

26. While RECOGNIZING that certain proposals put forth by the Commission are intended to bring benefits and added value, ACKNOWLEDGES that further discussions are necessary on certain proposals put forth by the Commission, notably about:
 - a. the Development and Investment Partnership Contract,
 - b. the list of priorities forming a basis for thematic concentration,
 - c. conditionalities as well as appropriate incentive mechanisms directly linked to cohesion policy,
27. ACKNOWLEDGING the current architecture of cohesion policy, further discussion IS NEEDED concerning the provisions of transitional mechanisms, in particular reflections on a new intermediate category,
28. INVITES the Commission to provide the Council with further details and clarifications on its proposals concerning the future of cohesion policy in due time before the legislative package is presented, and NOTES that the possibility of a high-level political debate on certain strategic issues may be beneficial to accelerate the negotiation process and adoption of new regulations,

29. CALLS on the Commission to present its legislative proposals governing cohesion policy and its funds for the post 2013 implementation period at the latest before the end of June 2011 to ensure that negotiations can start as soon as possible allowing for the effective launch of the new programmes as from 1 January 2014 and STATES that the present conclusions are without prejudice to the negotiations and decisions on the future multiannual financial framework.





PRESIDENCY SUMMARY

ORIENTATION DEBATE ON THE FUTURE OF COHESION POLICY

General Affairs Council, 21 February 2011

Following the adoption of the Council Conclusions on the Fifth Cohesion Report on Economic, Social and Territorial Cohesion issued by the European Commission, the Hungarian Presidency brought the discussion on the future of cohesion policy onto a political level. Ministers at the General Affairs Council meeting of 21 February 2011 held an orientation debate on the subject of **"How the implementation of Europe2020 strategy can be enhanced by reinforced strategic programming and thematic concentration of cohesion policy?"** More concrete questions were formulated based on the debated issues identified already during the discussions on the Council Conclusions; as a result the debate was focused on two main questions:

1. How a Common Strategic Framework could contribute to the implementation of the Europe2020 Strategy? What elements are considered inevitable to be included into such a Common Strategic Framework?
2. The Commission proposed to concentrate the resources on a limited number of priorities. What should those thematic priorities be? How should the list of those thematic areas be structured? How can it be ensured that cohesion policy maintains its original objectives as laid down in the Treaty and at the same time maximizes its contribution to achieving the goals of the Europe 2020 Strategy? To what extent flexibility should be applied in regions with different development level?

On behalf of the European Commission, Commissioner Hahn welcomed the commitment of the Hungarian Presidency towards Cohesion Policy as well as the Council Conclusions that in general were supporting the ideas of the Commission on the future shape of Cohesion Policy highlighted in the 5th Cohesion Report and identified those elements in need of further discussion.

At the orientation debate all Member States actively participated by explicitly articulating positions on the two questions.

The Common Strategic Framework is expected to translate the Europe2020 Strategy objectives into concrete investment priorities and should assist in strengthening the coordination and complementarities among common policies having a territorial dimension.

Member States unanimously declared that Cohesion Policy can effectively contribute to the realization of the objectives of the Europe2020 Strategy, via concentrating their financial resources based on the list of thematic priorities, by applying tailor-made measures according to their specificities. They felt that taking account of regional differences was essential in order for Cohesion Policy to be able to effectively contribute to realizing the goals of the Strategy. It was reiterated however by numerous delegations that this contribution does not mean a change in the overall objectives of Cohesion Policy as laid down in the Treaty.

In the context of the economic recovery after the economic and financial crisis, it was emphasized to be crucial to strive for maximizing the effectiveness in terms of costs as well as results.

There was a strong consensus on the common aspiration of decreasing the administrative burden of Member States and beneficiaries of Cohesion Policy. In that regard the Common Strategic Framework was seen to be a tool to ensure complementarities and the coordination among different Funds and policies thereby reducing administrative burdens. Nevertheless it was highlighted that further efforts should be made for simplifying rules and procedures of implementation.

Elements of the architecture of cohesion policy were mentioned as having particular importance and to be further debated. In this regard the objectives of cohesion policy, transition mechanisms, the treatment of geographical specificities, and the geographical coverage of the policy were mentioned.



CONCLUSIONS

OF THE HIGH LEVEL MEETING ON THE FUTURE OF COHESION POLICY

Budapest, 31 March – 1 April 2011

Thematic Concentration and Flexibility - 31 March

- **Thematic concentration** was perceived by most participants **as a positive way to achieve a critical mass** of investments and thus a **greater effectiveness** in the use of Structural and Cohesion Funds.
- Delegates articulated that **both** the **aims** of increasing effectiveness of Cohesion Policy and the alignment with the Europe 2020 Strategy **were legitimate and acceptable**.
- However, **increasing the effectiveness** of Cohesion Policy investment was emphasised as **a stronger objective**, since various investment areas of Cohesion Policy correspond with Europe 2020 goals to a different degree.
- In addition to the above participants pointed out that the original objectives of Cohesion Policy remain the same as laid down in the Treaty. Participants also articulated that the **Policy can make a significant contribution to the implementation of the Europe 2020 Strategy** by unlocking underutilised potentials of the regions and thus eliminating bottlenecks of growth. Therefore the **goals** of Cohesion Policy and those of the Europe 2020 Strategy were generally regarded as **mutually reinforcing**.
- It was emphasised as well that due to **the different baseline situations** of the Member States and regions, the **best way to make use of those potentials** – whether through infrastructure development or R&D – and thus also to help the attainment of Europe 2020 goals, will **differ from region to region**. At the same time delegates stated that **Cohesion Policy will not be solely responsible for the success of the Strategy**.
- Participants stressed that a **thematic approach might be simpler and more transparent** in terms of results and administration, however, it might **impose a risk to the integrated, place-based approach** – a best practice and real added value of Cohesion Policy.
- The **role of the European Social Fund** in Cohesion Policy and its integrated nature **was also emphasised** by many participants. It was considered that this instrument is **crucial** for the achievement of both the Europe 2020 and Cohesion Policy objectives.
- Participants stated that while **it could be possible to relate Cohesion Policy action to objectives of the Europe 2020 Strategy**, a close **link with the National Reform Programmes raised concerns**. The NRPs **differ from the development strategy of Cohesion Policy in nature, approach, function and time scope**, therefore any link with the NRP should be adaptable to regions.
- Delegates highlighted that, should thematic objectives linked with Europe 2020 objectives to be set up as means of thematic concentration, these **objectives should be broad, represent an aim** to achieve and provide orientation on what Member States and regions need to change. **Concrete means and actions** of achieving those aims as well as **definite targets** thereof shall be agreed on during the **programming**. Ring-fencing resources for compulsory objectives were regarded as a risky exercise due to the different starting points of regions and Member States.

- In this context, participants emphasised that **flexibility should be allowed for Member States and regions in defining their own development priorities and actions**, as “one-size-fits-all” solutions do not exist.
- It was therefore stressed that **no rigid linkages between thematic objectives and categories of expenditure should be established** a priori.
- Delegates proposed that **alternative ways of reconciling regional development with the EU2020 Strategy and priorities should be explored**: a more balanced solution to conciliate both agendas should be sought. **Validating thematic concentration rather on the output/result side** of structural action than on the input side was a solution favoured by many participants.

Result-oriented Approach - 1 April

- Participants agreed on the necessity to enhance the result-oriented approach of Cohesion Policy but pointed out a **lack of clarity and concerns regarding the practical implementation of certain elements of a possible new system of conditionalities and incentives**.
- It is rather important that conditionalities should be **understood in the same way by all involved actors and should address only critical elements of success**. Therefore, it is essential to establish a clear and transparent system for the timely launch of the post 2013 programmes.
- Delegates formulated their concerns regarding the possibility of introducing **different conditionality systems for ERDF and ESF**, as this would further complicate the system and would make integrated approach more difficult.
- New conditionalities should build on accumulated experience and should in no case result in additional layers of monitoring and control, thus increasing **administrative burdens**. It was also stated that a **new system of conditionalities** shall be coupled with a **matching revised audit methodology**. It shall be avoided that conditionalities become a new source of disputes with auditors.
- There seemed to be more misunderstandings about and thus hesitance towards **structural reform conditionalities**. Participants stated that in case such conditionalities would be defined they should **unambiguously have a direct link with the effectiveness of Cohesion Policy**. It was suggested that in case obvious causal relationships would be difficult to establish, setting **success factors** in the Partnership Contract and in OPs would be more favourable without imposing any forms of financial sanctions.
- It is also important that fulfilment or non-performance of **conditionalities could be assessed objectively**, to be able to decide whether a condition has been met or not.
- Regarding **external conditionalities** (structural reforms, regulatory,...) many participants underlined that several **requirements have to be met**: i) Conditionalities have to serve the increase of effectiveness and efficiency of Cohesion Policy; ii) Involved actors in OP management should have a possibility to influence conditions; iii) Those actors should as well have the necessary competence and institutional capacity to carry out the required changes.

- It is extremely important that conditionalities could be implemented on the ground and involved actors would have **ownership** towards them and could relate to them. They should as well fully respect the principles of **subsidiarity and partnership**.
- Participants were unambiguously **against introducing further negative incentives** and instead preferred and supported the use of positive incentives. The question of performance reserve came up in relation to this and solutions at national level were mostly favoured in this regard.
- While maintaining continuity **further improvements of the existing reporting system** shall be pursued in order to **increase the visibility of the results of Cohesion Policy**. For creating such a system, appropriate databases shall also be developed.
- Finally a **country-specific pilot experiment to test** the proposed new framework could be beneficial to avoid later considerations and corrections of possible problems which may arise during the implementation stage.



of the key issue debates held by the Structural Actions Working Party of the Council

1. Background

At the initiative of the Hungarian Presidency the Structural Actions Working Party has held four key issue debates at its meetings of 7 and 29 March, 18 April and 12 May. The intention was to provide an opportunity to discuss more in detail some strategic issues outlined by the Commission in the conclusions of the 5th Cohesion Report and thus contribute to the better understanding of the concepts and exploring the most effective ways of their feasibility in practice.

The Presidency has provided the delegations with background documents for each of the topics to initiate discussions however delegations were free to express their questions, concerns, advices and thoughts regarding each of the topics.

During the elaboration of the Council Conclusions on the 5th Cohesion Report some areas were identified where further discussion was felt necessary in order to capture a clear view of the concepts and their implementation aspects. Taking into account of the work carried out by the Conditionality Task Force set up by the Commission at the request of Ministers responsible for Cohesion Policy, it was not the intention of the Presidency to explicitly deal with these aspects. Further to that the Presidency has taken account of issues dealt with at the High Level Group reflecting on future Cohesion Policy, as well as the suggestions of Member States at the orientation debate held at the General Affairs Council on 21 February 2011.

An effort was made to identify key issues that are relevant for Member States, that are important for the future Cohesion Policy or certain aspects of which have not yet received appropriate attention. On the above grounds the Structural Actions Working Party has discussed issues related to strategic programming, integrated approach, result-orientation and possible ways of simplifying the implementation of Cohesion Policy.

The key issue debate exercise was useful for all parties as it contributed to a better understanding of the above concepts, sorting out possible misunderstanding regarding the intentions, exploring the feasibility of certain proposals in practice as well as the prerequisites thereof. Concerning the explanations given by the Commission Representative, it was understood that they were preliminary, and could not be considered as a final Commission position.

This document intends to summarize the main messages of the key issue debates. It has been drawn up under the responsibility of the Presidency and should in no way prejudice the position of the Council. Since the cross-cutting issues of result-orientation and the integrated approach should guide the whole policy cycle, thus are relevant for both the programming as well as the implementation of the Policy, in order to avoid a repetition of certain aspects, the structure of the summary does not follow a theme by theme approach. Instead the aim was to draw up a more coherent outline of the discussions.

2. General considerations

There are multiple challenges that the future Cohesion Policy should adequately address. The financial and economic crisis and the following increase of public deficit has made it ever more important to ensure that we get the maximum value for our public efforts and that we achieve the desired results in a more cost-efficient manner. This requirement is valid for all kinds of policies and all public expenditure, thus also for Cohesion Policy. For this it is necessary to explore ways how positive results of our actions can be maximized and how we can make the implementation of our Policy more efficient, thereby cutting back on management costs and reducing the deadweight caused by unnecessary administrative burden.

At the same time – despite of the promising signs in the recent years – Cohesion Policy implementation is attributed with the highest error rates. Although these errors are mostly still

related to the 2000-06 period and to a large extent connected to the application of rules external to Cohesion Policy (e.g. public procurement, state aids and environmental requirements) there is still an increasing need to cut back on them and ensure the regular use of cohesion resources as well as the proper application of the principle of sound financial management.

After the rather mixed results of the Lisbon Strategy our heads of states and governments have decided to focus our efforts on the main common challenges as well as bottlenecks and drivers of growth of the European Union as identified in the Europe 2020 Strategy. The European Councils of March and June 2010 have therefore made it clear that "*all common policies...will need to support the strategy*". Thus all policies, including Cohesion Policy, while endeavouring their own objectives as defined in the Treaty, need to maximize their contributions to these strategic objectives. Since the effectiveness of Cohesion Policy – as pointed out in the conclusions of the 5th Cohesion Report – largely depends on the economic environment in which it operates (including institutional, regulatory and policy frameworks in place) and since this environment will be to a large extent determined by the Europe 2020 Strategy and the economic policy cycle connected to it, the relation of Cohesion Policy to these will be crucial.

Taking account of the above contexts the following four topics were identified:

Strategic programming:

Reinforcing strategic programming is crucial to increase the effectiveness of our policies by ensuring a concentration of efforts on the most important objectives thereby allowing for a critical mass. By way of setting the right priorities and ensuring synergies among them via coordination of their implementation, we can also make a necessary contribution to increasing the efficiency and cost-effectiveness of our policies.

Strategic programming is a complex issue as it not only relates to setting priorities but will also have a crucial impact on implementing those priorities. Therefore programming has always to be seen in the context of the ability to implement the set strategies in an efficient and effective way.

Delivery mechanisms:

Delivery mechanisms are vital elements of every policy. We may come up with the best objectives, but achievement of these objectives depends to a large extent on how the programmes are implemented and thus on our delivery systems and the rules guiding implementation. Therefore the way we establish the rules of delivery is a critical element underpinning sound financial management – ensuring effective and efficient use of funds, as well as economy and value for money.

Simplification and reducing unnecessary administrative burden (and the deadweight it causes to our economies) is thus a crucial element in drawing up regulatory provisions concerning delivery. This was unanimously emphasized by ministers at the 21 February General Affairs Council orientation debate at the same time this also goes in line with the objectives of the Europe 2020 Strategy.

At the same time some Member States have also pointed out that changes in delivery systems can bring about adjustment costs and novel rules can add complexity, signalling that both the benefits of stability and continuity as well as those of simplification need to be taken into consideration.

Integrated approach:

With territorial cohesion now also being an explicit objective of the Lisbon Treaty, the importance of the integrated approach to policy making in all its territorial dimensions has increased.

Cohesion Policy in general is deemed to be a unique instrument which allows for the reconciliation of

- different types of – sectoral – objectives and aspects of development (e.g. social, environmental, infrastructural, economic aspects etc.),
- different levels of governance (at the EU, Member State, region or local level).

Through both the integrated approach and multi-level governance, both inherent features of Cohesion Policy, an optimisation of policy mixes can be achieved which can ensure synergies and complementarities across different sectoral policies. (This could entail the identification and sorting out of potential trade-off effects among colliding aims to ensure the most effective treatment of a complex problem.) In this respect, the combination of an integrated approach within a framework of multi-level governance can generate cross-sectoral and tailor-made responses to address specific challenges and eliminate bottlenecks to growth. This approach not only allows for a more effective but also a more efficient use of public resources.

On the other hand, since the Europe 2020 Strategy and its flagships identify common bottlenecks and drivers of growth which also require a cross-sectoral approach, the integrated nature of Cohesion Policy makes it of prime importance for the success of this Strategy. Moreover, the multi-level governance system and the integrated approach of Cohesion Policy coupled with its partnership principle involving regional and local actors as well as other stakeholders allows for increased ownership of policy goals and their implementation, including the objectives of the Europe 2020 Strategy.

Result-orientation:

As mentioned above, after the crisis it is more important than ever to ensure that we get the maximum value for our public efforts, and that we achieve the desired results in a more cost-effective manner. This strong requirement is valid for all kinds of public expenditure and all public policies, thus also for Cohesion Policy.

Although Cohesion Policy already now includes a lot of disciplines intended to enforce or maximise elements of sound financial management, recent discussions within the Cohesion Policy 'community' have shown unanimous and strong commitment to redirect political attention increasingly to results and to further enhance the effectiveness of Cohesion Policy, setting an example to other policy areas as well.

On the other hand, emphasizing a shift towards results requires two distinctive areas to be clarified: what we understand by results (there are numerous requirements Cohesion Policy is expected to fulfil) and how it is possible to gain a more thorough knowledge on the results of our interventions. It should also be noted that an increased focus on results would require a simplification in the rules of implementation in order to allow for managers to concentrate the majority of their efforts on the effectiveness of what they are doing.

Whereas for the former we have to be clear of the logic behind what kind of investments we are financing and what we want to achieve with them, for the latter it is vital to be able to measure progress as regards outputs and evaluate the impact of our interventions to our strategic goals.

3. Outcome of the key issue debates

General points:

It was widely acknowledged that since the aim of Cohesion Policy is to eliminate bottlenecks of growth and to help regions and Member States to be able to exploit their potentials by nature its aims are in line with those of the Europe 2020 Strategy. The added value of Cohesion Policy in the implementation of the Strategy objectives is that – through its multi-level governance structure – it allows for a reconciliation of EU level strategic aims with the reality on the ground, thereby ensuring an increased ownership of such objectives at regional and local levels (something the Lisbon Strategy failed to address appropriately). Furthermore, it was highlighted that its territorial focus and integrated cross-sectoral approach allows Cohesion Policy for the reconciliation of several policy-objectives and ensuring synergic effects among them. This approach allows the identification and offsetting of possible trade-off effects and a

more effective and efficient use of resources as opposed to parallel sectoral interventions where synergies are not ensured in a systemic manner.

For this it was highlighted that while Cohesion Policy should not be seen as a mere financing instrument of other policy objectives, pursuing its own objectives can contribute to the achievement of the Europe 2020 targets. Since Europe's territories are very diverse, the same objectives may be best achieved through different measures. Therefore concentration on objectives coupled with flexibility as regards choosing the most effective measures to achieve them was widely supported.

In general the better regulation principles of the Integrated Guidelines were reiterated and delegations emphasized that changes to Cohesion Policy should not contribute to the overall increase of administrative burdens attributed to the Policy. They warned that in order to ensure the stability and predictability of implementation, a certain degree of continuity is necessary to be maintained. For this it was emphasized that only well justified modifications should be made where the effects of simplification and the reduction of administrative burden are clearly demonstrated. Subsidiarity and proportionality were highlighted as principles to be taken due account of when drawing up future regulatory requirements.

Delegations widely supported further enhancing the result-orientation of the Policy. It was emphasized that in order for that to be effective in practice this has to entail a clear shift in the programming and management approach. The integrated approach was deemed as a key tool for enhancing effectiveness.

Strategic programming:

Reinforced strategic programming as a tool that helps setting the right priorities and ensuring a coherent intervention logic was widely supported by delegations as this would allow for a more consistent embedding of Cohesion Policy interventions into the general economic strategies thus increasing their added value and effectiveness. It was emphasized that the quality of programming affects to a large extent the effectiveness of implementation, therefore it was seen that a strengthening of this process can bring about significant benefits.

The Common Strategic Framework (CSF) was seen by delegations as an instrument that may facilitate the application of the integrated approach through contributing to the coordination of different strategic objectives set out in the numerous EU-level sectoral strategies, roadmaps and action plans. The possibility of the CSF to cover rural development and fisheries was widely supported. Some delegations also raised that it should refer to other areas relevant for Cohesion Policy as well. Transport, state aids and public procurements were explicitly mentioned as well as the relationship to the Common Strategic Framework for EU Research and Innovation Funding.

Member States did not support the proposal that in case of the ESF the CSF should only refer to the Integrated Guidelines as they felt that this Fund-specific logic was not justified since the contribution of all Funds may be relevant to all policy objectives.

Delegations were keen on having a say in drawing up the CSF, therefore opposed it to be formulated solely by the Commission. They felt that this document should not be prescriptive but rather an orientation document helping the strategic programming of Member States. Its relationship with and the effects on the Partnership Contracts was deemed to require further explanation.

As regards national level programming, delegations were widely supportive of an option of multifund programming. However some Member States wanted to keep the possibility of monofund programmes with an increased threshold for cross-financing set preferably at OP-level. Some delegations underlined that the possibility of including the EAFRD and EFF into a multifund system might be worth exploring.

