

WLGA Position on the Future of Cohesion Policy

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INTRODUCTION

The **Welsh Local Government Association (WLGA)** represents the 22 local authorities in Wales. The three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.

It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of its members and delivers a broad range of services that add value to Welsh Local Government and the communities it serves.

This paper has been put together in consultation with local government stakeholders across Wales and has been endorsed by the WLGA Spokesperson for Regeneration and Europe and Leader of the City and County of Swansea, Councillor Chris Holley.

Individual local authorities in Wales have also responded to this consultation separately, addressing and reinforcing specific concerns relating to their topography and economic circumstances. The WLGA works closely with all Welsh local authorities and fully endorses these responses.

KEY MESSAGES

- Cohesion Policy should be applicable to all regions across Europe, but with a continued focus on the poorest regions, and with a mechanism for fair transitional support to regions moving out of Convergence.
- Cohesion Policy is not merely an implementing tool for Europe 2020, but rather cohesion is a legally binding permanent objective of the EU Treaties. Continued focus on the core principles of cohesion policy will have the added value of sustaining the achievements of Europe 2020 even after the strategy has come to an end.
- Local and regional authorities must be given the flexibility to choose how funds can most effectively be applied on the ground, based on local circumstances and need. Therefore, the Commission should avoid ring-fencing funds or introducing too rigid definitions for the application of funds.
- Closer integration between funds, particularly between the Structural Funds and the Rural Development Programme will lead to more effective delivery of comprehensive regeneration of rural areas and will support the fundamental and undeniable links between urban and rural areas.
- As above, closer integration between funds is vital to streamline and to forge appropriate links between policies. Therefore, ESF should remain closely integrated in to cohesion policy.
- Managing Authorities must not be penalised for failure to meet conditions that are outside of their control. Conditions must not be imposed that are based on contracts agreed between Member States and the EU level without the involvement of the local and regional level.
- Full application of the Partnership Principle must be respected when negotiating the National Reform Programmes, the Common Strategic Framework, the Development and Investment Partnership Contract, and the Operational Programmes.
- Local development must become a holistic concept encompassing urban, rural and peri-urban development acting as a strategic framework within which other policies are implemented.
- Cohesion policy should not be bound by rigid, artificial administrative boundaries, but should rather take into consideration spatial areas and functional economic geographies.

Rational and objectives of Cohesion Policy

1. The WLGA welcomes the Fifth Cohesion Report's commitment to continue a comprehensive cohesion policy applicable to all regions. Cohesion policy is the manifest expression of European solidarity and thus a promoter of European citizenship and a key driver of economic and social development at local and regional level. In this way, cohesion policy is vital to the sustainable and harmonious development of a prosperous and socially responsible union. Therefore, we would strongly urge the Commission to defend the cohesion policy budget from drastic cuts that would render programmes ineffective and unworkable.
2. The WLGA strongly rejects any move to renationalise cohesion policy and associated funding, as so doing would damage the policy's added value of promoting solidarity and harmonious development across all regions of Europe.
3. We are encouraged to see recognition in the EU Budget Review of cohesion as a key policy to be supported by the future financial framework. Funds available under cohesion policy are able to support projects and activities that otherwise might not be possible, and through match funding requirements bring in public and private sector investment. The seven year programming period for EU funds also allows longer term strategic projects. For this reason, we would not want to see a programming period of anything less than seven years. However, we would be cautious of a ten year programming period with a substantial mid-term review, because we would want to avoid any additional burdens on managing authorities and projects, or disruptions to project delivery that a mid-term review might imply.

Contribution of Cohesion Policy to the Delivery of Europe 2020

4. The WLGA welcomes the more coordinated and strategic approach of aligning all policy to the Europe 2020 priorities and the recognition that cohesion policy can be a valuable tool for achieving these priorities.
5. However, we would strongly stress that cohesion policy is not merely an implementing tool for Europe 2020. While it is an important mechanism that will make a vital contribution to the success of the Strategy, cohesion is a legally binding permanent objective of the EU Treaties, and thus the principle aim of cohesion policy is to achieve territorial cohesion as enshrined in the Lisbon Treaty.