Several Member States expressed serious concerns on how any predetermined ring-fencing of expenditure for certain target groups or sectors would be in line with increased efforts on the objectives of thematic concentration and integrated approach. They felt that such initiative

would run counter to that. A majority of delegations expressed their opposition to any predetermination of the ratio between the ESF and the ERDF for the same reasons.

As regards the role of the Funds, the possibility of one Fund being responsible for one policy area was opposed by several delegations. A better coordination and stronger alignment of rules governing the separate Funds was emphasized by the Member States. It was also underlined that the demarcation between Cohesion Policy and rural development should not be Fund-specific but rather objective-specific.

Thematic concentration on a limited number of objectives was widely supported as it may contribute to an increased focus of efforts on the most important priority areas. Nevertheless it was widely expressed that the list of thematic objectives should be carefully drawn up avoiding a sectoral approach and thus hindering the integrated manner of interventions. Also it was emphasized by delegations that both the ERDF as well as the ESF may be relevant for implementing any of the objectives – depending on the most suitable policy-mix put together for their achievement – therefore a division of these according to the Funds should be avoided. A rigid linking of thematic objectives and categories of expenditure was opposed by delegations as this would run against the flexibility of putting together the best policy-mix adapted to the different situation and challenges of regions thus setting back an effective tackling of these.

Delegations stated that more clarity would be necessary as regards how thematic concentration would affect the drawing up of operational programmes, primarily on how this would influence the number of OPs or their priority axes. It was also raised that it should be considered whether thematic concentration should affect regional and national programmes differently. For the sake of clarity and consistency a need for the unification of terminology applied was expressed by delegations (e.g. thematic objectives, thematic priorities, investment priorities, investment categories, categories of expenditures, priority axes etc.).

Member States widely supported a more result-oriented shift in programming, that is a clear intervention logic, coupled with a limited number of common indicators as well as setting target values in case of output indicators that allow for the measuring of progress. It was highlighted that the latter not only enhances the accountability for results but also ensures a greater ownership of the management towards these. The visibility of Cohesion Policy results was also highlighted as a crucial factor. In this respect a regular political debate focussing on results was worth to be discussed more in detail.

Delegations clearly stated that the performance of Cohesion Policy cannot be measured only in relation to either the progress in terms of the headline targets (as these are influenced by other policies and external factors as well) or its contribution to the Europe 2020 Strategy. They called for finding ways to measure progress in terms of Cohesion Policy's own aims and to be able to demonstrate its contribution to the Europe 2020 objectives at the same time. Many have reminded that whereas the wider use of quantifiable targets and indicators is supported, there is a need for assessment and evaluation of the context as well, since indicators can only tell whether progress was achieved or not, but do not shed light on the fact whether the targets or the measures chosen, were right or not, or why progress is achieved.

Whereas there was unanimous agreement that performance has to be better demonstrated, delegations opposed any automatic sanctions connected to indicators for the above reasons. Some contributions have reminded about the time lag between investments and their impacts. On these methodological grounds Member States did not favour the introduction of an EU-level performance reserve as they felt, such funds would be difficult to objectively allocate on the basis of actual performance and could encourage Member States and regions to opt for less ambitious and innovative interventions, thus to concentrate on absorption rather than results.

It was highlighted that the tasks of monitoring and evaluation should be clearly separated. Member States have felt that there was a risk that linking up output indicators and categories of expenditure would lead to a more rigid system and feared that it may result in a false debate on unit costs over actual results achieved.

In view of the link with rural development and fisheries it was raised that it may be worth considering establishing certain shared common indicators with these policies where possible. A more coherent system of indicators for the European Territorial Cooperation objective programmes was called for in order to ensure a more standardised reporting.

The requirement towards monitoring and measuring the results of integrated projects was also raised as something that needed further elaboration.

Concerning the Development and Investment Partnership Contract it was felt that its relationship to the National Reform Programmes needed to be further clarified as the nature and the time span of the two documents was thought to be rather different. The involvement of regions in drawing up the contract was also underlined and delegations felt that clarification was necessary in this regard.

The legal status of the contract was also indicated as a matter to be sorted out. Delegations felt that a contract by nature cannot be concluded by the unilateral act of a Commission decision. Some delegations felt that for this to be a real contract the obligations and commitments of the Commission should also be set out in it.

Some delegations felt that it would be worthwhile considering the possibility of involving the programming of EAFRD and EFF resources in the contract as well. It was mentioned – especially by smaller Member States – that a solution similar to the single programming document of the 2000-06 period should be considered. Others however opposed to involving EAFRD and EFF into the contract.

It was mentioned that the role of the European Territorial Cooperation objective in the contract should also be clarified. Some delegations felt that the contract should cover these programmes as well.

Although the debates did not deal explicitly with the issue of conditionalities, it was reiterated by Member States that it should be avoided that conditionalities create a rather sectoral orientation to programmes or the weakening of the integrated approach.

Implementation:

In general it was seen that simplification of the rules governing the implementation of Cohesion Policy would contribute to the reduction of administrative burden, a more effective and cost-efficient management of the Funds. On top of that, increased certainty, clarity and predictability as regards requirements and their consequences was felt to be significantly contributing to reducing the number of errors.

On the other hand it was highlighted by the vast majority of delegations that sometimes not changing a functioning structure can be a simplification as it allows learning from experiences, whereas a totally new approach would contribute to uncertainty. With this in mind, they warned that only those aspects should be modified where it is ensured that changes will contribute to increasing the efficiency and effectiveness of the systems. They reminded that continuity can reduce the need for interpretations, whereas novel requirements will inevitably require new common interpretations. In any case, it was unanimously emphasized by delegations that unlike in the present period, interpretations have to be drawn up in a timely manner and should be in place at the latest by the launch of implementation. Some delegations requested that it would be beneficial for both the negotiation of the new generation of regulations as well as for the setting up of national and regional management systems for the next period, that these were drawn up together with legislative requirements.

Delegations reminded that simplification should also be seen in the context of those policy areas that are external to Cohesion Policy regulatory provisions but significantly affect its implementation. With reference to the source of error rates, rules of public procurement, state aids and environmental legislation were mentioned.

It was requested that regulatory provisions should be simple, clear and unambiguously interpreted as regards their requirements in practice. It was felt that a clearer definition and

separation of responsibilities between the Member States and the Commission should be laid down in them. It was mentioned that these should cover the right of interpretation of regulatory provisions as well.

As regards interpretations there was a general concern regarding the current practice of guidance notes which tend to narrow the scope of the regulations. It was emphasized that these should also follow the abovementioned general principles. In that respect some delegations called for the reconsideration of the role and functioning of the COCOF. Legal certainty was deemed of crucial importance in case of interpretations as well.

Member States requested that in order to enhance predictability, minimum criteria should be laid down concerning the application of general principles, e.g. sound financial management and horizontal principles. For the latter the sharing of best practices was mentioned to be useful where Member States could receive ideas how to apply those in practice (e.g. gender equality in case of transport projects etc.).

As regards concrete proposals, the wider use and acceptance of electronic documents (also for the purposes of controls) was felt to be a major novelty to cut back on administrative burden.

Delegations expressed that the wider application of simplified cost options could be a useful tool for simplification, provided that a common methodology is established at EU level. As regards revenue-generating projects, most Member States felt that the current provisions are extremely complex and they favoured a return to a thumb-rule approach similar to that applied in the 2000-06 period. Some delegations also mentioned that the proof of labour costs could be simplified by applying common standards.

A majority of delegations called for a more coherent and detailed set of regulatory provisions to be established in relation to financial engineering instruments, where experiences of the current period proved that constantly changing expectations and obligations hinder implementation.

Several delegations called for the simplification of the lengthy procedures of major project approvals by the Commission. A more strategic involvement of JASPERS expertise and avoiding the duplication of appraisal processes were called for by some delegations.

Many have felt that the harmonisation of eligibility rules among the different Funds would mean substantial simplification for beneficiaries on the ground as well as ensuring integrated approach in practice.

The more extensive application of global grants was considered to be a good option by some Member States; nevertheless others mentioned that the current provisions were not extensively used and it should be assessed why it was the case. Some delegations called for a possibility of financing global grants from more Funds (including the EAFRD), nevertheless they highlighted the fact that in case these have to maintain separate financing streams and accounting as regards the source of financing, this would not be a useful solution.

Concerning the European Territorial Cooperation objective, the general approach was that more common rules would be necessary in order to facilitate setting up their management systems. It was felt that the multi-country character of these programmes should be taken into account when drawing up rules governing these programmes and that this specificity should be reflected in the regulations. Some delegations requested the extension of the N+2 deadlines for the above reasons.

Brussels, 6 June 2011



INFORMAL MEETING OF MINISTERS RESPONSIBLE FOR COHESION POLICY

Gödöllő, 20 May 2011

"Towards a more effective Cohesion Policy"

PRESIDENCY CONCLUSIONS

1. INTRODUCTION

At the invitation of the Hungarian Presidency of the Council of the European Union, Ministers responsible for Cohesion Policy met in Gödöllő on 20 May 2011 to discuss the future of Cohesion Policy.

The Commissioners for Regional Policy and for Employment, Social Affairs and Inclusion, the Chairman and representatives of the Committee on Regional Development of the European Parliament, the President of the Committee of the Regions, representatives of the European Economic and Social Committee, representatives of the European Investment Bank and representatives of the Organisation for Economic Cooperation and Development participated in the meeting. The Presidency was also pleased to welcome representatives from the candidate countries of Croatia, Iceland, the Former Yugoslav Republic of Macedonia, Montenegro and Turkey, as well as representatives of Liechtenstein, Norway and Switzerland as members of European Economic Area/European Free Trade Association.

Ministers engaged in a wide and open exchange of views on how to move *"Towards a more effective Cohesion Policy"* that contributes to the Europe 2020 Strategy and thus a *"Strong Europe"*.

The discussions built strongly on the Council Conclusions on the Fifth Report on economic, social and territorial cohesion adopted at the General Affairs Council meeting of 21 February as well as on the orientation debate conducted at the same occasion. They took into consideration the Conclusions of the High Level Meeting on the Future of Cohesion Policy held in Budapest on 31 March - 1 April and the ideas put forward during the key issue debates in the meetings of the Structural Actions Working Party. They took note of the progress achieved over the last months by the High Level Group reflecting on the Future of the Cohesion Policy as well as the Conditionality Task Force set up by the Commission following the request of the Ministers responsible for Cohesion Policy last November in Liège.

2. MAIN POLITICAL MESSAGES

A number of key political messages generally shared by the Ministers should be underlined.

2.1. The importance of Cohesion Policy

Cohesion Policy is an important tool of European integration which has, as also established by the Fifth Cohesion Report, demonstrated its effective assistance in reducing economic, social and territorial disparities between the regions of the European Union and at the same time in improving regional competitiveness. It also contributed to raising the quality of public investment culture by spreading best practices and methodologies.

While the effective and efficient use of Cohesion resources was always in the forefront, taking account of the post-crisis economic and budgetary situation, it is essential to further increase the effectiveness of all common policies and to do this in the most cost-efficient manner. To

that end, it is to be underlined how the Cohesion Policy 'community' has shown a strong and unanimous commitment to redirect political attention increasingly towards tangible results and to enhance the effectiveness of the Policy, thereby setting an example to other policy areas as well. It was agreed that the system of conditionalities and incentives and thematic concentration should be in service of that goal.

Enhanced effectiveness of Cohesion Policy can best be achieved if its improved tools and mechanisms are aligned with and build upon the characteristics and added values of the Policy, that is, the ability to reflect on territorial differences through an integrated and bottom-up approach.

2.2. The result-orientation of Cohesion Policy

Ministers expressed unanimous support and strong commitment that the effectiveness of Cohesion Policy can and should be further increased. For this – beside other factors such as a more result-focused programming, increased emphasis on evaluation and indicators, as well as a streamlined but efficient delivery system – conditionalities and incentives that are strongly linked with, and contribute to the effectiveness of Cohesion Policy were widely supported.

There was an overall understanding that conditionalities should ensure before expenditure is made that factors which allow interventions to deliver the best results are in place. Whereas it was recognised that taking due account of Country Specific Recommendations is important, Member States shared the view that such reforms should not be set as conditionalities, for they cannot be assessed objectively.

Participants shared the view that conditionalities can best work in practice and thus serve the effectiveness of our Policy the most if they are built on certain principles such as focus, flexibility, ownership, transparency, accountability, proportionality and simplification.

2.3. The contribution of Cohesion Policy to the Europe 2020 Strategy

Ministers underlined that in order to produce tangible results for our highest priority objectives, public resources should be focused on a limited number of commonly agreed thematic objectives reflecting the goals of the Europe 2020 Strategy. It was emphasised that Cohesion Policy, even in the 2007-13 programming period, contributes to smart, sustainable and inclusive growth, and should continue to be a key tool to help the implementation of the Europe 2020 Strategy in the future. The best way this can be achieved is by translating its objectives into concrete actions on the ground.

It was stressed that such thematic concentration of actions and resources is most effective if it takes account of different contexts and recognises that these may require different integrated policy-mixes or measures to allow for the delivery of the same objectives.

2.4. Timing

The new Cohesion Policy set-up will require a more thorough preparation of programmes and assessment of their success factors. It is therefore crucial that the legislative proposals governing Cohesion Policy and its Funds for the post-2013 implementation period are submitted to the Council during summer 2011, allowing for a comprehensive preparation and a timely launch of the new generation of programmes as of 1 January 2014.

3. DETAILED PRESIDENCY CONCLUSIONS OF THE MEETING

The Presidency Conclusions of the discussion carried out at the Informal Ministerial Meeting are set out below in more detail, structured according to the two main questions addressed by the Ministers.

How to make Cohesion Policy more effective in achieving results?

1. Ministers acknowledged that in the aftermath of the crisis it is crucial to maximise the value of all public expenditure and common policies. With regard to this, they politically committed themselves to further enhancing the effectiveness of Cohesion Policy.
2. Taking into account that although Cohesion Policy contributes to a large extent to the implementation of the Europe 2020 Strategy, its results cannot be solely interpreted in relation to the progress towards these objectives, Ministers explored possibilities of how this result-orientation can be best achieved in practice.
3. In order to accomplish increased result-orientation, Ministers called the attention to the need for a more careful preparation and design of programmes, setting out a clear intervention logic comprising realistic targets, as this enables the measurement of actual results.
4. They also deemed crucial in this regard an improvement of the current methodological and technical background of monitoring of performance, as well as appropriate indicators, including common indicators, that allow for the comparability and visibility of progress. It was stressed that greater emphasis should be put on evaluation.
5. Ministers stressed that one of the prerequisites of effectiveness is enhanced efficiency of management which requires a more transparent and simplified delivery system.
6. Ministers noted that several disciplines to facilitate effectiveness are in place in the present programming period. They emphasised that a new system of conditionalities should be built on accumulated experience and sufficient continuity should be ensured. Positive incentives were clearly preferred over negative sanctions.
7. For the abovementioned reasons of efficiency and cost-effectiveness, Ministers stressed that the proposed system of conditionalities should not cause a multiplication in the layers of monitoring and control or increase overall administrative burden, but serve the acknowledged purposes of simplification, transparency and proportionality. Several Ministers stressed that no automatic sanctions should be attached to conditionalities, as the achievement of desired results may be affected by unforeseen or external factors.
8. Ministers supported ex-ante preconditions addressing critical success factors. They stressed that in order for them to be effective in practice, such conditionalities should have a direct link with the effectiveness of Cohesion Policy programmes and should be tailored to specific contexts taking into account the different starting points of Member States and regions. It was also raised that these conditionalities should be set up in line with individual statutory and institutional arrangements in order to avoid legal difficulties.
9. Ministers also shared the view that in order for such conditionalities to deliver the maximum gains, they should be limited in number, concentrate on the most important success factors and be clear, predictable and objectively verifiable. It was emphasised that conditionalities should form a unified system, be common to all Funds of Cohesion Policy and avoid a sectoral approach. They should be established on the agreement with Member States and regions, thus bear the ownership of stakeholders affected, as well as their capacity and competence to influence the set criteria.

10. Ministers reiterated their opposition to conditionalities connected to structural reforms as set out in Council Recommendations on National Reform Programmes. Ministers emphasised that while such reforms are important, they cannot be set as conditionalities since their causality effect with programme performance as well as their fulfilment will always be relative, subjective and open to discussion, and such conditionalities might be interfering with the principle of subsidiarity.
11. Ministers considered that there could be scope for setting up optional national, regional, or programme-level incentive mechanisms, provided that reliable and technically robust monitoring and evaluation systems to ensure the comparability of results and target achievements are in place at the corresponding levels. Most Ministers did not favour the idea of an EU-level performance reserve, as such funds would be difficult to objectively allocate on the basis of actual performance and could encourage Member States and regions to opt for less ambitious and innovative interventions, thus to concentrate on absorption rather than results.
12. It was regarded of utmost importance by Ministers that specificities of the new system are available as soon as possible so that ex-ante success factors are made best use of during the planning and implementation of post-2013 programmes.

How to make Cohesion Policy contribute more effectively to the Europe 2020 Strategy?

13. It was pointed out by Ministers that a joint effort from all European policies is necessary for the success of the Europe 2020 Strategy, thus also Cohesion Policy – as it so does even in the present programming period – should and will contribute to the Europe 2020 targets of a smart, sustainable and inclusive growth.
14. Ministers shared the view that since Cohesion Policy is about addressing bottlenecks for growth and stimulating endogenous potential in order to raise the competitiveness of different regions, the aims of Cohesion Policy and those of the Europe 2020 Strategy are generally in line. It was highlighted that Cohesion Policy, through its multi-level governance system and cross-sectoral approach, is a key instrument for the implementation of the Europe 2020 Strategy on the ground. Ministers emphasised that thematic concentration should be a means to establish a mutually reinforcing connection between the two frameworks.
15. Thematic concentration was seen by Member States as a powerful tool to concentrate public efforts on a limited number of objectives of the highest priority, to achieve a critical mass of investments and thus maximise the impact and visibility of Cohesion Policy in line with the objectives of the Europe 2020 Strategy.
16. Ministers called attention to the fact that depending on the actual situation of individual Member States and regions, the same objectives may be most effectively delivered upon through different types of policy-mixes. To that end, Ministers stressed that the ownership of the Europe 2020 objectives and thus their most effective implementation can best be ensured if broadly defined objectives can be translated into concrete actions interpretable for regional and local levels in response to their territorial needs. Thus the system of thematic concentration should enable tailor-making actual interventions that serve the same objectives to different territorial contexts in order to guarantee their effectiveness.
17. To that extent, Ministers underlined that obligatory thematic objectives established at EU-level may counter the alignment with circumstances on the ground. Following the same logic, it was also stressed that neither the allocation of separate Funds, nor resources dedicated to certain thematic areas should be pre-set.

18. In order to maximise synergic effects and thus ensure a more effective and efficient use of public resources, Ministers argued that the menu of thematic objectives should follow an integrated approach as opposed to a sectoral logic.
19. Regarding that, Ministers also deemed important that the menu of thematic objectives should make use of the combination of the Funds, as all Funds may be relevant for contributing to the same aims depending on the policy-mix put together. For this reason, Ministers voiced the need for an enhanced cooperation of the different Funds, including the harmonisation of their rules, the optional use of multi-fund programmes, flexible geographical scope of programmes, a unified local development methodology, and the alleviation of cross-financing rules.
20. Ministers pointed out that it is yet to be clarified how thematic concentration will affect programming especially regarding the role of National Reform Programmes in the alignment of Cohesion Policy and the Europe 2020 Strategy, as well as the number of operational programmes, priority axes within operational programmes or categories of expenditure. Ministers shared the view that alignment with the Europe 2020 process should keep programming as concise as possible and not duplicate monitoring and reporting duties or increase administrative burden. Some Member States added that since thematic objectives may be achieved through different measures, no restriction as regards the categories of expenditure should be made.

Ministers trust that the Commission will soon put forward a proposal, including inter alia ex-ante conditionalities as well as thematic concentration, that best serve the objective of further enhancing Policy effectiveness and delivering on European priorities. They firmly believe that the above criteria, based on their experience in implementation, will provide significant help to come up with mechanisms that will advance these purposes in the most effective way, without increasing the administrative burden attached to the utilisation of Cohesion Policy instruments.

Member States highlighted that further technical-level discussions regarding implementation details will be necessary after the publication of the Commission's proposals in order to complement and support the negotiation of the regulations.

Ministers were looking forward to working closely together with the European Parliament in order to have stable and implementable regulatory provisions allowing for the maximum effectiveness and efficiency of Cohesion Policy ready well in advance for the timely launch of post-2013 programmes.



Annex

PART 2

**PRESIDENCY NOTES
DISCUSSION NOTES
ISSUE NOTES**



HIGH LEVEL MEETING ON THE FUTURE OF COHESION POLICY

Budapest, 31 March – 1 April 2011

THEMATIC CONCENTRATION AND FLEXIBILITY

Discussion Paper

1. Background: the Commission's view and first reactions

Building on the findings of the ex-post evaluations of Cohesion Policy and of the Barca Report², the European Commission has suggested in the Conclusions of the Fifth Report on Economic, Social and Territorial Cohesion that "*Member States and regions [shall] concentrate EU and national resources on a small number of priorities responding to the specific challenges that they face*"³ as a way to reach critical mass and ensure a tangible impact of the Structural Fund assistance. In the same document the Commission refers that "*this could be achieved by establishing, in the cohesion policy regulations, a list of thematic priorities linked to the priorities, Integrated Guidelines and flagship initiatives of Europe 2020*".⁴

The **principle of thematic concentration** has thus become one of the key topics being discussed in the current debate on the future of Cohesion Policy **as a means to attain increased effectiveness and visibility of the EU structural action**.

The first reactions of the various stakeholders of Cohesion Policy have been quite positive namely during the public consultation that ended in January 2011 on the Conclusions of the Fifth Cohesion Report.

Member States have already expressed first reactions at the **Liège Informal Meeting of Ministers** in charge of Regional Policy⁵, and more recently at the **General Affairs Council meeting** of February 2011 where they stressed the "*need to concentrate our efforts on a limited number of priorities in order to achieve a critical mass and maximize the impact and the visibility of cohesion policy investments*" but noted as well that "*this thematic concentration should be sufficiently flexible to take due account of specific national, regional and local needs and potentials in order to allow for greatest effectiveness and ownership*", and that Member States and regions should be given "*the possibility to finance infrastructure and capacity building, where relevant*"⁶

Therefore, although there is **apparent consensus** on the principle of thematic concentration, there is still **room for discussion** on how this will fit in the overall framework of Cohesion Policy, in particular its objectives and principles, with the aim of supporting the regions lagging behind or experiencing structural problems to develop their economic and social potential and to increase their competitiveness in order to bridge the gap with the most innovative and successful regions of Europe.

² Barca, F. "An Agenda for a Reformed Cohesion Policy", April 2009

³ COM(2010) 642 final, 9.11.2010, p. 4

⁴ COM(2010) 642 final, 9.11.2010, p. 4

⁵ Presidency Conclusions, Informal Meeting of the Ministers in Charge of Cohesion Policy, Liège, 22-23 November 2010

⁶ Council Conclusions on the Fifth Report on Economic, Social and Territorial Cohesion, 3068th General Affairs Council meeting, 21 February 2011, p. 3

2. Purpose and meaning of thematic concentration

According to the European Commission **the purpose of thematic concentration is twofold:**

- On the one hand **to increase effectiveness** of Cohesion Policy by concentrating financial resources on a limited number of areas **in order to achieve greater results and impacts;**
- On the other hand **to align Cohesion Policy with the objectives and targets of the Europe 2020 Strategy**, following the earmarking experience in the current programming period.

Those two objectives seem fairly consensual as they contribute to enhancing the impact of Cohesion Policy as well as positioning Cohesion Policy as a key component of the Europe 2020 Strategy.

The Commission's view on **how those two objectives should be inter-related**⁷ is not yet thoroughly elaborated and needs some further considerations: for example, it is yet to be clarified in detail how setting up priorities and flagship initiatives at EU level under the Europe 2020 Strategy and establish them in the Cohesion Policy Regulations as a list of priorities could best serve the bottom-up approach; how the flexibility offered to the regions by selecting a limited number of priorities out of such a list could be sufficient to align Cohesion Policy and the Europe 2020 Strategy in a way that the objectives of both are respected and complement each other in a synergistic manner; how a sectoral logic of the thematic priorities could be avoided so that the system does not discourage integrated development actions, one of the key factors of the effectiveness of EU structural assistance.

Aligning Cohesion Policy with the Europe 2020 Strategy is a positive move but must be done in a way that the character and objectives of both are respected. Reconciling objectives and priorities of these two agendas and make a coherent set of actions to address regional competitiveness as part of the European strategy is therefore one of the key challenges of the exercise ahead.

This conciliation needs to ensure sufficient flexibility to allow Member States and regions to choose the right policy mix adapted to their own challenges and circumstances. In the Fifth Cohesion Report, the Commission has proposed, depending on the amount of EU funding involved, that Member States and regions would be required to focus on more or fewer priorities. Since "*certain priorities would be obligatory*"⁸, Member States and regions receiving less funding would be required to allocate the entire financial allocation available to a limited number of priorities.

Flexibility seems therefore to be the **key issue regarding the application of the new thematic concentration principle**. In an innovative operational set-up based on a Development and Investment Partnership Contract where targets will be negotiated and then become binding for each Member State, one can argue that substantial flexibility regarding the allocation and use of funds (thematic areas; territories; policy instruments; development approaches) should be offered to each region and Member State in order to best achieve the pre-set targets. The proposed thematic concentration and alignment with the Europe 2020 Strategy could as well be seen to constrain the capacity of regions to achieve these targets.

⁷ COM(2010) 642 final, 9.11.2010

⁸ COM(2010) 642 final, 9.11.2010, p. 4

It should also be underlined that the idea of creating **a menu of priorities** to be chosen by each region according to its weaknesses and development potential has a number of **advantages from the monitoring and evaluation side**: for each priority a core number of indicators would be selected to be used by all regions choosing that priority, thus allowing an aggregate and EU level monitoring and evaluation of the progress done.

This makes it an advantage of the new suggested framework, but the other side of the coin is that it may make the system too much sector-oriented (indicators will be mostly or exclusively sectoral due to this logic and to the nature of Europe 2020 targets they should be in line with).

3. Main issues related with the Commission's approach

As a number of elements are still unclear about the planned system of thematic concentration, the final operational set-up to be proposed is not known and cannot be directly addressed at this stage. Nevertheless, the main issues related to this new principle can be identified and deserve to be discussed:

- *Setting of thematic priorities*

The first level of discussion on this topic would question the very need for setting priorities at EU level in order to achieve common thematic concentration, once the Development and Investment Partnership Contract and its strategy and quantified targets have to be agreed, in line with the National Reform Programmes (NRP).

Assuming however that the idea of a **menu of priorities set at EU level** to concentrate structural resources is consensual, the three following issues could be raised: **(i)** the **link** between Cohesion Policy thematic priorities and the Europe 2020 Integrated Guidelines and flagship initiatives; **(ii)** the **broadness** of the thematic priorities to be defined; and **(iii)** the **compulsory nature** of some thematic priorities.

(i) Concerning the first issue, it seems **necessary to reconcile the priorities adopted by the Europe 2020 Strategy with the objectives set in the Lisbon Treaty for Cohesion Policy** as well as with its scope and priorities. This means ensuring that the menu of priorities to be established in the Structural and Cohesion Fund Regulations reflects the specificities of Cohesion Policy, and is broad and flexible enough for Member States to choose the right policy mix to address their specific needs and challenges.

Thus, the **menu of thematic priorities should reflect what is outlined in the Budget Review**, i.e. that "*Clear priorities could be fixed to deliver smart, sustainable and inclusive growth, with work on: support for new businesses; innovation; reducing emissions; improving the quality of our environment; modernizing universities; energy saving; the development of energy, transport and communication networks with a common EU interest; investment in research infrastructure; human capital development; and active inclusion to help the fight against poverty*". These priorities should cover the full range of investment needs foreseen in the Europe 2020 flagship initiatives.

Regional development is the outcome of a set of interlinked and dynamic natural, economic, social and cultural processes taking place in a region. Cohesion Policy deals with that complexity and it cannot be expected to be effective by acting on a minimal number of selected areas in regions where the basic conditions for competitiveness are not yet present.

(ii) Regarding the broadness of the Cohesion Policy thematic priorities, it appears that they **should be sufficiently focused** to set the direction Member States and regions have to follow to achieve smarter, more sustainable and more inclusive growth. At the same time, the priorities **should be sufficiently flexible** to include all the areas contributing to the achievement of the targets agreed in the Development and Investment Partnership Contract and in the operational programmes. As the departure situation, regional assets and deficiencies are different from one region to another and the development path and concentration of resources will vary, the system should be flexible to **allow regions to reach the adopted targets**. Thus, it remains a matter for each EU territory to determine the factors on which public action should focus and build up a subsequent strategy.

(iii) Finally, it **could be risky** to define a priori that two or three **thematic priorities are obligatory** in every territory of the EU assisted by the Structural Funds. This could oblige Member States and regions to make **difficult – or even impossible – choices**, e.g. between education and research or between social inclusion and innovation.

- *Top-down/bottom-up approach*

The **bottom-up approach** is one of the **key features of Cohesion Policy**, ensuring ownership of the development process by regions and promoting partnership between the different levels of government – and social partners – to achieve commonly agreed objectives. This however is also one area where substantial **change may occur** due to the new Europe 2020 obligations.

The Europe 2020 Strategy is above all a top-down approach where the Commission and the Council design together the scope and priorities of a European development strategy. The degree to which this strategy is imposed on the regional and local actors will determine whether there is a major shift in the current balance; presently the bottom-up approach largely prevails by allowing the regions to make their own development choices provided that a number of conditions set at EU level are met.

Once the major strategic choices are defined at EU level and the Member States and regions have to follow them if they are to get structural support, the debate is launched. Thematic priorities are one of the driving factors of that possible shift. The way the Europe 2020 targets will be transposed to the regional level and to the regional programmes is another one.

- *Integrated approach*

The **territorial, place-based approach** has essentially an **integrated nature** involving actions and measures in several sectors all contributing to the same objective and mobilising synergies and complementarities in a given space. Regional and Cohesion Policies usually favour integrated actions as an added value. The Commission is aware of this as it states in the Conclusions of the Fifth Report that “*all regions and Member States*” would be “*able to tailor their strategy in an integrated manner to their specific strengths and weaknesses*”⁹.

Integrated development being an asset of Cohesion Policy and its effectiveness must indeed **be underpinned by the new set-up** of the post-2013 programming period. Although the Commission suggests that the new Common Strategic Framework shall encompass all EU Funds with structural purposes, the Development and Investment Partnership Contract is

⁹ COM(2010) 642 final, 9.11.2010, p. 10

expected to just describe the coordination between EU funds at national level which is not a significant step forward compared with the current situation.

The **mono-fund approach** currently excludes the existence of integrated operational programmes financed by both ERDF and ESF for simplification reasons; however inside each operational programme it is still possible to combine different policy areas and actions and achieve integrated interventions of a rather limited nature.

The **proposed approach** for thematic concentration, with implementation details not properly designed, **could even represent a step back** regarding integrated approaches to development issues. It may be a challenge to define a limited number of thematic priorities at EU level in a way that they correspond to the ones which could generate integrated actions at regional or local level across the EU; and in case of obligatory priorities it can be even harder. A narrower scope of activities being selected to prepare an OP could potentially not correspond to the necessary mix to launch a place-based integrated programme in one region or sub-region.

- *Role of the European Social Fund*

Human capital is of pivotal importance in achieving both Europe 2020 and Cohesion objectives, which makes the **European Social Fund a key instrument of both agendas**. There is no need to stress here the role of the ESF over more than two decades as one of the pillars of the strategic integrated approach to development designed by the first Delors Package in 1988. Investment in education, R&D, training, active measures for employment and inclusive actions have been supported by the Fund, giving a meaning to social cohesion and making interventions on economic and territorial cohesion more effective. The added value of ESF seems indisputable.

Given that **4 out of the 7 Integrated Guidelines** are reflected in the menu of thematic priorities, and are **directly linked to ESF funding and to employment policies** shows clearly that the importance of ESF will not diminish in the future. The scope of those 4 Integrated Guidelines is relatively wide and covers most of the needs of Cohesion Policy both in Convergence and non Convergence regions; the adjustment of these Guidelines to become thematic priorities of Cohesion Policy does not appear to be a complex exercise.

4. A need for greater clarity

The Commission's proposal on the system of thematic concentration follows a more **top-down approach** regarding the way Cohesion Policy thematic priorities should relate with the Europe 2020 Integrated Guidelines and flagship initiatives. It is a question **how this approach could be set up to deal with the diversity of situations of the EU regions**; namely the needs of those regions which are covered by the Convergence objective go above and beyond what is the scope of the Europe 2020 Strategy. The European Council Conclusions of June 2010 underline "*the importance of promoting economic, social and territorial cohesion as well as developing infrastructure*"¹⁰. As referred to in section 3 of this paper, any proposed approach would need to be in line with the basic Cohesion Policy principles which constitute the nature and specificity of this EU policy.

¹⁰ http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf

The **Barca Report** had already addressed this issue by proposing¹¹ to **concentrate** a percentage of the structural assistance **in core areas, leaving the remaining funds to** be applied by Member States and regions on their **other development needs**.

In order to move forward in this debate it seems possible to **clarify that thematic concentration will be based on broad thematic priorities**, inspired in Europe 2020 objectives and priorities, **and giving flexibility to Member States and regions** to apply the structural assistance on the most suitable areas to achieve the Development and Investment Partnership Contract targets in line with Europe 2020/NRP targets.

The system of thematic concentration could **put the stress rather on the output/result side** of the structural action, and not on the input side. On the input side the subsidiarity principle should prevail, thus the interventions could rely on place-based conditions, resulting in the most effective way of achieving those output/results defined on the basis of common thematic priorities.

This would impose a **more strategic approach and negotiation** of the Development and Investment Partnership Contract and operational programmes between Member States and regions and the Commission.

Under this scenario:

- The Cohesion Policy Regulations would establish a limited number of broad thematic priorities inspired by the Europe 2020 five headline targets;
- Member States and regions would prepare Development and Investment Partnership Contract and OP, based on the Common Strategic Framework which translates Europe 2020 goals into Cohesion Policy investment needs, to address those or some of those priorities and set targets in line with Europe 2020/NRP targets;
- Both the Development and Investment Partnership Contract and the OP's would concentrate financial resources on a limited number of nationally- or regionally-based development priorities in order to ensure critical mass and tangible impact;
- Those development priorities (and their operational content) would have to be justified by Member States and regions as being necessary or indispensable to achieve the proposed objectives and targets;
- At least one intermediary target related to the Development and Investment Partnership Contract and OP targets should correspond to each development priority.

This solution is **more demanding but also more flexible**: it is up to the Member States and regions to design their Development and Investment Partnership Contract and OP provided that they address the thematic priorities established in Cohesion Policy Regulations and concentrate the resources on the main sectors/areas which in each case are the more likely to contribute to achieving the proposed/agreed Development and Investment Partnership Contract targets.

It might represent a **fair balance between EU and regional perspectives** providing still enough room for subsidiarity, bottom-up approach, ownership and integrated action and further focusing regional development strategies on major EU challenges.

¹¹ Barca, F. "An Agenda for a Reformed Cohesion Policy", April 2009, p. 116

Such scenario might not be compatible with mandatory priorities but **accepts core indicators at EU level**. Assisted actions could include basic infrastructure and other public goods and services provided that the Member State and region are able to demonstrate their need to achieve the OP objectives.

In this sense **all actions** funded by the Structural Funds **would address the Europe 2020 objectives and would take into consideration the specific situation of each region** (its weaknesses and development potential) to fully support its own path to contribute achieving the European targets.

5. Key questions

Based on the above the Delegations are invited to address the following key questions:

- *What should be the primary objective of thematic concentration? To avoid spreading Cohesion Policy resources too thinly, or to ensure a more co-ordinated prioritisation across the EU?*
- *How should Cohesion Policy thematic priorities be selected? What kind of link should exist with Europe 2020 Integrated Guidelines and flagship initiatives?*
- *What level of flexibility should be awarded to Member States and regions when defining their development priorities so that both regional specificities are properly taken into consideration and the alignment with Europe 2020 Strategy is ensured?*



HIGH LEVEL MEETING ON THE FUTURE OF COHESION POLICY

Budapest, 31 March – 1 April 2011

RESULT – ORIENTED APPROACH

Discussion Paper

1. Background: the Commission's view and first reactions

Since 2008 a number of papers, reports, speeches, and public consultations¹² have been prepared or ordered by the European Commission to feed the debate on the post-2013 Cohesion Policy and on the possible strategic and operational modifications to be introduced in the current policy framework.

Past experience and lessons learnt are crucial to design the future, both regarding the relative economic and social progress of the least favoured regions of the Union compared to the EU average and the impact of Cohesion Policy on that evolution, as well as the options made concerning the delivery system of the Structural and Cohesion Funds over the last decades.

Findings have clearly shown the **positive impact** and therefore the effectiveness of Cohesion Policy in assisting the least developed territories of the EU to progressively fill the gap with the most successful and innovative regions of the Union. Simultaneously, they suggest that there is still **room for improving** the current programming and delivery system in order to make it more outcome-oriented instead of the primary focus on spending.

The close link established during the current period between Cohesion Policy and the **Lisbon Strategy** – thus assuming that all regions of Europe should fully participate in the effort to make the EU a leading competitive region in the world – put a new focus on results and impacts; the expected strengthening of this link with the new development strategy for the EU – the **Europe 2020 Strategy** – makes it necessary for Cohesion Policy to follow an even more result-oriented approach if we want to measure its contribution to a smart, sustainable and inclusive Europe.

A **number of key documents** specifically address the need for a stronger focus on performance and results:

- Communication from the Commission of 3 March 2010 on Europe 2020: a strategy for smart, sustainable and inclusive growth¹³
- European Council Conclusions of 17 June 2010¹⁴
- Communication from the Commission of 30 June 2010 on economic policy coordination¹⁵

¹² Inter alia, COM(2008)371: Fifth Progress Report on economic and social Cohesion, 18 June 2008; Barca, F. "An Agenda for a Reformed Cohesion Policy, April 2009; Hübner, D. "Reflection Paper on future Cohesion Policy", April 2009

¹³ COM(2010) 2020 final

¹⁴ http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf

¹⁵ Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance (COM(2010) 367/2)

- Communication from the Commission on the budget review of 19 October 2010¹⁶
- Report from the Task Force set up by Von Rompuy on strengthening economic governance of 21 October 2010¹⁷
- The Conclusions of the Fifth Report on Economic, Social and Territorial Cohesion: the Future of Cohesion Policy, November 2010¹⁸.

The Commission in the **Conclusions of the Fifth Cohesion Report** outlines a series of ideas in which the performance of Cohesion Policy could be strengthened through **conditionalities and incentives**. According to the document, different types of conditionalities (such as macroeconomic conditions, structural reforms, financing of strategic EU projects, transposition of EU directives and administrative and institutional capacity) would serve as prerequisites for the disbursement of structural assistance. There is a more limited discussion on performance conditionalities, which the Report addresses under the heading "financial management" in the following way: "*the Commission will examine the possibility of introducing output- or results-based elements for disbursement of the EU contribution to operational programmes or part of programmes*"¹⁹.

At the same time, the Fifth Cohesion Report proposes the creation of a **performance reserve** at EU level with a "*limited share of the cohesion budget*" but this time "*to encourage progress towards Europe 2020 targets and related national targets and objectives*"²⁰ and therefore to reward the Member States and regions whose programmes have contributed most to Europe 2020 targets.

The **link between Cohesion Policy and the Europe 2020 Strategy** seems widely accepted and welcomed. However, this should not mean that there is a subordination of the former to the latter, i.e. the mission of the Structural and Cohesion Funds are set aside just to become instruments of the Europe 2020 goals agreed upon by the European Council. Details of implementation therefore should be elaborated in a way that the objectives of both are respected and help one another to the greatest possible extent.

This is certainly the reason why the Ministers in charge of the regional policy in their **Liège meeting** in November 2010 accepted to move towards "*the reinforcement of the result-oriented and performance-oriented strategic approach*" of the EU structural action and could follow some Commission's views related to "*the introduction of conditionalities linked to the effectiveness of the actions, on the bases of the use of pertinent and operational objectives and indicators, and reinforced monitoring and evaluation methods*". However, the Liège meeting also concluded that the conditionalities proposed by the Commission in the Fifth Cohesion Report "*generate some worries*" because they "*could weigh down unfairly on the beneficiaries of the Convergence Objective and would be likely to deconstruct the regional programming and deprive regions of the resources necessary to accomplish the Europe 2020 Strategy*"²¹.

¹⁶ COM(2010) 700 final

¹⁷ Strengthening economic governance in the EU: Report of the task force to the European Council (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/117236.pdf)

¹⁸ COM(2010) 642 final, 9.11.2010

¹⁹ COM(2010) 642 final, 9.11.2010, p. 9

²⁰ COM(2010) 642 final, 9.11.2010, p. 5

²¹ Presidency Conclusions, Informal Meeting of Ministers in Charge of Cohesion Policy, Liège, 22-23 November 2010, pp. 4-5

Mixed and prudent views on this issue were present at the **General Affairs Council meeting** of 21 February 2011 as well, where Member States indicated that “*while recognizing that certain proposals put forth by the Commission are intended to bring benefits and added value*”,

“*further discussions are necessary (...) on conditionalities as well as appropriate incentive mechanisms directly linked to cohesion policy*”²².

Those are elements to build on and indeed feed a debate among Member States’ experts on the best way to improve performance and results of Cohesion Policy while avoiding the creation of additional administrative burden for Managing Authorities.

2. Achieving better results: incentives and conditionalities

A performance- and result-oriented Cohesion Policy should be primarily based on a set of **technical and methodological tools** that allow for a clear setting of targets, their monitoring and their evaluation. This means that operational programmes should be prepared in such a way that quantifiable and verifiable targets are set in advance and an appropriate monitoring and evaluation system should be in place to measure results and performance.

Such a move implies first of all a more careful **preparation and design of programmes**, concentration of resources on a small number of priorities, selection of the most appropriate indicators to measure programme and priority objectives and achievements and setting of the progress path over time; then objective monitoring and evaluation tools should be able inter alia to identify for broader scoped indicators the role of the operational programme in its achievement.

Limitations of the **current methodological framework** and insufficient preparation of programmes have surely contributed to a non optimal situation in this regard; however it has not prevented evaluations made so far on Cohesion Policy to acknowledge its achievements on reducing disparities between EU regions and the development gap of the lagging behind ones.

In order to shift towards a more results-based approach in Cohesion Policy, the Commission suggests considering new conditionalities and incentives as a way to stimulate better results and performance, but the **concepts used so far tend to be interpreted differently** by various actors and **would deserve some clarification for the sake of the debate**.

Keeping this in mind, firstly, a possible differentiation could be made between **conditionalities and incentives**, *the former* having an ex-ante nature (prior to OP implementation) and *the latter* being assessed on the basis of actual results or outcomes of the EU structural action.

Secondly, it would seem useful to establish a division line between **external and internal** conditionalities and incentives: *the former* could denote conditionalities and incentives which are linked to the external environment of the operational programmes i.e. to sectoral policies and cross-cutting principles related to them and their pre-requisites and outcomes, while *the latter* could be related to the performance and achievements of the operational programmes themselves, namely to their internal management discipline.

²² Council conclusions on the Fifth Report on economic, social and territorial cohesion, GAC meeting of 21 February 2011, p. 5

Finally a distinction should be made between **positive and negative incentives**, as the word “sanction” should be avoided²³. *Positive incentives* could mean incentives that reward best performances and may operate through a reserve of financial resources set aside at the beginning of the programming period at EU, national, regional or even OP level. *Negative incentives* might define those types of incentives which are applied if the track of the programme is not consistent with the quantified objectives and the intermediate targets are not being met; this could become a justification to stop or even reduce payments for parts of the programme and envisage a major revision of its content or of its management.

On the basis of the possible definitions formulated above, we can easily find **examples** of most conditionalities and incentives in the regulations or practice of the current or previous Cohesion Policy programming periods; these, naturally, will in some cases differ from terms and approaches presently in use:

- *Positive internal incentives*: Performance reserve at national level (to reward best performing OP's), mandatory during the 2000-06 programming period and optional in the current one;
- *Negative internal incentives*: Automatic de-commitment rule (if the n+2/n+3 rule is not complied with);
- *Negative external incentives*:
 - Additionality principle (ex-post negative incentive if cohesion policy resources are deemed to have replaced national public expenditure);
 - Stability and Growth Pact rules (mid-term/ex-post negative incentive if the sound public finance rules have not been complied with): the connection of Cohesion Fund with EMU was established since its creation in 1994 and therefore it became one intrinsic feature of this Fund;
- *Internal conditionalities*: Compliance assessment of the management and control system - until it is accepted by the Commission services, interim payments cannot be made to the operational programme;
- *External conditionalities*:
 - Compliance with public procurement horizontal legislation before project approval or before payments are made to supported projects inside each operational programme;
 - Compliance with other EU horizontal provisions like equal opportunities, environment and sustainable development and aid schemes before grants to projects are approved.

3. External conditionalities and incentives

Following the publication of the Conclusions of the Fifth Cohesion Report, and at the request of Member States at the Informal Ministerial meeting in Liège, the Commission set up a Task Force on Conditionality to present its views on how conditionalities could be introduced. According to the latest Commission documents, these new types of binding conditionalities (working as preconditions for the Structural and Cohesion Funds to be disbursed) could be the following:

- *Structural*: reform of the national economic and social legal frameworks;
- *Regulatory*: transposition of EU legislation;

²³ Notes of the Council and Commission legal services of 9 July 2010 and 23 August 2010

- Strategy: financing of EU strategic projects, more focused project selection criteria in line with policies;
- Administrative and institutional capacity: for which additional assistance from Cohesion Policy would be available.

Conditionalities might be common to all Development and Investment Partnership Contract or OP priorities (“*need to clearly identify policy objective or to select projects*”) or specific to some priorities (“*to ensure that interventions reflect the sectoral guidelines that have been agreed at EU level*”²⁴).

In addition to these innovative suggestions, the Commission has proposed under the framework of the Budget Review that the **negative incentives** linked to the non compliance with the key **macroeconomic conditions of the Stability and Growth Pact** should be extended to all Structural and Cohesion Funds (now it is applicable only to the Cohesion Fund) and to the rest of the EU budget and the procedures for application of such sanctions should be simplified and made more automatic. This topic however is **not discussed in this paper**.

The Commission’s view points to stronger and broader conditionalities as a way to make Cohesion Policy more effective and more result-oriented, above all in achieving Europe 2020 goals.

Some issues however obviously need consideration during the elaboration of implementation aspects:

- The setting of ex-ante conditions to the implementation of the Development and Investment Partnership Contract and the OP should be “*fair, transparent and rigorous*”²⁵. There are **several ways and paths to achieve a given objective**, taken into account the departure situation and the characteristics of each Member State and region – its business, institutional and legal environment and capacities – and it is not easy to define in each case what structural, institutional or legal reforms are necessary or indispensable to carry out so that given quantified objectives will be attained;
- The **impact** of this possible new provision **would not be identical** in all Member States and regions as it would be a function of the amounts received and the number of priorities adopted in the Development and Investment Partnership Contract and the OP. As for each priority a specific assessment would have to be carried out in order to identify the necessary reforms, the thematic concentration principle would imply that **poorer countries** and regions would be subject to conditionalities in more policy areas; on the other hand for a **richer country** with just one or two eligible regions it may be questioned whether it makes sense to ask for a nation-wide reform as a condition to implement a small regional OP. It still needs consideration how the system could be made fair and proportionate;
- Even though it is widely agreed that Cohesion Policy can make a significant contribution to Europe 2020 objectives, it needs further consideration how a system of conditionalities connected with **Europe 2020 goals** and therefore potentially referring to other policy areas could be implemented in Cohesion Policy so that a **sectoral system is avoided** and the **objectives of the policy** are duly respected;

²⁴ Strengthening Performance through Conditionality and Incentives, Commission non paper presented at the HLG, December 2010, p. 3

²⁵ Strengthening Performance through Conditionality and Incentives, Commission non paper presented at the HLG, December 2010, p. 2

- Principles of subsidiarity, partnership, ownership and accountability might suffer from this move as in many cases reforms and law modifications are outside the scope of competences of the **regional level**; it usually belongs to the **central government** and to the **national parliament** to legislate on many of those issues, and it would not be fair to penalise regions and their regional operational programmes because of timely non compliance of higher levels of policy-making.

Taking into account all these aspects as well as the fact that the new framework of Cohesion Policy will most probably adopt a Development and Investment Contract with binding objectives and targets for Member States and regions, it may also be considered as an implementing option to leave to each Member State the decision on how to organise itself and create the conditions to achieve the agreed/contracted targets.

The counterpart of a Contract with binding objectives and targets should be some flexibility in the way adopted by each party to achieve them; too many constraints might have negative effects on the effectiveness of the Funds.

This being said, it can be recognised that often Member States and regions do not pay enough attention to all **success factors** which may influence target achievement; it is most probably one area that deserves improvement when operational programmes are designed and prepared.

This means that the **ex-ante assessment** should be done **more carefully and more in-depth** – with more time available for that exercise before the new programming period starts – and address the institutional, legal and structural preconditions deemed indispensable for the operational programme to succeed. This assessment might be done by the Member State and/or region with the assistance (methodological and guidance tools, benchmarking, best practices) of the European Commission.

Once the exercise is finalised and the Member State is aware of the institutional and legal modifications to be made on the economic and social fields, it could be up to the **national and regional authorities** to **take them into consideration** as they are committed with contractual targets. Obviously, the Commission will have the opportunity to discuss those preconditions with the Member State, but adding ex-ante negative incentives to the system may not necessarily bring real added value.

The degree of taking those findings into consideration by the Member State depends on its knowledge of the situation and of **alternative solutions to achieve the same results**. The imposition of reforms does not seem acceptable or useful; the actual level of reforms to be made in each field risks lengthy discussion procedures between the Commission and the Member State – as there is no reliable methodology to determine the degree or level of reforms to achieve a given contractual target – with delays in implementation and delivery.

Negative incentives related to additionality are however supposed to remain in the Commission's proposals, although with some operational changes to take into account macroeconomic cycles. The ones related with the Stability and Growth Pact are being discussed in another forum and changes may occur as well.

4. Internal conditionalities and incentives

As a broad consensus seems to exist across the EU on a close alignment of Cohesion Policy with the Europe 2020 Strategy and goals, the monitoring and evaluation system of the Structural and Cohesion Funds should be able to **establish and measure** the contribution of the **structural assistance to the achievement of Europe 2020 goals**.

Being so, the **first step** will be to **translate the Europe 2020 goals** into final and intermediate/mid-term targets of the Development and Investment Partnership Contract of the various Member States and of the OP, namely of the regional operational programmes, taking into account the departure situation of each region. These national and regional targets should not only be realistic but also directly linked to the scope and potential achievements of Cohesion Policy.

A **second step** of the exercise would be to **structure the operational programmes** on a limited number of priorities and select appropriate indicators to measure its performance and results. Financial allocations to each priority should be in line with the pre-set quantified objectives. Once the targets are adopted, they should then be discussed and agreed with the European Commission services, namely taking into account EU benchmarking to guarantee objectiveness.

It is only at this stage that, as a **third step**, a **new incentive mechanism** might be introduced into the system: how to stimulate economic and social actors to achieve the agreed targets? Both positive and negative incentives might be, as the Commission suggests, a factor of improved performance and increased effectiveness.

According to the Commission's view this mechanism would operate on the basis of the results achieved and probably at an intermediate stage of programme implementation in order to still have practical consequences on the use of funds.

The suggested **positive incentive** is called "**EU performance reserve**" and consists of rewarding the best performing countries and regions by increasing their OP budgets with a share of a financial reserve put aside at the beginning of the programming period. Besides the technical issues discussed during previous EC attempts to set-up such reserve (e.g. appropriate methodologies and data to compare OP performance in various Member States) it seems relevant to determine whether the reserve should be allocated "*to the Member States and regions whose programmes have contributed most (...) to the 2020 targets and objectives*"²⁶ as the Commission suggests, or rather to the Member States and regions whose OP have attained or exceeded their pre-set intermediate targets. Clear rules also have to be issued regarding OP modification during the first part of the programming period to ensure equal treatment.

As far as **negative incentives** are concerned – related with non-achievement of intermediate targets – the Commission's reflections released so far are less concrete and therefore only a number of questions can be raised at this stage:

- *How would the mechanism work in practice?*
- *How would the macroeconomic environment be taken into account?*
- *Would the OP financial reductions be automatic?*

²⁶ COM(2010)642 final, 9.11.2010, p. 5

- *Would there be some kind of n+2 rule putting the resources provisionally into a locked reserve and check it again some time later in order to make the reduction effective (to confirm that it is not just a short delay issue)?*
- *What is the destination of such financial resources: other OP's of the same Member State? Other Member States' OP's? Income of the EU Budget?*

Answers to those questions would allow assessing the operation and the consequences of such new procedures. Additional negative incentives are hardly acceptable without a very robust and reliable methodology and the idea of automaticity seems even less admissible.

5. Measuring achievements for conditionality/incentive purposes

Effectiveness of Cohesion Policy can only be assessed if during the programming phase **objectives are carefully quantified** and its **results can be measured** afterwards and compared with the pre-set targets.

Such exercise has been made since the first cycle of Structural Funds in 1989-93 and significant progress has been achieved in order to evaluate the role and impact of Cohesion Policy in mobilising regional development potentials and in decreasing economic and social disparities between EU regions. Measuring results and impacts also contributes to the visibility to the policy and to making it a popular key pillar of the EU.

The new programming period should bring a new step forward in that direction notably by improving current methodologies and developing outcome indicators directly linked to policy intervention, in order to get a broader view about the EU structural impact.

Following from the above, **a number of practical methodological considerations** and suggestions can be made. These would be designed to find a balance between the Commission's reasonable expectations of greater clarity about Cohesion Policy achievements on the one hand, and the practical methodological issues involved on the other:

- *Focus on major milestones/events:* if results-based conditionality were related to major milestones or events, this would help to avoid many of the major methodological problems involved in defining results specifically sharply to meet conditionality requirements. Examples here might be the completion of a major motorway, completion of a railway line, achievement of an EU water quality standard. This could combine both a link to Structural Fund investment on the one hand, and a target which is reasonably clear, understandable and verifiable on the other;
- *Focus on quantified outputs:* it seems difficult from a methodological point of view to establish ex-ante quantified targets for the results or impacts of Cohesion investment which could be incorporated into a conditionality/incentive framework. This reflects the issues of multiple influences, of external factors, of measurement, and of concepts and agreed definitions. An alternative therefore would be to focus on outputs which are potentially much more measurable, e.g. numbers of people trained, kilometres of road completed, number of SME's supported;
- *Result and impact verification panels:* this would bring a degree of independence and rigor into the assessment of achievements, while at the same time would recognise the complexity and the region- and time-specific issues that arise. The option could therefore involve the establishment at either Member State or regional level of an agreed panel of assessors, combining local and international expertise, which might

conduct an annual assessment of the extent and progress of achievements, based on a variety of information available from the monitoring system, from existing evaluation reports, and from on the ground inspections;

- Technical Working Groups: if the Commission seriously wishes to pursue the conditionality approach, there is an urgent need to establish one or more Technical Working Groups to support political, managerial and administrative thinking in this regard. This work should be undertaken jointly with Member States and aim in the end to produce much clearer and more specific agreed Commission Guidelines in this field than anything that has existed to date.

6. Key questions

Based on the above the Delegations are invited to address the following key questions:

- *If broad structural, regulatory and institutional prerequisites directly related to the Europe 2020 Strategy are to be established, should they become commitments in the National Reform Programmes and/or conditionalities in the Development and Investment Partnership Contract?*
- *Is it possible to determine a strong causality link between broad external prerequisites and result-achievement in Cohesion Policy? Would such innovative move be fair for regional and local actors? Would an external conditionality mechanism be compatible with basic principles such as subsidiarity, ownership and accountability?*
- *Are further positive and negative incentives an appropriate way to ensure greater effectiveness when using Structural and Cohesion Funds? What type of incentives should be favoured? How might the system operate?*
- *Are the current methodological tools robust and accurate enough and data comparable to ensure a fair mechanism to allocate or cut resources between Member States and regions based on performance and result-achievement?*
- *Are there potentially new approaches to reconciling the legitimate Commission expectation regarding evidence of achievement on the one hand, and the genuine methodological challenges and limitations facing existing monitoring and evaluation systems on the other?*



for the key issue debate on reinforced strategic programming in the field of cohesion policy post 2013

1. Role of the document

The intention of the Presidency is to discuss more in detail some strategic issues outlined by the Commission in the conclusions attached to the 5th Cohesion Report. The aim is to identify the areas of the proposals where a certain degree of clarity would be necessary to better understand their nature and practicalities.

For this the Presidency will provide the Council working group with background papers for each of the topics to initiate the discussion. Delegations will have the opportunity to voice their questions, possible concerns regarding the topics. (Although the document contains some questions to initiate the debate delegations will be free to raise other aspects, questions connected to the key issue in question.)

2. Strategic programming

Reinforcing strategic programming is crucial to increase the effectiveness of our policies. By way of setting the right priorities and ensuring synergies among them via coordination of their implementation, we can also make a necessary contribution to increasing the efficiency and cost-effectiveness of our policies.

Strategic programming is a complex issue as it not only relates to setting priorities but will also have a crucial impact on implementing those priorities. Therefore programming has always to be seen in the context of the ability to implement the set strategies in an efficient and effective way.

3. Background

There is a myriad of strategic documents at EU level:

There is the Europe 2020 Strategy outlining main strategic aims at EU level on the basis of the main common bottlenecks for European growth. The flagship initiatives of the Europe 2020 Strategy cover horizontal objectives which require cross-sectoral efforts to be effectively addressed. (Due to its cross-cutting nature therefore cohesion policy has a potential to effectively contribute to the implementation of all of these objectives.)

The Integrated Guidelines present common priorities and targets for the Member States' national employment policies and provide guidance on macroeconomic and microeconomic policies in the Member States and the Community in the areas offering the greatest potential for improving growth and employment. Both the Broad Economic Policy Guidelines as well as the Employment Guidelines cover areas where cohesion policy investments can have particular relevance in contributing to achieving the common aims.

On top of that, a lot of sectoral strategic documents are expected at EU level (e.g. White paper on the future of transport, European Energy Efficiency Plan 2020, Low-carbon economy 2050 road map, Energy 2020 strategy and the Energy infrastructure priorities for 2020 and beyond, Energy efficiency plan 2020, TEN-T revision, Strategy for the sustainable competitiveness of the EU construction sector, Common Strategic Framework for EU Research and Innovation funding, etc.) which all can have an impact on what and how Member States should co-finance from cohesion policy resources.

National Reform Programmes are the key delivery tool for implementing the Europe 2020 Strategy at national level. On the basis of the Integrated Guidelines (i.e. the Employment Guidelines and the Broad Economic Policy Guidelines) NRPs are to be produced by national

governments in April of each year. NRPs contain national targets relating to EU-wide headline targets and explain how governments intend to meet them and overcome obstacles to growth. They also set out what measures will be taken, when, by whom and with what budget implications.

These also include how Member States will use cohesion resources to implement or contribute to implementing certain elements of the reform programmes outlined in the NRP.

There is an overall monitoring of the NRPs and connected to that country specific opinions and recommendations are also issued in June of each year. Where appropriate, the Commission may also issue a recommendation (or at a later stage policy warning) for a longer period – for example 2 years – to allow sufficient time for major structural reforms to be implemented. Naturally, such recommendations can have an effect on the elements of the reform supported by cohesion policy resources.

4. Reinforced strategic programming in cohesion policy

While on the one hand, in line with Art. 175 of the TFUE, *"the formulation and implementation of the Union's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 [that is overall harmonious development, strengthening economic, social and territorial cohesion as well as reducing disparities between the levels of development] and shall contribute to their achievement"* (so this should already be reflected in the Integrated Guidelines), on the other hand it is also justified that while pursuing the above goals cohesion policy should as much as possible contribute to the overall strategic aims. Especially since these address the common bottlenecks for and the main drivers of growth which are also relevant to the aims of cohesion policy.

Nevertheless as different territories have different circumstances and potentials and thus may have to choose different paths of development (taking account of their place in a wider context i.e. "smart specialization") their approach to pursue the same goals may be different. Therefore tailor-made solutions are necessary. The question is how this can be ensured through programming without losing focus on our overall aims. In order to be effective, the top-down approach of the Europe 2020 Strategy and the NRPs need to be reconciled with the bottom-up approach of cohesion policy that takes increased account of the context of developments.

Common Strategic Framework

On the basis of the Commission's proposals set out in the 5th Report on Economic, social and territorial cohesion, the Common Strategic Framework (CSF) will translate the Europe 2020 targets into investment priorities potentially co-financed by the ERDF, CF, ESF, EAFRD and EFF. Nevertheless, in relation to the ESF, this document would only refer to the Integrated Guidelines.

Although Member States agreed that the CSF has the potential to ensure greater complementarity, coordination, coherence and synergies among the different Funds, the exact role and nature of the document is yet to be elaborated in detail.

- "For each thematic priority the CSF would establish the key principles which interventions should follow." The thematic menu of priorities (or objectives) for thematic concentration will be set out in the regulations and the CSF will only refer to the Europe 2020 Integrated Guidelines in case of the ESF. What precise role can you foresee for the CSF in light of that? Do you agree that the CSF should exclusively refer to the Integrated Guidelines in relation to the ESF only (while it could be argued that the ERDF has also a role to play in those policy fields i.e. improving the quality and performance of education and training systems, combating poverty etc. and vice versa)? Do you see any risks in that as regards ensuring greater coordination among the funds?

- How do you think it should be ensured that the CSF translates the targets and objectives of Europe 2020 into investment priorities in a way that would leave room for national and regional specificities? What do you think the role of the CSF should be (e.g. guidance document, a reference document providing a prescriptive list of policy eligibility as regards the scope of policy actions that MSs can finance etc.)?
- Do you think the CSF should draw up the areas in a Fund-specific manner, or rather according to objectives and policy areas identifying what role each of the Funds could play? How do you think a strictly sectoral approach could be avoided? How do you think the CSF could contribute to reducing the demarcation problems experienced in the 2007-13 period and to increasing the synergies and coordination among the Funds?
- To what extent do you think the CSF should cover connections to directly managed Funds (e.g. in the field of research)?
- As stated by the representative of COM Secretariat General at the SAWP meeting of 22 February, the Europe 2020 goals are very much horizontal, therefore their effective targeting needs an integrated approach, and where trade-off exists among certain policy goals of the Europe 2020, setting priorities among them will be necessary: would you agree to set such priorities, ranking in the CSF?

Development Investment Partnership Contracts

At national level the Development Investment Partnership Contracts will serve as a reference to give a more detailed outline of how Member States intend to utilize cohesion resources as set out in a brief manner in their NRPs. The Contract would “be the fruit of the discussions between Member States and the Commission on the development strategy presented in their National Reform Programmes”. Nevertheless, regions would also be involved somehow in this close partnership of programming – especially that the Contract will lay the grounds for thematic concentration. The Contract might also cover other policies and funding instruments e.g. EAFRD and EFF.

- What special institutional circumstances do you foresee the establishment of the Contract should take account of (e.g. how to involve regional players, how to reflect regional priorities with regard to thematic concentration etc.)? Since the Contract is to provide a detailed version regarding the development strategy already outlined in the NRPs, how do you think the involvement of relevant stakeholders in elaborating the Contract should be arranged to achieve the maximum added value?
- The NRPs cover 3 years and are reviewed annually by April, whereas the Contract will cover a longer period e.g. 7+2 years. How do you think the annual rolling evolution of the NRPs as well as the country recommendations can best be reconciled with the more stable, longer term nature of the Contracts?
- While the Contract is to be formed on the basis of a partnership agreement between a Member State and the Commission, it would formally be adopted by a COM decision as was the case for the NSRF. Do you agree with that approach? How do you see the legal status of the document and how this can be accommodated with special circumstances of certain Member States? Do you believe that the Contract should include the responsibilities and obligations of the Commission as well?
- In the case of the NSRFs, formally only the list of OP’s, the indicative financial table and the additionality table was adopted by COM, whereas by nature the Contract as a whole should be signed by both parties, i.e. COM would adopt the whole document. Do you see any risks as regards flexibility of reprogramming in that?
- Do you think the Contract should cover all Funds covered by the CSF? What do you see as an added value of that? Do you think that demarcation among the different Funds should be laid down in the Contract or the CSF – as both will dedicate special attention to coordination among the Funds – or rather in the OPs?

- Do you think there would be an added value of a Contract-level monitoring and reporting, since the Contract would specify the contribution of cohesion resources to the NRP and probably the thematic areas to be improved by the Member States as well as internal conditionalities? How can it be ensured that this does not put additional burden on MSs?

Operational Programmes

For the time it seems that no changes are expected regarding the role and programming of operational programmes, thus these would continue to serve as the main management tools and would further detail investment priorities set out in the strategic documents into concrete investment actions.

Nevertheless it seems that the thematic menu of objectives/priorities may affect the setup of OPs, as this list would result in common priority axes across programmes.

- Do you agree with this approach or would you prefer setting up thematic programmes for each of the chosen priorities?
- How do you think the proposal to ring-fence expenditure for specific target groups can be best reconciled with the objective of thematic concentration?
- Would you agree that there should be close monitoring of the common thematic priority axes across programmes at national level (especially with a view to provide more and better input to the monitoring process of the NRPs)? How would this be possible without increasing overall administrative burden? As regards timing of the annual reports, how do you think this could best be solved? Do you see any contradiction to that and the annuality required by the proposed recast of the Financial Regulation?
- Do you see any determinations in the above programming system as regards the number of OPs? Do you believe that the Cohesion Fund and the ERDF should continue to be programmed together?
- How do you feel reinforced strategic programming will affect the programming of the European Territorial Cooperation programmes?

Brussels, 28 February, 2011

for the key issue debate on delivery mechanisms in the field of cohesion policy post 2013

1. Role of the document

The intention of the Presidency is to discuss more in detail some strategic issues outlined by the Commission in the conclusions attached to the 5th Cohesion Report. The aim is to identify the areas of the proposals where a certain degree of clarity would be necessary to better understand their nature and practicalities.

For this the Presidency will provide the Council working group with background papers for each of the topics to initiate the discussion. Delegations will have the opportunity to voice their questions, possible concerns regarding the topics. (Although the document contains some questions to initiate the debate delegations will be free to raise other aspects, questions connected to the key issue in question.)

Please note that the Commission may not be in a position to provide delegations with answers to their questions, nevertheless articulating concerns, raising questions or highlighting certain specificities will be useful for the Commission when drawing up concrete proposals for the future.

Nota bene: the Presidency does not intend to discuss the implementation architecture proposed in the recast of the Financial Regulation and echoed in the 5th Cohesion Report, as Member States have already expressed their strong opinion on that matter and the issue as regards the principles to be laid down in the Financial Regulation will have to be dealt with at the Budget Committee. Nevertheless it has to be noted that those aspects of the delivery affected by the Financial Regulation need to be consistent with other expectations of cohesion policy implementation that are dealt with within the cohesion policy regulations e.g. result-orientation, simplification, stability and predictability etc.

2. Delivery mechanisms

Delivery mechanisms are crucial elements of every policy. We may come up with the best objectives, but achievement of these objectives depends to a large extent on how the programmes are implemented and thus on our delivery systems and the rules guiding implementation. Therefore the way we establish the rules of delivery is a critical element underpinning sound financial management – ensuring effective and efficient use of funds, as well as economy and value for money.

Effectiveness and cost efficiency are especially important in the post-crisis budget situation Europe is faced with. This should not only relate to projects financed but also cutting back on management costs of our policies and increasing the effectiveness of our management systems.

Simplification and reducing unnecessary administrative burden (and the deadweight it causes to our economies) is thus a crucial element in drawing up regulatory provisions concerning delivery. This was unanimously emphasized by ministers at the 21 February General Affairs Council orientation debate at the same time this also goes in line with the objectives of the Europe 2020 Strategy²⁷.

²⁷ See par. (11) of the preamble of the Council Recommendation on the broad guidelines for the economic policies of the Member States and of the Union (2010/410/EU): „As an essential element, Member States and the Union should **continue and expand their efforts to further improve their regulatory framework**, especially for European enterprises. By strengthening their smart regulation instruments, Member States and the Union **should guarantee that legislation is well-designed, proportionate, regularly reviewed and does not cause unnecessary burdens**. Achievement of the administrative burdens reduction targets **remains a priority**.“

At the same time some Member States have also pointed out that changes in delivery systems can bring about adjustment costs and novel rules can add complexity, signalling that both the benefits of stability and continuity as well as those of simplification need to be taken into consideration.²⁸

While reducing costs of management we need to be aware that we also need to find ways to cut back on error rates in the field of cohesion policy, to further increase the policy-effectiveness of our measures and give more visibility to such results.

3. Background

The delivery mechanism needs to fulfil all the above requirements in a balanced manner.

Errors relate to the breach of legislative provisions thus the rate of error depends to a large extent on the content and quality of regulatory provisions. If the latter are too complex, complicated and not unambiguous this will lead to decreased transparency and legal certainty. If an EU-level legislative requirement is not unambiguous, Member States and regions might opt for a national interpretation which is stricter than necessary, to make sure that interventions financed are legal and regular, and that the risk to the national budget (due to misinterpretation) is minimal. This in turn can increase the costs and burdens of implementing EU funds for both national authorities and beneficiaries. (This will be even more true in the present budgetary situation.) And even so it cannot be avoided that auditors – who have a large discretionary power in such cases – will disagree with the interpretation. Implementation can also become more complex where the regulatory environment is changed and semi-official interpretations are provided (e.g. in the form of COCOF information notes) in the middle of the implementation period.

Thus “legal certainty of implementation needs to be increased and maintained throughout the implementation period” and “clear, unambiguous and stable regulatory provisions (...) are prerequisites for the proper application thereof and thus contribute to the trend of reducing the error rate in implementation” as stated by the Council²⁹. Stability and predictability of regulatory provisions and the application thereof is essential in order to cut back on administrative costs and to increase efficiency.

EU level legislation needs to be clear and flexible enough to allow accommodating the specific situations of the various Member States and regions; however national eligibility rules and procedures imposed at national or regional level are also a critical element in ensuring effective and efficient delivery arrangements. Thus all levels need to make an effort in increasing the quality of the legislative environment affecting the delivery of cohesion policy.

At the same time we need to make efforts on increasing the clarity of our regulatory requirements and avoid regulatory failures. Here we have to note that previous audit results (including DAS results) showed that the main causes of errors were due to deficiencies in first level management verifications which may imply that more detailed guidance should be laid down in the regulations as to what these should entail and how sound financial management should be checked. Ensuring consistency with EU policies such as public procurement rules, environmental requirements, state aid rules etc. has also proven to be challenging. Therefore more effort needs to be put at all levels into ensuring that such regulatory provisions are applied correctly in cohesion policy delivery.

The same approach is found in the European Court of Auditors’ opinion given on the recast of the Financial Regulation (see: Opinion No. 6/2010 par. XV of its summary “**Simplification of sectoral legislation remains however an important route to a significant improvement in performance.**” and par. 3 “...improving the quality of EU spending requires simplification of, and other improvements to, sectoral legislation...**Complex legislation is unlikely to produce the improved performance sought by all EU stakeholders.**”

²⁸ It has to be noted that in some cases repeating the same exercise may be considered as simplification as it allows for learning from experiences and avoiding past mistakes, while a completely new system might create an environment where new mistakes can be made but past experiences are not present to learn from.

²⁹ Council Conclusions on the Fifth Report on economic, social and territorial cohesion

4. Some concrete examples where present regulatory provisions turned out to be counterproductive

In some cases it can however be clearly identified that regulatory provisions – even if they were drawn up with the best intentions – are too complicated, hardly transparent and for this give rise to potential failures in applying them on the ground thus inherently encoding the risk of errors in their application and resulting in unnecessary administrative burden.

In line with our common goal “smart regulation” i.e. increasing the efficiency of implementation, drawing up unambiguous regulatory requirements that provide for legal certainty and clear obligations as well as pursuing the aim of reducing unnecessary administrative burden, we should identify those bottlenecks where the current regulatory provisions could be improved.

Revenue-generation

The provisions of Article 55 of Regulation no. 1083/2006/EC are a clear example of overcomplicated requirements. Although the intention to determine more accurately the value of an investment that will be returned (i.e. covered by revenue) on the long run, thus should not be subsidized as these could attract financing from the markets is absolutely relevant in economic terms and in line with the principle of sound financial management. However, the way to achieve this aim is too complicated, and even a 30-page guidance note does not necessarily clarify issues regarding its application.

Financial engineering

The issue of the regulatory provisions concerning the financial engineering instruments is a constantly evolving case that is still on-going although we are at the halftime of the 7+2 year implementing period. This clearly shows that this type of intervention (although many Member States have made use of it before and even new Member States had similar experiences during the Phare era) and the practical requirements regarding its implementation and relation to general requirements in the cohesion policy regulations have not been thoroughly assessed in advance. The issue of ensuring financial accountability and control (i.e. the definition of the depth of controls), the application of the rules of eligibility, the limitations of the scope they may be applied and methods to avoid substitution effects and crowding-out of private resources would be among the things to be addressed.

Simplified costs

Again with the right intentions the use of simplified costs has not been a success story so far. The requirement that Member States would have to draw up their methodologies to justify the amounts to be reimbursed in this manner resulted in legal uncertainty as naturally the Commission reserved the right to question the methodology. In order to avoid potential ex post corrections Member States chose to ask for an official ex ante approval on their methodologies from the Commission. This however mostly due to the simultaneously evolving guidance note on simplified costs ended up in many rounds of questions and answers and a significant delay of simplification on the ground (and consuming substantial administrative resources from both the Commission as well as the Member States – in some cases without any results).

Cross financing between the ERDF and the ESF

Par. 2 of Article 34 of Regulation no. 1083/2006/EC on the possibility of cross-financing between the two structural funds has a potential to ease the rigidity of the mono-fund system and provide for the financing of integrated projects. However the application of it seems to be a little bit complex as the possibility relates to actions falling in the scope of the other fund (e.g. environment is falling in the scope of the ERDF, while training is in the scope of the ESF, but how to treat training in the field of environment) but the threshold and the monitoring should relate to expenditures.

Compliance assessment

Member States do agree that although it was a burdensome process requiring a significant amount of administrative effort, the compliance assessment exercise was useful in terms of setting up sound administrative structures for the 2007-13 implementing period.³⁰ However Member States have echoed that the process could be used – in order to increase predictability – to give assurance to Member States that if they respect the processes described in the systems descriptions the Commission will not question the approved setup at a later stage of implementation. For the time being the Commission only approves systems descriptions with a disclaimer that it reserves the right to question it at a later stage and experience shows that it does too.

5. Questions for debate

- What could best increase legal certainty and common interpretation of regulatory provisions?
 - More detailed regulatory provisions at EU level? Clearer definition of the rights and obligations of Commission and Member States in shared management?
 - Are there issues that are currently dealt with in the comitology framework (COCOF providing soft law) that should rather be settled at the level of the regulations?
 - How should the balance be struck between legal certainty at EU level and flexibility in regulatory provisions to accommodate the special situations of Member States and regions (i.e. to take account of the principle of subsidiarity)?
- What aspects of the current regulatory framework do you feel should be simplified? Delegations are kindly invited to provide 2-3 concrete examples where they feel that the unclear nature or regulatory failure of EU level legislation has hindered cohesion policy implementation.
- How do you think simplification at EU level can best serve simplification also for the beneficiaries?
- What concrete examples would you foresee for the application of the principle of proportionality in practice?

Brussels, 21 March, 2011.

³⁰ In the same manner a positive assessment was given by the Commission in its paper (Evaluation of the compliance assessment process) provided for the High level working group on the future of cohesion policy for its meeting of July 7-8, 2010.

for the key issue debate on the integrated approach in the field of cohesion policy post 2013

1. Role of the document

The intention of the Presidency is to discuss more in detail some strategic issues outlined by the Commission in the conclusions attached to the 5th Cohesion Report. The aim is to identify the areas of the proposals where a certain degree of clarity would be necessary to better understand their nature and practicalities.

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Please note that the Commission may not be in a position to provide delegations with answers to their questions, nevertheless articulating concerns, raising questions or highlighting certain specificities will be useful for the Commission when drawing up concrete proposals for the future.

2. Integrated approach

The need for an integrated approach had already been acknowledged at strategic level in the current programming period.

*Improving territorial cohesion is a matter both of method – i.e. determining whether a multidisciplinary or integrated approach is needed – and of recognising the particular problems presented by different geographical circumstances. Success ... therefore depends on a comprehensive strategy which sets the framework within which specific objectives and actions are pursued.*³¹

With territorial cohesion now also being an explicit objective of the Lisbon Treaty, the importance of the integrated approach to policy making in all its territorial dimensions has increased.

Cohesion policy in general is deemed to be a unique instrument which allows for the reconciliation of

- different types of – sectoral – objectives and aspects of development (e.g. social, environmental, infrastructural, economic aspects etc.),
- different levels of governance (at the EU, Member State, region or local level).

Through both the integrated approach and multi-level governance, both inherent features of cohesion policy, an optimisation of policy mixes can be achieved which can ensure synergies and complementarities across different sectoral policies. (This could entail the identification and sorting out of potential trade-off effects among colliding aims to ensure the most effective treatment of a complex problem.) In this respect, the combination of an integrated approach within a framework of multi-level governance can generate cross-sectoral and tailor-made responses to address specific challenges and eliminate bottlenecks to growth. This approach not only allows for a more effective but also a more efficient use of public resources which will be crucial in the post-crisis period.

³¹ Communication from the Commission COM(2005) 0299 of 05.07.2005 on Cohesion Policy in support of growth and Jobs: Community Strategic Guidelines, 2007-2013

On the other hand, since the Europe 2020 Strategy and its flagships identify common bottlenecks and drivers of growth which also require a cross-sectoral approach, the integrated nature of cohesion policy makes it of prime importance for the success of this Strategy. Moreover, the multi-level governance system and the integrated approach of cohesion policy coupled with its partnership principle involving regional and local actors as well as other stakeholders allows for increased ownership of policy goals and their implementation, including the objectives of the Europe 2020 Strategy.³²

3. Background

The integrated approach allows policy makers to reconcile different sectoral priorities and tailor investments to the needs and circumstances on the ground, leading to improved coordination and synergy across different policy areas as well as a better concentration of resources.

It is therefore that within the framework of cohesion policy the integrated approach is followed not only through programming but also in the logic of implementation. For example, the ex-post evaluation of the 2000-06 programmes confirm the importance of this approach in the case of environmental investments³³: *"The contribution of ERDF environmental measures to economic development appears to have been rather limited...has mainly affected local areas without spill over into the regional economy."* *"...measures were managed mainly through sectoral approaches and an eye toward meeting EU [environmental] directives...regional development was not a priority for environment-related actions".* *"Prioritizing EU directives and sectoral approaches have not been met with strong integration of environmental measures..."* *"A consensus is emerging on the need to integrate environmental issues into economic growth strategy."*

The current separation between investment in people and infrastructure has been acknowledged as an additional administrative obstacle, which makes integrated actions more difficult to implement both for national stakeholders and for final beneficiaries on the ground. It has been widely recognized that in these areas, investment in infrastructure should go hand in hand with "soft" policy development to increase policy effectiveness. Thus, there is evidence to suggest that there is still room to further strengthen the integrated approach within cohesion policy, helping to make investments more effective and cost-efficient. Therefore attention needs to be given to maintain and increase the integrated approach at all levels:

- at the level of cohesion policy by establishing clear links with other policy areas having a significant influence on the objectives of cohesion policy e.g. rural development, R&D etc.;
- at the level of programming by ensuring that this coordination among and within policies is maintained and that requirements such as the monofund programming structure or thematic concentration do not hinder the implementation of integrated operations (e.g. by determining an OP-structure that would be an obstacle to that);

³² It has to be noted that the aims of cohesion policy will remain those laid down in the Treaty. Nevertheless while delivering on those objectives through eliminating bottlenecks for growth to help exploiting underutilised potentials of the regions (whether it is best done via the development of infrastructure or by support to R&D is up to the specific situation of each of the regions i.e. the different starting points as recognised by the Integrated Guidelines) cohesion policy can significantly contribute to the objectives of the Europe 2020 Strategy which identifies the main drivers of growth at EU level.

The above aims are mutually reinforcing as the Europe 2020 Strategy cannot be successful without an effective cohesion policy (as recognised by the June 2010 European Council and reflected by the Integrated Guidelines) and cohesion policy can maximise its effects on the ground if its interventions are supported by the structural reforms set out in the NRPs.

It has to be reiterated that in line with the Conclusions of the European Councils of March and June 2010 „all common policies...will need to support the strategy” thus cohesion policy will not be solely responsible for the success of the strategy.

³³ Ex-post evaluation of cohesion policy programmes 2000-2006 co-financed by the European Fund for Regional Development (Objectives 1 and 2) – Work package 5b: environment and climate change

- at the level of implementation the delivery of integrated operations should avoid being overly complex by its regulatory provisions or administrative structures, and should aim at establishing an administrative one-stop-shop approach for beneficiaries;

As regards coordination at EU level, there has been wide support to the Commission's proposal that the Common Strategic Framework should translate the targets and objectives of the Europe 2020 Strategy into investment priorities that are also relevant to financing from Funds external to cohesion policy (e.g. EAFRD, EFF and also the research framework programme has been mentioned) as this would enhance the alignment and more integrated orientation of these instruments. There are also suggestions that the Partnership Contract should also follow this logic.

At national level, in terms of programming the mono-fund approach has been widely criticised for requiring Member States to draw up more operational programmes for the same policy areas (one financed from ERDF and one from ESF). For some Member States, this has caused difficulties in implementation, in particular in cases where parallel implementation structures had to be established and separate Directorate Generals were responsible for the OPs in the same policy field.

Moreover, the scope of assistance laid down in the Fund-specific regulations is drawn up in a rather sectoral manner. The way the scope articles are formulated may play an important role in determining the extent to which OPs or even priority axes have sectoral or integrated approaches. In this respect, it is important to ensure that the Commission elaborates a clear-cut and consistent negotiation mandate for programming which can synthesise the positions of different line DGs across the Commission.

With regards to the post 2013 period therefore, there are some doubts as to whether increased thematic concentration with Member States and regions selecting thematic objectives from a pre-set menu would result in a fairly sectoral programming structure if the list of objectives is not elaborated with care.

As regards implementation, it is clear that most beneficiaries fail to think in the different boxes of what is eligible from which Fund and often neglect which Fund their project is financed from as their main interest is that their development idea is turned into reality with the help of the European Union.³⁴ The reality on the ground as regards project ideas does not necessarily match the artificial separation of scopes of assistance or policy areas. This is a problem that national authorities need to address when designing and implementing their policies. The public administration often comes up with innovative ideas to try and resolve this mismatch without unnecessary administrative burden or risk of increasing the error rate.

Thus, while double financing from different EU funding instruments should not be permitted, there are some doubts about the rigidity of the rule that an operation shall not receive financing from more priority axes, OPs, objectives or Funds (as set out in Art. 54 of the current regulation No. 1083/2006/EC). To a certain extent, this can be an obstacle creating additional administrative burden by requiring operations to be artificially split.

In this respect, there are some managing authorities who are persuaded that the 10% rate for cross-financing applied at priority axis level that was introduced to alleviate the rigidity of the mono-fund system is too low. Moreover, some managing authorities believe that this 10% rate also creates an additional burden in terms of monitoring (and resent to divert from that at the level of operations as well). On the other hand an increased flexibility is likely to lead to overlapping schemes, and would not contribute to complementarity and consistency between the funds. In this context, it is essential to strike the right balance between integration and complementarity.

³⁴ Naturally there have to be conditions to that on the supporter side as well e.g. the project proposal has to be in line with EU and national priorities, has to bring value for money, be implemented in compliance with regulatory provisions etc.

As a result, integrated projects are often artificially separated purely for financing reasons. This also raises a problem of appraising the integrated operation as a whole and evaluating its results as only some of its elements or its indicators are relevant for each of the financing sources (OPs).

While clearly the integrated approach requires more effort in terms of planning and implementation as regards time and workload, the result is often that more well-grounded plans can be produced with increased ownership of the objectives of the project. Thus, facilitating truly integrated programmes and projects requires a shift in attitude, not only towards results and objectives, but less on absorption and expenditure. It also requires a stronger coordination and partnership at all levels between the various stakeholders.

4. Questions for debate

- The conclusions of the 5th Cohesion Report also raised some interesting ideas in order to facilitate the planning and implementation of integrated programmes and projects.
 - Would the proposed flexibility in programming sufficiently increase the integrated approach? To what extent can functional geographies be taken into account while drawing up OPs?
 - Would the closer alignment of implementation rules (including eligibility) across the Funds (including the EAFRD and EFF) increase the probability of more integrated operations on the ground? How should the separation of financing streams be ensured? How best to ensure a sufficient alignment of separate monitoring and indicator systems of cohesion policy and rural development?
 - Would the increased use of global grants contribute to more integrated projects on the ground? Should global grants be possible to be financed from more Funds (even from the EAFRD)? How should the separation of financing streams be ensured in this case?
- It is not yet clear to what extent the thematic objectives will determine the programming of OPs and since both the ERDF as well as the ESF can contribute to the implementation of all thematic priorities how do you think this integrated nature should be maintained?
 - Would the menu of thematic objective currently being considered by the Commission encourage a sectoral or integrated approach?
 - Should optional multi-fund programmes be supported, even if this would mean a separation of financing at priority axis level?
 - Should the cross-financing ratio currently applied at the level of priority axes be applied at OP or rather Member State level thus allowing for the programming of fully integrated priority axes or OPs?
 - Would the one policy-one fund idea within cohesion policy for ERDF and ESF – where in the area falling in the scope of assistance of one fund it could finance both hard and soft measures – raised by DG EMPL at the High Level Conference on 31 March-1 April held in Budapest alleviate the present problems or would it create new ones (e.g. similar demarcation problems to those experienced by the EAFRD, divergent approach and interpretations by the relevant DGs etc.)?
- What effect could the different ex ante and structural conditionalities have on the integrated approach?

Brussels, 11 April, 2011.

for the key issue debate on result-orientation of cohesion policy post 2013

1. Role of the document

The intention of the Presidency is to discuss more in detail some strategic issues outlined by the Commission in the conclusions attached to the 5th Cohesion Report. The aim is to identify the areas of the proposals where a certain degree of clarity would be necessary to better understand their nature and practicalities.

For this, the Presidency will provide the Council working group with background papers for each of the topics to initiate the discussion. Delegations will have the opportunity to voice their questions, possible concerns regarding the topics. (Although the document contains some questions to initiate the debate delegations will be free to raise other aspects, questions connected to the key issue in question.)

Please note that the Commission may not be in a position to provide delegations with answers to their questions, nevertheless articulating concerns, raising questions or highlighting certain specificities will be useful for the Commission when drawing up concrete proposals for the future.

2. Result-orientation

After the crisis – taking into account the public debt situation in our Member States – it is more important than ever to ensure that we get the maximum value for our public efforts, and that we achieve the desired results in a more cost-effective manner. This strong requirement is valid for all kinds of public expenditure and all public policies, thus also for cohesion policy.

Although cohesion policy already now includes a lot of disciplines intended to enforce or maximise elements of sound financial management, recent discussions within the cohesion policy 'community' have shown unanimous and strong commitment to redirect political attention increasingly to results and to further enhance the effectiveness of cohesion policy, setting an example to other policy areas as well.

On the other hand, emphasizing a shift towards results requires two distinctive areas to be clarified: what we understand by results (there are numerous requirements cohesion policy is expected to fulfil) and how it is possible to gain a more thorough knowledge on the results of our interventions. It should also be noted that an increased focus on results would require a simplification in the rules of implementation in order to allow for managers to concentrate the majority of their efforts on the effectiveness of what they are doing.

Whereas for the former we have to be clear of the logic behind what kind of investments we are financing and what we want to achieve with them, for the latter it is vital to be able to measure progress as regards outputs and evaluate the impact of our interventions to our strategic goals.

3. Background

Cohesion policy aims at promoting overall harmonious development within the EU and reducing disparities between the levels of development of the various regions. For this it endeavours to eliminate bottlenecks to growth and stimulate endogenous potentials of each region by concentrating on their main drivers of growth.

However cohesion policy, in contrast to other policy areas, has a narrow set of policy tools at its disposal as it operates with the help of budgetary instruments and finances investments. Moreover, some of the problems it addresses require policy tools of a different nature including, for example regulatory provisions. The Treaty requires that national (and European)

economic policies (therefore including regulatory tools) should contribute to cohesion. Nevertheless, cohesion policy cannot be seen as a mere financing instrument of other policies as its approach has a major advantage over other policies: it allows for the reconciliation of several policy objectives and tailor-making this policy-mix to the needs and specificities on the ground, as well as higher level cross-sectoral objectives. This method takes account of the individual policy aims on each other, allows identifying and circumventing the possible trade-off effects and turning them into synergies.

The effectiveness of cohesion policy – as pointed out in the conclusions of the 5th Cohesion Report – largely depends on the economic environment in which it operates. This environment also includes institutional, regulatory and policy frameworks in place.

This environment will in the future be to a large extent influenced by the Europe 2020 Strategy. Europe 2020 and cohesion policy will need to be mutually reinforcing Cohesion policy will make a contribution to the strategy through its investments – whereas its own objectives remain unchanged; while the implementation of the Europe 2020 strategy will contribute to the Treaty aims of strengthening economic, social and territorial cohesion as well.³⁵⁾

Therefore programming will be a crucial factor to effectiveness; however it should not be seen as negotiating in the framework of cohesion policy programming all the underlying policies that cohesion policy contributes to, as this could contradict the principle of subsidiarity, since Member States and regions are in some cases solely responsible for drawing up these policies, and debates on these are conducted within the European semester as well. It has to be ensured though that the efforts of cohesion policy do contribute to those aims, and those policy efforts do not compromise the effects and original objectives of cohesion policy. The Commission is therefore considering identifying a limited number of so-called success factors that need to be in place ex-ante in order to ensure that cohesion policy interventions will be effective.³⁶⁾

Since the aim of cohesion policy is not to finance projects as such, but to make a difference in order for regions and Member States to eliminate their bottlenecks of growth and to be able to exploit their potentials and adapt to new challenges and changing environments, it is reasonable to be clear as regards our intervention logic (theory of change) i.e. how what we intend to do by financing our investments will contribute to our aims. It seems reasonable that ex ante evaluations should aim to improve programme design including a focus on future measurability of progress. We have to note however the limitations we have when it comes to the causality of our actions in real life.

Identifying result indicators and setting clear and precise targets ex-ante for outputs is pivotal for measuring performance as it not only clarifies what we intend to achieve with our interventions but gives OP managers a stronger focus and thus ownership of these. (Without clear target values it is not possible to give a clear definition as regards our actual progress.) As a positive effect it enhances the accountability for results and helps increasing the visibility of cohesion policy results. That coupled with a limited set of common indicators, the progress on which may be subject to a regular political debate truly contributes to an increased focus on results.

Here we have to make a distinction regarding the twofold requirement we are facing when it comes to measuring the achievements of our policy.

³⁵ Once again here we have to cite Article 175 of the TFUE stating that “Member States shall conduct their policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 174. The formulation and implementation of the Union’s policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement.” Thus a mutual recognition of and support to policy aims need to be ensured.

³⁶ This paper does not intend to open the debate on the issue of conditionalities as that will be up to ministers to conduct on the basis of the report on the outcome of the Conditionality Task Force at the Informal Ministerial Meeting on 20 May in Gödöllő. In our attempt to draw up a full picture we have decided to make a reference to conditionalities here as well, as the intention behind such a system is to enhance the effectiveness of cohesion policy implementation. Although some areas are important for the effectiveness of investments it may be that it will not be possible to establish them as preconditions.

- OP managers can only be required to ensure that only those projects that contribute to realizing the ex-ante set outputs for the programme will be implemented and that they are implemented in a way that they do contribute to the set outputs. They should monitor closely that these outputs are brought about. Selection criteria for projects should reflect results – projects should be selected which are likely to contribute through their outputs to the results of the programme.
- Since results and outcomes are affected by other factors, sometimes external to cohesion policy (although it can easily be that a transport infrastructure project financed from one programme contributes to the increase of CO₂ emission whereas this effect is offset by energy-efficiency projects financed from a different programme), it should be up to the evaluation to assess to what extent the interventions of different programmes can be attributed to the strategic aims defined by results indicators. The choice of result indicators should also mitigate these external influences by being chosen in relation to measurable effects of programmes rather than by political attractiveness.

Thus the tasks of and the requirements towards monitoring and evaluation have to be clearly distinguished and relevant sets of indicators should be aligned with these. Also a well established methodology for the use and understanding of indicators, especially for the common indicators, is necessary and should be disseminated to all partners responsible for the implementation of the programmes..

Since the Europe 2020 Strategy provides a policy framework for all policies and all policies should contribute to achieving its targets it seems reasonable to be able to tell how and to what extent each policy has contributed to the delivery of those targets. It has to be done not by adding additional layers of monitoring or evaluation to the policies, but by being clear that the success of any of the policies cannot be solely be measured as to the extent to which they contribute to those targets. It has to be avoided that cohesion policy, since it contributes to a lot of policy objectives, is responsible for policy-monitoring and policy evaluation of the Europe 2020 Strategy, as this would add significant administrative burden and result in a duplication of efforts.

Another issue to be tackled as regards the use of the different indicators and the knowledge gathered on the results is how we intend to make best use of this information. Thus reporting requirements have to be thought through in this respect. We have to decide whether we can make a more strategic use of our annual implementation reports prepared at OP-level or whether a more valuable input – also for the purposes of the Europe 2020 governance cycle – could be achieved at reporting on thematic objectives or at Contract-level. Naturally, reporting should include not just the data but an assessment of the circumstances as well. We have to be careful with benchmarking progress however as these should not be compared among our very heterogeneous regions, but also as regards the starting point of each of the regions.

The Commission advocates setting up a so-called performance framework within the Development Investment and Partnership Contract³⁷ that would establish critical milestones toward the achievement of Europe 2020 goals that would provide indication of progress toward the delivery of investment priorities linked to Europe 2020. On the basis of this assessment, the Commission could take corrective action by suspending payments where progress had been unsatisfactory or where there have been significant problems in implementation. Instead of sanctioning the lack of results after the money is spent it seems to be more meaningful to identify a limited number of factors in advance that ensure that our interventions will in fact deliver the intended results.

The Commission has also proposed setting up a performance reserve at EU level to reward programmes that on the basis of a mid-term review have contributed the most to the Europe 2020 targets and objectives compared to their starting point. Whereas it seems that such a reserve would be a positive incentive to reward progress on performance which is to a large extent affected by factors outside of cohesion policy (see for example the employment

³⁷ Our simplification efforts should also be reflected in the name of our documents – but most importantly in their content – thus it may be worth considering finding a less complex name for this document.

targets), even if the allocation of it would be based on indicators exclusively affected by cohesion policy interventions a mid-term review would indicate an allocation after 3,5 years of implementation (thus based on monitoring data at least a half a year old) by which time hardly any tangible impacts could have been achieved.

At project level, the wider application of simplified costs, especially unit costs and lump-sums can contribute to an increased focus on results as disbursements would be linked more to the outputs and results rather than inputs (i.e. expenditures incurred).

As regards the indicators we have yet to decide whether added value can be achieved by making a clear connection between output indicators and categories of expenditure, taking also into account whether this will lead to a false interpretation and comparison of results among Member States.

Since the Common Strategic Framework will most likely cover the areas of rural development and fisheries it might be considered that some of the (common) indicators be aligned with these areas as well. Especially in areas where the funds co-finance similar activities, e.g., start-ups, enterprises supported, participants in training, etc.. It is also worth considering how a more coherent system of indicators and monitoring as well as an underlying common methodology could be established for the European Territorial Cooperation objectives to ensure a common reporting.

As raised by the Presidency background paper on the integrated approach it is important to assess how the success and results of integrated projects can best be measured.

It seems inevitable that an increased focus on performance requires a better knowledge of results on the ground. This requires a reinforced and coherent indicators system, clear distinction between the tasks of monitoring and evaluation. This has to be done without increasing the overall administrative burden of implementation.

4. Questions for debate

- Is it possible to measure the achievements of cohesion policy solely by its contribution to the Europe 2020 targets? How could the performance of cohesion policy best be defined?
- Would you agree that a coherent set of output and result indicators is necessary to develop a better understanding of the results of our policy? Should the indicator system serve as a tool to establish a better knowledge of our policy and to serve as a management instrument? Should common output indicators serve as a basis for annual policy debate? Should there be an annual policy debate?
- Could disbursements or automatic sanctions at OP-level be linked to performance? Would that not lead to an underestimation of target values? Would such a system be acceptable if performance is defined according to the Commission's suggestion for the performance framework, i.e. delivery on Europe 2020 targets? Is such a system in general compatible with ex ante conditionality and should they both be in place (double conditionality on effectiveness)?
- It is worth considering what level is the most appropriate to monitor implementation, especially if the timing of the annual reports monitoring process would be aligned with the Europe 2020 governance cycle. Should annual implementation reports be kept to be drawn up on the basis of OPs or would it be worth drawing these up on the basis of thematic objectives? Would there be a need for monitoring at the Contract level? What would be the best timing cohesion policy monitoring could provide input to the Europe 2020 governance cycle?
- How would it be possible to achieve a more strategic reporting without increasing administrative burden? If we move to common indicators provided electronically is it not possible to reduce annual reporting requirements and concentrate on "strategic reporting"?

- It seems that there is a thinking that output indicators should be directly linked to categories of expenditure. Would you agree to such an approach? What would be the benefits of it?
- Do you think that a performance reserve at EU level could be established in a way that is allocated according to objective and common data across programmes to reward performance (and not only absorption)?

Brussels, 5 May 2011





INFORMAL MEETING OF MINISTERS RESPONSIBLE FOR COHESION POLICY

Gödöllő, 20 May 2011

HOW TO MAKE COHESION POLICY MORE EFFECTIVE IN ACHIEVING RESULTS?

Issue Note

Over the last two decades findings have clearly shown the **positive impact** and therefore the **effectiveness of Cohesion Policy in assisting the least developed territories of the EU** to progressively fill the gap with the most successful and innovative regions of the Union. Simultaneously they suggest that there is **still room for manoeuvre** to further develop the current programming and delivery system.

After the crisis it is more important than ever to ensure the **maximum value for public efforts** and that the desired results are achieved in a **more cost-effective manner**. On the other hand, the **close link with the Europe 2020 Strategy** makes it necessary for Cohesion Policy to measure its contribution to a smart, sustainable and inclusive Europe.

After the Conclusions of the Fifth Cohesion Report the Commission has presented a number of informal documents following this approach and suggesting new tools and mechanisms to increase the effectiveness of Cohesion Policy in delivering results, besides a more careful design preparation and strategic negotiation of programmes. Among them, due to its innovative nature and political sensitiveness, **conditionalities and incentives** should be highlighted. In order to discuss the concept and implementation process of these with the Member States, the Commission set up the Conditionality Task Force.

While Member States may apparently give certain support to the idea of introducing new mechanisms related to OP performance (conditionalities to ensure that pre-requisites are met in order that the operational programme can achieve its goals; incentives to reward good performance and internal discipline), conditionalities and incentives related to factors which might have only indirect influence on OP achievements seem to be more **controversial**.

In fact, regarding conditionalities like the adoption of **relevant strategies, economic and social structural reforms**, implementation of sectoral EU directives or agreement on pre-set list of investments, Member States argue that the causal effect of those conditionalities on the achievement of OP targets in many cases may be questioned. Moreover there is a risk that the introduction of such new instruments brings about increased associated administrative burden or the duplication of procedures already in place, such as the infringement procedure. The risks of discretionary elements in assessment and of having distinct conditionality systems according to Funds are other matters of concern.

The **legal implementation set-up** calls for some considerations as well: instead of assessing success factors in each Member State or region on the basis of its situation, the Commission suggests establishing in the Council Regulation the list of conditionalities by theme/sector and the criteria to assess them. The exercise of assessing conditionalities would then consist of checking whether a number of EU-wide criteria are in place in each region before a programme is launched.

The proposed system may result in a **top-down approach** closely linked to the Europe 2020 Strategy and not necessarily to the actual success of the OP's. Furthermore, in most cases OP managers do not have the capacity and the legal competence to change those factors which are external to the OP and usually have a political nature.

This has raised a number of questions from Member States related namely with the role Cohesion Policy should have in enforcing sectoral legislation and reforms, the impact on **subsidiarity, accountability and ownership**, the uneven consequences on EU regions and the application of the proportionality principle.

Discussions on incentives have shown that Member States accept **positive incentives rather than negative incentives**, both as regards conditionality compliance and OP performance. However, for that purpose they called the attention to a necessary increased robustness and accuracy of the current **monitoring and evaluation systems**: methodological tools, set of indicators and comparable data.

Having this background in mind, Ministers are asked to address a number of **key questions** on how to make the Cohesion Policy more effective in achieving results:

- *Can you agree that conditionalities and incentives are appropriate tools to achieve greater effectiveness in Cohesion Policy? In your view, what types of conditionalities and incentives should be pre-requisites for the use of the Structural Funds assistance and become commitments? Under what conditions?*
- *How can the concept of conditionalities be harmonised with the current implementation system? What kind of changes in the present system do you find inevitable for the effective operation?*

INFORMAL MEETING OF MINISTERS RESPONSIBLE FOR COHESION POLICY Gödöllő, 20 May 2011

HOW TO MAKE COHESION POLICY EFFECTIVELY CONTRIBUTE TO EUROPE 2020 STRATEGY?

Issue Note

At the General Affairs Council meeting of 21 February 2011 Member States agreed in the Council Conclusions on the Fifth Report on economic, social and territorial cohesion that “**all common policies including cohesion policy have to contribute to the achievement of the Europe 2020 Strategy** in a complementary and mutually supportive manner”.

The recent debate during the High Level Meeting on the Future of Cohesion Policy held in Budapest was a **valuable contribution** to reach a common understanding on how **Cohesion Policy could more effectively support the Europe 2020 Strategy**.

It is now clear that **thematic concentration is pivotal** for the linkage between Cohesion Policy and Europe 2020. However, thematic concentration is not only a tool for alignment with Europe 2020, but could also be a powerful means of **focusing financial resources on a limited number of areas in order to achieve greater results and impacts for Cohesion Policy investment**. Reconciling these two ultimate objectives in a balanced way is certainly one of the key challenges of the current exercise so that a more effective Cohesion Policy in reducing territorial disparities could provide better results for Europe 2020 objectives and targets as well.

As a consensus apparently exists regarding the relevance of Cohesion Policy to achieve the Europe 2020 objectives, the discussions so far have focused on the **actual mechanisms to ensure the alignment between the two frameworks** on the basis of formal and informal documents produced for several fora by the European Commission.

The prime concern of Member States seems to be the **degree of flexibility** that is offered to them and to their regions to pursue Europe 2020 objectives while keeping in mind their place-based development objectives and strategies. Such flexibility is inevitable for Member States and regions to address their specific national, regional and local needs and potentials and thus reducing disparities. Setting of guidance and provisions by the EU institutions (in Cohesion Policy regulations and the Common Strategic Framework) needs to be reconciled **with the diversity of needs and ambitions of 271 regions**, thus (i) **ensuring ownership by regions** of the strategic exercise to be carried out for the post-2013 programming period and (ii) **making Cohesion Policy more effective** in achieving its aims.

In fact the discussion on thematic concentration encompasses a wide range of **technical and political issues** and attempts to define a new and fair balance around long standing principles of the Cohesion Policy such as the **top-down vs. bottom-up approach** and the **sectoral vs. integrated approach**.

The way of setting at EU level a menu of a **limited number of objectives** closely related to the Europe 2020 objectives and investment priorities linked to them from which each Member State and region would **choose an even more restricted number** of objectives to **become priority axes** of their OP's is still unclear. Similar dilemmas have been voiced with regard to

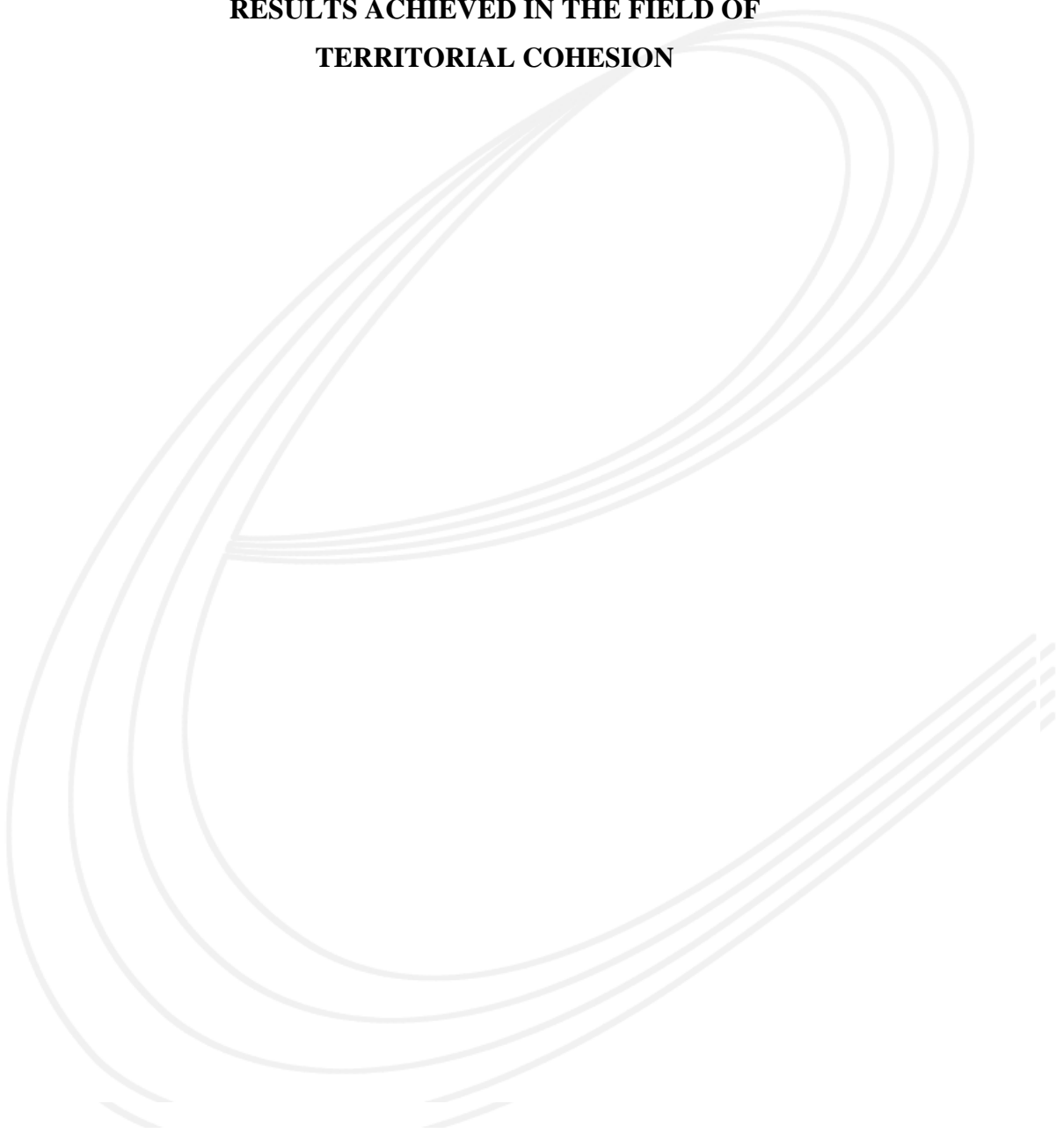
the role of the categories of expenditure and their impact on the flexibility of Member States and regions in establishing their policy mix. Observations also include the need for improved coordination among the various Funds, techniques of which are yet to be defined.

This harmonisation trend proposed by the Commission puts the stress on the input side while **Member States** consider more appropriate to reconcile the Cohesion and Europe 2020 agendas on the **output/result side**, i.e. on what should be achieved.

Keeping this background in mind, Ministers are invited to address a number of **key questions** on how to effectively align Cohesion Policy with Europe 2020 Strategy:

- *Is the common menu of thematic objectives and investment priorities, set at EU level and closely linked to the Integrated Guidelines and flagship initiatives an appropriate solution to make the Cohesion Policy effectively contribute to Europe 2020 objectives? Are compulsory objectives to be implemented by all Member States and regions to be considered as necessary conditions?*
- *How can a system be established that complies with the complex targets of the Europe 2020 Strategy, the Integrated Guidelines, and the Flagship initiatives and at the same time allows for addressing real territorial needs of Member States and regions?*
- *Due to the rather sectoral nature of the thematic objectives should new mechanisms or tools, like multi-fund operational programmes, enhanced cross-financing or flexible geographical scope of the programmes, be set up in Cohesion Policy to ensure integrated approaches?*

**RESULTS ACHIEVED IN THE FIELD OF
TERRITORIAL COHESION**





**Presidency Conclusions
of the Hungarian Presidency of the Council of the European Union
on the occasion of the Informal Ministerial Meeting on Territorial Cohesion**

At the invitation of the Hungarian Presidency of the Council of the European Union an Informal Ministerial Meeting on Territorial Cohesion took place in Gödöllő on 19 May 2011.

The ministers responsible for spatial planning and territorial development in the European Union met to discuss the policy developments related to territorial cohesion and to adopt the Territorial Agenda of the European Union 2020.

The Commissioner for Regional Policy of the European Commission, the Chair of the Committee on Regional Development of the European Parliament, the President of the Committee of the Regions, the President of the ECO Section of the European Economic and Social Committee, representatives of the European Investment Bank, the European Environment Agency also took part in the meeting. The Presidency was also pleased to welcome representatives from Croatia, Turkey, Norway, Switzerland and representatives of Non-Governmental Organizations.

The Ministers

- **Welcomed** that territorial cohesion became the third dimension of Cohesion Policy as the Treaty of Lisbon entered into force. The Treaty has important implications for territorial and sectoral policies in Europe. Member States and European Institutions now have shared competence in contributing to territorial cohesion, which calls for their continued and strengthened cooperation.
- **Emphasized** that cohesion is a key condition of the long term development of the European Union. It aims for equal opportunities for citizens and enterprises, wherever they live or are located.
- **Highlighted** that diversity of territories can be a potential for the development of the European Union, and that regional and local stakeholders are of key relevance in this regard.
- **Pointed out** that sustainable and efficient use of Europe's territory, resources, and territorial capital, as well as attention paid to areas facing specific challenges, are key elements of territorial cohesion.
- **Stressed** the importance of adequately adjusting strategies and programmes to the specificities of territories. Interventions should be tailored to these specificities to find the optimal solution for the long-term development of territories.

- **Underlined** that the territorial dimension needs to be taken into account to ensure the successful implementation of the Europe 2020 Strategy for smart, sustainable and inclusive growth.
- **Welcomed** the proposal of the European Commission, expressed in the Fifth Report on Economic, Social and Territorial Cohesion, to address territorial cohesion in the new programmes. Cohesion Policy is a key framework and instrument through which the European Union can address territorial development challenges. It helps unleash territorial potential at local, regional, national and transnational levels.
- **Pointed out** that recognising the territorial dimension and coordination of sectoral policies is important to foster territorial cohesion. Most policies can be more efficient and can achieve synergies with other policies if the territorial dimension and territorial impacts are taken into account. Understanding territorial impacts can help to reduce the risk of unintended side-effects on territories.
- **Agreed** that multi-level governance is important to ensure balanced and coordinated contributions of the local, regional, national and European levels, where appropriate, in compliance with the principle of subsidiarity.
- **Considered** that the place-based approach to policy making can contribute to territorial cohesion. Based on the principles of horizontal coordination, evidence-based policy making and integrated functional area development, it implements the subsidiarity principle through a multilevel governance approach. It aims to unleash territorial potentials by building on the specific assets of places, applying tailor-made solutions.

The Ministers

- **Thanked** the previous presidencies for their contribution to implementing the Territorial Agenda of the European Union adopted in Leipzig in 2007.
- **Took note** of the results of the First Action Programme for the implementation of the Territorial Agenda of the European Union adopted in Ponta Delgada in 2007 and the results of its assessment conducted by the Swedish presidency.
- **Took note** of the results of the updating process of the evidence based background document entitled Territorial State and Perspective of the European Union, as well as the evaluation and review of the Territorial Agenda of the European Union coordinated by Hungary at the request of ministers responsible for spatial planning and territorial development in 2007.
- **Acknowledged** that the revision of the Territorial Agenda does not pre-empt future agreements on the next multi-annual financial framework and the next legislative package for Cohesion Policy, but emphasises the importance of considering the territorial dimension.

Based on the above, the Ministers agreed on the Territorial Agenda of the European Union 2020.

The Ministers

- **Welcomed** the Territorial Agenda of the European Union 2020 (TA2020), the renewed action-oriented policy framework to support territorial cohesion as the third dimension of the objective to establish economic, social and territorial cohesion.
- **Reaffirmed their conviction** that the TA2020 provides strategic orientations for territorial development, fosters integration of the territorial dimension within different policies at all governance levels and contributes to the implementation of the Europe 2020 Strategy through territorial cohesion principles.
- **Stated** that an integrated and cross-sectoral approach is needed to transform the main territorial challenges of the European Union into potentials to ensure balanced, harmonious and sustainable territorial development. Therefore they defined the following six territorial priorities for the European Union:
 - 1) promoting polycentric and balanced territorial development,
 - 2) encouraging integrated development in cities, rural and specific regions,
 - 3) territorial integration in cross-border and transnational functional regions,
 - 4) ensuring the global competitiveness of regions based on strong local economies,
 - 5) improving territorial connectivity for individuals, communities and enterprises,
 - 6) managing and connecting the ecological, landscape and cultural values of regions.
- **Highlighted** that the successful implementation of the TA2020 needs joint efforts of different stakeholders at all levels, and therefore recommended that:
 - ⇒ upcoming presidencies, in close cooperation with the European Commission, should establish the framework and identify the method and actions needed to implement the TA2020;
 - ⇒ relevant actions should be defined so that they ensure that the Europe 2020 Strategy, Cohesion Policy and sectoral policies mutually contribute to each other's aims through appropriate dialogue with the respective policy-makers;
 - ⇒ sectoral policies should take territorial diversity and territorial impacts into account, and, where relevant and beneficial, tailor their interventions and measures to the specificities of different territories;
 - ⇒ implementation of the TA2020 has to be carried out at European, transnational, interregional, cross-border, national, regional and local levels through multilevel governance, facilitating the contribution of

policy-makers and, where appropriate, enabling all stakeholders to express their views;

- ⇒ the principles and priorities of the TA2020 should be disseminated, promoted and taken into account at European, national, regional and local levels;

The Ministers

- **Thanked** Member States, Partner States, and Candidate Countries in cooperation with the European Institutions and Non-Governmental Institutions for their joint efforts in establishing a new basis for the TA2020, and to contribute to a large extent to its successful implementation.
- **Spoke out in favour of** maintaining and also of strengthening dialogue with European Institutions, with special emphasis on the European Commission, the European Parliament and the Committee of the Regions.
- **Expressed their belief** that Cohesion Policy is a key framework for realising the objective of territorial cohesion and asked the Ministers responsible for Cohesion Policy, as well as the European Commission and the European Parliament, to take the TA2020 into consideration when designing and implementing the post 2013 Cohesion Policy.
- **Recognised that** considering the territorial dimension in sectoral policies is important for territorial cohesion, and asked those responsible for designing and implementing sectoral policies to take the TA2020 into account.
- **Stressed the importance** of cooperating within their means and competences with the ministers responsible for urban development, as cities and towns play an important role in achieving the objective of territorial cohesion.
- **Noted** that it is important to strengthen the evidence-based implementation of Cohesion Policy and other European policies, and that stronger focus on territorial cohesion will require further knowledge and methodological support.
- **Recognized** that the ESPON (European Observation Network for Territorial Development and cohesion) Programme has demonstrated its ability to create useful pan-European territorial knowledge, and thus encourage the ongoing process to prepare the continuation of ESPON post-2013 conducted by Luxembourg as indicated in the annex to this Presidency Conclusion.
- **Asked the forthcoming Polish presidency** to take over the coordination of the process and contribute to the successful implementation of the Territorial Agenda of the European Union 2020.

The Ministers asked the Hungarian presidency to present these Conclusions to the Ministers responsible for Cohesion Policy taking the opportunity of their informal meeting that will take place on the 20 May 2011.

**Annex to the Presidency Conclusions
of the informal meeting of Ministers responsible for spatial planning and
territorial development on 19 May 2011**

Ministers welcome the ongoing process to define the ESPON activities and improve the continuation of ESPON post-2013. Without pre-empting the decision on the financial framework and the Structural Funds Regulation they acknowledge the progress made on the key principles behind current work. These principles are:

- ESPON continuing as a European Territorial Cooperation Programme;
- Keeping the Members States and Partner States through the Monitoring Committee, in cooperation with the European Commission, in the deciding position;
- Upgrading the external feedback, combining policy advice and scientific quality assurance;
- Ensuring stronger emphasis on the use of ESPON results from applied research and targeted analyses in policy development, supported by the delivery of analytical responses;
- Providing for an enhancement of the internal scientific and communication capacity of ESPON in order to process scientific results more effectively towards policy makers;
- Reducing administrative burdens for participating countries and project groups including the changing to a service contract logic.

Ministers encourage Luxembourg, in close cooperation with the European Commission, all ESPON participating countries and the EU institutions, to continue the efforts concerning the future of ESPON in line with the above mentioned principles and to present a proposal for ESPON post 2013 during the Polish EU Presidency.





Territorial Agenda of the European Union 2020

Towards an Inclusive, Smart and Sustainable Europe of Diverse
Regions

agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial
Planning and Territorial Development
on 19th May 2011 Gödöllő, Hungary

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TERRITORIAL AGENDA OF THE EUROPEAN UNION 2020

I.

Territorial cohesion is a common goal

For a more harmonious and balanced state of Europe

(1) We, the Ministers responsible for spatial planning and territorial development, in cooperation with the European Commission and with the endorsement of the Committee of the Regions, have reviewed the Territorial Agenda launched in 2007 and agree upon the new Territorial Agenda of the European Union 2020 (TA2020).

(2) TA2020 takes into consideration the recent developments described in the updated Territorial State and Perspectives of the European Union, on the Commission's Fifth Report on Economic, Social and Territorial cohesion and on the Europe 2020 Strategy.

(3) We state that the TA2020 is our action oriented policy framework to support territorial cohesion in Europe as a new goal of the European Union (EU) introduced by the Treaty of Lisbon (Art 3.TEU). It outlines objectives in accordance with the time horizon of major policy documents until 2020.

(4) The objective of the TA2020 is to provide strategic orientations for territorial development, fostering integration of territorial dimension within different policies at all governance levels and to ensure implementation of the Europe 2020 Strategy according to territorial cohesion principles.

(5) We believe that the objectives of the EU defined in the Europe 2020 Strategy for smart, sustainable and inclusive growth can only be achieved if the territorial dimension of the strategy is taken into account, as the development opportunities of the different regions vary.

(6) We welcome the proposal of the European Commission expressed in the Fifth Report on Economic, Social and Territorial Cohesion to better integrate territorial cohesion into Cohesion Policy. Cohesion Policy is a key framework through which the EU can address territorial development challenges and helps unleash territorial potential at local, regional, national and transnational levels. The TA2020 does not pre-empt future agreements such as the next financial perspective and the next legislative package for Structural Funds, but emphasises the importance of considering the territorial dimension.

(7) In line with the Treaty on the Functioning of the European Union (Art. 174 and 175), all policies and actions of the Union should contribute to economic, social and territorial cohesion. Therefore those responsible for design and implementation of sectoral policies should take the principles and objectives of the Territorial Agenda into consideration. The coherence of EU and national policies is of utmost importance for territorial cohesion. Most policies have significant territorial impacts, influencing the development opportunities of territories in different ways. The co-ordination of different sectoral policies, to optimise territorial impact and maximise coherence can significantly increase their success, and help avoid, at all territorial levels, negative effects from conflicting policies. The optimal balance of sustainability, competitiveness, and social cohesion can be realised through integrated territorial development.

(8) We believe that territorial cohesion is a set of principles for harmonious, balanced, efficient, sustainable territorial development. It enables equal opportunities for citizens and enterprises, wherever they are located, to make the most of their territorial potentials. Territorial cohesion reinforces the principle of solidarity to promote convergence between the economies of better-off territories and those whose development is lagging behind.

(9) Territorial cohesion complements solidarity mechanisms with a qualitative approach and clarifies that development opportunities are best tailored to the specificities of an area. Regions might need external support to find their own paths of sustainable development, with particular attention paid to those regions lagging behind. Regional interdependencies are increasingly important, which calls for continued networking, cooperation and integration between various regions of the EU at all relevant territorial levels.

(10) We call states, regions, cities (incl. small and medium sized towns), other territories and sectoral policies at all relevant levels to contribute to common European territorial priorities. We shall facilitate their ability to respond more effectively to the key challenges Europe faces through closer cooperation. We believe that such cooperation is key to fostering smart, inclusive and sustainable growth and territorial cohesion in the EU.

(11) We consider that the place-based approach to policy making contributes to territorial cohesion. Based on the principles of horizontal coordination, evidence-informed policy making and integrated functional area development, it implements the subsidiarity principle through a multilevel governance approach. It aims to unleash territorial potential through development strategies based on local and regional knowledge of needs, and building on the specific assets and factors which contribute to the competitiveness of places. Places can utilize their territorial capital to realise optimal solutions for long-term development, and contribute in this way to the achievement of the Europe 2020 Strategy objectives.

(12) We believe that diversity of territories is a potential for development, and that the distinctive identities of local and regional communities are of key relevance in this regard. Territories with common potentials or challenges can collaborate in finding common solutions and utilise their territorial potential by sharing experience. Territories with complementary potentials, often neighbouring, can join forces and explore their comparative advantages together creating additional development potential.

(13) We are convinced that inclusive, sustainable and efficient use of Europe's territory and resources is a key element of cohesion. The better use of territory can contribute positively to the development of economies; fair access to services of general interest; infrastructure and public goods; and wise management of natural and cultural assets.

II.

Challenges and potentials for territorial development

Driving forces and their territorial aspects

(14) Based on the main conclusions of the updated Territorial State and Perspective of the European Union we draw attention to the main territorial challenges. We are convinced that a coordinated approach is needed to transform these into potentials for sustainable and harmonious territorial development.

Increased exposure to globalisation: structural changes after the global economic crisis

(15) Accelerating globalisation and growing vulnerability to external shocks have been experienced by local and regional communities. In some cases even the prosperity, sustainability and stability of cities and regions have been threatened. The effects have been even more visible during the recent financial and economic crisis. As the long-term effects of the crisis on development opportunities vary territorially, the timing of recovery and the range of possible policy responses differ across regions. The crisis, however, provides an opportunity for a transition towards more sustainable and resource efficient economic structures if appropriate actions are taken

(16) Globalization can bring about important territorial consequences at EU, national, regional and local levels. Metropolitan and other urban regions, international and global gateways are assets for the development of the whole European territory, provided that other regions benefit from their dynamism and are connected through networks. Local endowments and territorial characteristics have growing importance for regions in order to cope with and recover from external shocks.

Challenges of EU integration and the growing interdependences of regions

(17) Deepening and widening of EU integration is challenged by internal factors such as regions divided by administrative borders, and differences in fiscal discipline and commitment between Member States. Changes in one part of Europe can have effects in other parts of the continent due to the growing interdependences of regions. The challenge of the core-periphery division is still present, even on the national scale. Cohesion at the external borders is crucial, as disparities and differences in legal, social and

political systems have important consequences especially in terms of migration and trade. The growing interdependence of regions generates demand for better connectivity at global, European and national level. Integration barriers at local and regional level can result in the underutilization of human, cultural, economic and ecological resources of the border regions and increase their peripheral position and social exclusion.

Territorially diverse demographic and social challenges, segregation of vulnerable groups

(18) Europe faces increasing and territorially differentiated demographic challenges. Ageing and depopulation will bring about changes in many regions, including rural and peripheral regions and lead to severe impacts for social and territorial cohesion, public service provision, labour market and housing. Other regions have growing populations and face other pressures. Significant intra-European migration after the EU enlargement and immigration mainly from less developed non-EU countries constitute specific challenges and opportunities especially in urban areas.

(19) Exclusion from the socio-economic circuit definitely has a strong territorial character. The risk of exclusion is higher in areas with low accessibility, weak economic performance, lack of social opportunities or other particular territorial circumstances. Vulnerable groups and ethnic minorities often end up concentrated in certain urban and rural areas and their integration is hindered as a result. Where these territories are part of larger administrative units the problem can be hidden within official statistics.

Climate change and environmental risks: geographically diverse impacts

(20) The impacts of climate change vary considerably across Europe in terms of geographical regions with different types of impacts and different degrees of vulnerability. The increased risk of sea level rise, drought, desertification, floods and other natural hazards calls for territorially different responses. Regions have different opportunities to embed adaptation and mitigation into their strategies, decreasing greenhouse gas emissions and adjusting their socioeconomic systems to a low carbon economy. Climate change may also lead to new development opportunities, such as within agriculture, green economy and renewable energy production. The challenges of climate change draw attention to the territorial coordination of policies, especially climate, energy, water management, agriculture, housing, tourism and transport.

(21) The environmental quality of air, soil and water is diverse across Europe and air pollution and noise cause serious health problems. In certain cases it correlates with social inequality. Disparities in the access to clean air, water and soil do not only appear between countries and regions but also between urban and rural areas as well as inside cities.

Energy challenges come to the fore and threaten regional competitiveness

(22) Certain European regions face challenges of security in energy supply, as they are heavily dependent on fossil fuel imports or specialized in energy intensive activities. Significant imports from third countries vulnerable to economic or political instability increase problems for energy security. Rising energy prices and emissions draw attention to the need for sustainable energy solutions such as realising the potential of renewable energy resources and shifting towards greener, low carbon economic activities. Insufficient energy infrastructure and dependencies created by existing networks call for diversification of energy production and supply, as well as development of energy market and integration. Some territories such as islands and remote and sparsely populated areas can be more susceptible to energy shortages and rising prices, while urban sprawl contributes to high, unsustainable energy consumption rates.

Loss of biodiversity, vulnerable natural, landscape and cultural heritage

(23) Natural and cultural heritage are parts of territorial capital and identity. Ecological values, environmental quality and cultural assets are crucial to well-being and to economic prospects and offer unique development opportunities. Overexploitation of these resources to provide for increasing demand, as well as industrial hazards can cause serious damage and may threaten territorial development. Urbanisation, intensification of agriculture and fisheries, transport and other types of infrastructure development, particularly where they take place in a territorially uncoordinated manner, can cause severe environmental problems. Increased and uncoordinated exploitation of maritime space

and marine resources may have consequences for sustainable territorial development. Changes in land- and sea use, urbanisation and mass tourism threaten cultural assets and landscapes and may lead to fragmentation of natural habitats and ecological corridors. In historic and cultural environments, as well as in areas for new development or constructions, attention paid to the character of the place can improve the coherence and quality of the built environment.

III.

Territorial Priorities for the Development of the European Union

(24) We believe that the challenges for territorial development need common attention and where appropriate joint efforts to handle them and utilise territorial potentials. We therefore define six territorial priorities for the EU which can contribute to the successful implementation of the Europe 2020 Strategy.

1. Promote polycentric and balanced territorial development

(25) We stress that polycentric and balanced territorial development of the EU is key element of achieving territorial cohesion. Where the most developed cities and regions within Europe cooperate as parts of a polycentric pattern they add value and act as centres contributing to the development of their wider regions. Urban development policies also have a significant role in this regard. Polycentric territorial development policy should foster the territorial competitiveness of the EU territory also outside the core 'Pentagon area'. We encourage cities to form networks in an innovative manner, which may allow them to improve their performance in European and global competition and promote economic prosperity towards sustainable development.

(26) At the same time we aim at polycentric development at the macro-regional, cross-border and also on national and regional level in relevant cases. Where possible, it is important to avoid polarization between capitals, metropolitan areas and medium sized towns on the national scale. Small and medium-sized towns can play a crucial role at regional level. Policy efforts should contribute to reducing the strong territorial polarisation of economic performance, avoiding large regional disparities in the European territory by addressing bottlenecks to growth in line with Europe 2020 Strategy.

2. Encouraging integrated development in cities, rural and specific regions

(27) We declare that the objectives and concerns identified by Ministers responsible for urban development in the Leipzig Charter on Sustainable European Cities, and the Marseille and the Toledo Declarations on Urban Development should be taken into account in territorial policy making at all levels. We support all the efforts, which help to make cities motors of smart, sustainable and inclusive development and attractive places to live, work, visit and invest in. Accordingly, we recommend applying an integrated and multilevel approach in urban development and regeneration policies. The cooperation and networking of cities could contribute to smart development of city regions at varying scales in the long run. Cities should, where appropriate look beyond their administrative borders and focus on functional regions, including their peri-urban neighbourhoods.

(28) The development of the wide variety of rural areas should take account of their unique characteristics. Rural, peripheral and sparsely populated territories may need to enhance their accessibility, foster entrepreneurship and build strong local capacities. Some rural areas tend to be vulnerable territories rich in cultural and natural values. We support the safeguarding and sustainable utilization of this territorial capital, the ecological functions and services it provides. Special attention may need to be paid to underdeveloped peripheral rural and sparsely populated areas where disadvantaged social groups often suffer from segregation. Territories facing severe depopulation should have long-term solutions to maintain their economic activity by enhancing job creation, attractive living conditions and public services for inhabitants and businesses. In rural areas where agriculture and forestry are still important forms of land use, modernisation of the primary sector through resource-efficient investments in new and alternative sectors and preservation of high quality arable land and ecological functions are essential.

(29) We acknowledge the diverse links that urban and rural territories throughout Europe can have with each other, ranging from peri-urban to peripheral rural regions. Urban-rural interdependence should be recognised through integrated governance and planning based on broad partnership. We welcome place-based strategies developed locally to address local conditions. In rural areas small and medium-sized towns play a crucial role; therefore it is important to improve the accessibility of urban centres from related rural territories to ensure the necessary availability of job opportunities and services of general interest. Metropolitan regions should also be aware that they have responsibility for the development of their wider surroundings.

(30) We recall that specific geographical endowments have significant influence on the development opportunities of many regions and Member States. This is also recognised by the Treaty on the Functioning of the European Union (Art. 174). Coastal zones, islands, including island states, mountainous areas, plains, river valleys and lake basins and other types of territories have special – often cross border– features, or suffer from severe and permanent natural or demographic handicaps such as low population density, which influence their development potentials. Outermost regions (Art. 349) have specific and permanent constraints, notably due to the distance from the mainland, and a specific international context. These specific potentials can be unleashed and problems tackled jointly by actors from different states or regions in an integrated way.

3. Territorial integration in cross-border and transnational functional regions

(31) We consider that the integration of territories through territorial cooperation can be an important factor in fostering global competitiveness. In this way, potentials such as valuable natural, landscape and cultural heritage, city networks and labour markets divided by borders can be better utilized. Attention shall be paid to areas along external borders of the EU in this regard. Territorial integration and cooperation can create a critical mass for development, diminishing economic, social and ecological fragmentation, building mutual trust and social capital. Cross border and transnational functional regions may require proper policy coordination between different countries.

(32) We support transnational and cross border integration of regions going beyond cooperation projects and focusing on developments and results of real cross-border or transnational relevance. European Territorial Cooperation should be better embedded within national, regional and local development strategies.

4. Ensuring global competitiveness of the regions based on strong local economies

(33) We recall that economic competitiveness can be enhanced by the development of globally integrated economic sectors and strong local economies. The use of social capital, territorial assets, and the development of innovation and smart specialisation strategies in a place-based approach can play a key role. The global and local strands are mutually reinforcing and interlinked, and should therefore be developed in parallel to each other. Strengthening research, human capital, the capacity for innovation and bringing ideas to the market are essential.

(34) Furthermore, integration of local endowments, characteristics and traditions into the global economy is important in strengthening local responses and reducing vulnerability to external forces. Improving local economies through development of local products and markets, business environments, locally-oriented training provision, partial self-sufficiency and building up cohesive and strong local communities can be effective tools. It is important to preserve and improve the innovation capacity of all regions. Diversification of the local economy can decrease vulnerability.

5. Improving territorial connectivity for individuals, communities and enterprises

(35) We believe that fair and affordable accessibility to services of general interest, information, knowledge and mobility are essential for territorial cohesion. Providing services and minimising infrastructure barriers can improve competitiveness, and the sustainable and harmonious territorial development of the European Union. Among others it is important to secure access to road, rail, water-based and air transport, and to other infrastructure facilities such as broadband and trans-European

energy networks. We support decentralized, efficient, secure and environmentally-friendly production and use of renewable and low carbon energy.

(36) We support effective inter-modal transport solutions especially within city-regions; sea-overland connections and efficient airport-railway relationships. The increasing importance of global linkages creates the need for balanced intercontinental traffic including greater use of overland connections with Asia. Further development of Trans-European networks (TEN-T) linking the main European centres, such as capitals, metropolitan regions and TEN-nodes and improving linkages between primary and secondary systems should be an essential component of the integrated network. Development of secondary networks is important, especially at regional and local level. We encourage the accessibility of urban centres in peripheries where a combination of social and economic disadvantages can result in the segregation of vulnerable groups. Transport connections across territorial barriers such as those to islands and overseas territories should be developed where appropriate.

6. Managing and connecting ecological, landscape and cultural values of regions

(37) We underline that well-functioning ecological systems and the protection and enhancement of cultural and natural heritage are important conditions for long-term sustainable development. We are all responsible for ensuring they are well functioning, protected and enhanced. Joint risk management is particularly important, taking into consideration different geographical specificities. We support the integration of ecological systems and areas protected for their natural values into green infrastructure networks at all levels.

(38) The high value of European urban and rural landscapes should be protected and developed in qualitative terms. Areas rich in natural and cultural landscapes may need special attention in order to make best use of these assets. Environmentally friendly job creation and strengthened recreational functions can complement conservation. The local, regional and trans-regional management of cultural and natural heritage is of key importance. We support the protection, rehabilitation and utilization of heritage through a place-based approach. Improving regional and local identity by strengthening awareness and responsibility of local and regional communities towards their environments, landscapes, cultures and other unique values is also important.

IV.

Making EU territorial cohesion a reality

The governance and implementation mechanisms

(39) We consider that the Lisbon Treaty has important implications for the future of territorial development policy in Europe. Member States and EU institutions have shared competence in contributing to territorial cohesion and therefore a shared role in the implementation of the TA2020.

(40) We are aware that enhancing territorial cohesion calls for effective coordination of different policies, actors and planning mechanisms, and the creation and sharing of territorial knowledge. Implementation instruments and competences are in the hands of EU institutions, Member States, regional and local authorities and private actors. Multi-level governance formats are required to manage different functional territories and to ensure balanced and coordinated contribution of local, regional, national and European actors in compliance with the principle of subsidiarity. This needs vertical and horizontal coordination between decision-making bodies at different levels and sector-related policies to secure consistency and synergy.

Territorial coordination of policies

(41) We are convinced that recognizing the territorial dimension and the coordination of EU and national sectoral policies are important principles in fostering territorial cohesion. Most policies at each territorial level can be made significantly more efficient and can achieve synergies with other policies if they take the territorial dimension and territorial impacts into account.

(42) Taking territorial impacts into account during policy development can help to avoid creating barriers to implementation and unintended side-effects on other policy areas and on the territories. Policies should

take territorial differences into account, with interventions tailored to the specific type of territory and the use of territorial approaches in planning. This will improve the utilisation of territorial capital.

(43) Efficient interplay of sectoral policies can be supported by their coordination at each territorial level. Territorial coordination should be supported by instruments such as assessment of territorial impacts, coordinating planning mechanisms and territorially sensitive monitoring. We emphasize that EU policies can contribute to the implementation of the territorial priorities of the EU to different extents and in different ways as demonstrated with examples in the updated Territorial State and Perspectives.

Territorial cohesion implementation mechanisms

(44) We call for a more strategic approach to enhance territorial cohesion. Designing and implementing integrated local, regional development is an important issue. The territorial dimension could be better reflected and the different starting positions, national, regional and local specificities should be recognised in the implementation and monitoring process of the Europe 2020 Strategy.

(45) We believe that Cohesion Policy and also Rural Development Policy with their integrating character and certain cross-sector nature are key instruments for encouraging the balanced territorial development of the European Union.

(46) We support deepening the territorial dimension of Cohesion Policy where appropriate: strengthening mechanisms which can ensure the territorial coordination of its interventions; improving the territorial dimension of all steps of strategic programming, evaluation and monitoring activities; ensuring scope for integrated place-based programmes and projects, and integrating different funds in regional strategies.

(47) We encourage the adjustment of strategies and programmes to adequately reflect the specificities of the diverse territories. Future strategic policy documents and programmes should integrate territorial considerations taking into account the priorities of the TA2020. We support the development of experimental approaches to integrated local development in diverse territorial contexts. Where appropriate regional and local actors should be involved in the programming process.

1. Strengthening territorial cohesion at EU level

(48) We ask the EU institutions, when they participate in the design and implementation of EU policies, to take into account the principles of the TA2020 and to share them with their stakeholders and networks.

(49) We stress that improved monitoring and evaluation at EU level of territorial development and the performance of territorial cohesion efforts should be developed while ensuring that the administrative burden on Member States should not increase. The existing assessment, monitoring and evaluation practices and requirements of the EU, including those for Structural and Cohesion Funds and implementation of the Europe 2020 Strategy, should incorporate relevant territorial considerations.

(50) Integrated impact assessments for all significant EU policies and programmes should continue to be developed based on stakeholder inputs. In order to strengthen the territorial dimension of impact assessment carried out by the European Commission prior to any legislative initiative, we call upon the European Commission to take territorial matters into account in these impact assessments, and we ask the Committee of the Regions to provide input from regional and local authorities.

(51) We stress that a strong methodological support and a comprehensive territorial knowledge base are required to inform EU level policy-making process. A range of bodies can deliver valuable contributions in this respect. We suggest that the ESPON programme should take into account the priorities and challenges of TA2020 in its research activity. In addition, the stronger focus on territorial cohesion and the wish to contribute to the Europe 2020 Strategy will require further knowledge and methodological support to stakeholders. The current status, role and outputs of the ESPON Programme should be adapted to the future period in agreement with the European Commission to better serve European policy-making related to territorial development and cohesion.

2. Contributing to territorial cohesion at cross-border, transnational, and inter-regional level

(52) We recognise that actions at the cross-border, transnational and inter-regional level have a pivotal role to play in the implementation of territorial priorities of the TA2020. European territorial cooperation

has revealed a considerable mobilisation of potential of those cities and regions involved. Nevertheless, there remains room for improvement, especially to ensure that operations contribute to genuine territorial integration by promoting the sustainable enlargement of markets for workers, consumers and SMEs, and more efficient access to private and public services. In this regard we emphasize the importance of flexible territorial programming, which allows co-operation activities with different territorial scope to be flexible enough to address regional specificities.

(53) We recommend that territorial cooperation initiatives should be geared towards the long term objectives of territorial cohesion building on the experience of former B strand of INTERREG Community Initiative and current transnational programmes. Integrated macro-regional strategies – as currently pioneered in the Baltic Sea and the Danube regions – could also contribute in this respect. Thus we recommend that this approach is further encouraged on the basis of evaluations of the results achieved by the European macro-regional strategies under implementation.

(54) We underline the specific added value of and support the European instruments promoting exchange of good practices as well as innovative projects and the transfer of knowledge between participating organisations, such as the networking and interregional programmes (INTERREG IVC, INTERACT, URBACT).

(55) Maritime activities are essential for territorial cohesion in Europe. Economic activities such as energy production and transport are increasing rapidly in European marine environments. There is a need to solve user conflicts and balance various interests by cooperation in maritime spatial planning. The Marine Strategy Framework Directive and EU Integrated Maritime Policy calls for coordinated actions from Member States on maritime spatial planning. Such planning should be integrated into the existing planning systems to enable harmonious and sustainable development of a land-sea continuum.

(56) Building on recent experiences, where appropriate full advantage should be taken of the new opportunities offered by the legal instrument of European Grouping for Territorial Cooperation (EGTC). Furthermore, voluntary coordination of planning activities along borders within the framework of an EGTC should be explored where it is perceived as an added value.

(57) We welcome all initiatives coming from public authorities at diverse levels, contributing to develop long term territorial strategies across borders, and ask European Commission to provide its support where necessary.

3. Strengthening Member States' contribution to territorial cohesion

(58) We recall that in the national context the main task of national, regional and local authorities is to define the tailored concepts, goals and tools for enhancing territorial development based on the subsidiarity principle and the place-based approach in line with the EU level approach and actions. It is up to the authorities in Member States to determine their own strategies and the relevant measures they intend to apply, which will depend on their own geographical specificities, political culture, legal and administrative system.

(59) We encourage Member States to integrate the principles of territorial cohesion into their own national sectoral and integrated development policies and spatial planning mechanisms. Authorities responsible for territorial development policy at national, regional and local levels should contribute through their own action plans to strengthening territorial cohesion as appropriate.

(60) Consideration of territorial impacts and the territorial coordination of policies are particularly important at national and regional levels. This coordination should be supported by territorially sensitive evaluation and monitoring practices, further strengthening the contribution of territorial analysis to impact assessments. These territorial aspects could be integrated into regular national and European reports and evaluations related to Cohesion Policy and Europe 2020 Strategy, avoiding unnecessary bureaucracy.

(61) We encourage regions and cities to develop and adopt integrated strategies and spatial plans as appropriate to increase the efficiency of all interventions in the given territory. Besides coordination and planning mechanisms, awareness raising and provision of territorial information and methodological

support is essential in this respect. We welcome the elaboration of the European Reference Framework for Sustainable Cities as an open and flexible tool to help the cities to set up a more sustainable and inclusive development.

(62) We encourage Member States to strengthen the provision of regional and urban data relevant for territorial development and cohesion that can be delivered to the European Commission and be processed into European datasets with methodologically sound and comparable information. We encourage the European Commission to strengthen the production of European regional and urban data of relevance for territorial development and cohesion. This would improve the work of national and European Institutions.

Guidelines for future actions

(63) We consider the following actions to be important and request them to be implemented in the near future in order to incorporate territorial priorities of the TA2020 in political debates and decision making processes at the EU level and in Member States.

(64) We ask the coming presidencies and the EU Institutions to support the implementation of the TA2020 with adequate tools and actions. For this purpose, regular meetings should be organised with representatives of these institutions.

(65) We ask future EU Presidencies to continue the coordination of the Network of Territorial Cohesion Contact Points (NTCCP) which plays an important role in strengthening cooperation among Member States in the field of territorial cohesion. It should also increase cooperation with European institutions as well as with other stakeholders including intergovernmental organisations.

(66) We believe that for the effective implementation of the TA2020 we need a framework for concrete actions and expected tangible results. We request upcoming presidencies in close cooperation with the European Commission to identify the method and actions needed to implement the TA2020, building on the assessment from the Swedish Presidency.

(67) We commit ourselves to disseminate and promote the TA2020 in our states amongst the relevant stakeholders. We ask the Polish Presidency and European Commission to support European-level communication of the document. The coming presidencies should elaborate and coordinate a communication strategy for the successful implementation of the TA2020.

(68) We support sharing best practices and developing common methodologies to foster territorial cohesion. We welcome the Territorial Agenda Annual Conferences, initiated by the Belgian Presidency, and ask the coming Presidencies to organise the conference regularly.

(69) We ask the European Commission to present an overview of the available and missing territorial indicators and formulate recommendations for improvements, particular in light of the issues related to territorial cohesion.

(70) We agree to improve the monitoring of territorial trends, and ask the European Commission and the ESPON Programme, Member States and other institutions such as the European Environment Agency on the environmental aspects to contribute to this aim.

(71) We ask the Latvian (2015) and Luxembourgish (2015) Presidencies to evaluate and consider whether the TA2020 should be reviewed, taking account of how it works in practice. We ask that the Dutch (2016) and Slovak (2016) Presidencies lead any review as necessary.