6. In the preparation of the future policy, we would encourage greater consideration of the long term sustainability of interventions in regions. For example, appropriate infrastructure will ensure that the positive outcomes of investments in a region can be sustained long after European support is no longer available to the region. Investments to achieve the Europe 2020 objectives, such as skills development, need to ensure that the newly trained workforce will continue to find appropriate employment in the region, rather than taking their new skills elsewhere in search of employment. Therefore, there is a need to attract investment and employers, which will only happen with supporting infrastructure.
7. Equally, one of the principle causes of social exclusion leading to poverty is isolation from certain basic infrastructure, such as transport, energy, and IT (including Broadband). The recently published proposal for a European Platform against Poverty and Social Exclusion as one of the flagship initiatives of the Europe 2020 Strategy identified cohesion policy and its funding streams as a key contributor to pulling 20 million people out of poverty by 2020. Therefore, infrastructure will continue to play a key role in achieving territorial cohesion across Europe and to ensuring sustainable investments towards Europe 2020.
8. The other important contribution of infrastructure, particularly transport infrastructure, is that of linking the potential workforce with the growth areas. This approach would link one EU funded region to another to create a functional economic area and one cohesive unit. In other words, it would break down the artificial boundary between Convergence and Competitiveness regions leading to a functional spatial approach to economic development, which we would support.
9. Cohesion Policy already does much to support the new objectives, and in the future it can continue to play a vital role both directly and indirectly with the added value of sustaining the achievements of Europe 2020 even after the strategy has come to an end.
10. The WLGA recognises that in light of reduced resources, it is necessary to target funding more effectively and to concentrate limited funds on a smaller number of priorities to avoid spreading resources too thinly. However, we are extremely concerned by the prospect of priorities being imposed top-down by the European Commission. A top-down approach would render local initiatives unworkable.

11. Local and regional authorities are the levels of government closest to the citizens who best know local specificities of the territory. Therefore, they are the best placed to take the lead on local and regional development through a bottom-up approach with the close integration of all relevant sectoral policies.
12. In order for both Cohesion Policy and Europe 2020 to be successful, local and regional authorities need the flexibility to choose how funds can most effectively be applied on the ground based on local circumstances and need.

EU Added Value and the Management, Monitoring, and Evaluation of Programmes

13. We welcome the proposal for a Common Strategic Framework at EU level covering the five principle funding streams with a territorial dimension (CF, ESF, ERDF, EAFRD, EFF) as an important and desired change for practitioners working with these funds. Common rules for these programmes would be a great step forward in recognition of the complex administrative and bureaucratic processes with which practitioners of these funds have to deal day-to-day on the ground.
14. This is a positive step forward, but we would like to see harmonisation of management rules across all the different EU funds to be made the rule, not just at strategic level, but also on the day-to-day management provisions. What is of vital importance is that this common approach is translated into an integrated approach on the ground in order to avoid false dichotomies. Ideally this should cover all EU funds.
15. In particular we would like to highlight the importance of greater integration between the cohesion and structural funds with the rural development programmes in order to more effectively deliver comprehensive regeneration of rural areas and to better forge the fundamental and undeniable links between rural and urban areas.
16. The WLGA finds the Fifth Cohesion Report's position on the ESF a little unclear. We would emphasise that as part of the need for greater coherence and coordination between funds, the ESF should remain closely integrated in cohesion policy with the ERDF and along with the other funds under the Common Strategic Framework.
17. We are alarmed by the suggestion that local and regional authorities may be held responsible for failings by Member States to meet macro-economic criteria or to properly abide by EU rules.

18. We support moves to promote economic, social and territorial cohesion in a more cohesive and integrated manner. However, we feel strongly that enforcing requirements on regional and local authorities that have been negotiated at EU and Member State level only would be unfair, short-sighted and unworkable. Top-down Europe 2020 objectives implemented via contracts agreed without the involvement of regional and local authorities would absolutely undermine the objectives of cohesion policy and would violate the subsidiarity principle.
19. Managing Authorities must not be penalised for failure to meet conditions that are outside of their control. The Structural Funds are a micro-economic tool aimed at addressing structural weaknesses at regional level. Therefore, they are not designed to nor should they be used to influence macro-economic policy at Member State level.
20. We would argue strongly that Member States engage in strategic dialogue with representatives from local and regional authorities in the preparation of the National Reform Programmes. Full application of the partnership principle must be applied when negotiating the National Reform Programmes, the Common Strategic Framework, the Development and Investment Partnership Contract, and of course the Operational Programmes.
21. Territorial Impact Assessments should be carried out as an ex-ante assessment of the impact of sectoral policies on territorial cohesion. This would ensure an integrated approach to policy development and delivery. We would stress that local and regional stakeholders must be involved in the Territorial Impact Assessment at the earliest stage.
22. The WLGA's main concern as regards the proposed performance reserve is that we would not want it to encourage a system that rewards the strong and punishes the weak, as this would be counter to the principle of solidarity. Perhaps it might be better to reward efforts rather than outcomes.
23. Individual regions should be encouraged to improve performance in a programme-specific way (especially at project level) and to use more qualitative methods for assessing performance through peer review, benchmarking, exchange of best practice, and evaluation.
24. We are concerned that proposals for differentiated co-financing rates could have unpredictable consequences and crucially might lead to funds not being a viable option

to some regions, in particular Competitiveness regions, due to strained domestic budgets preventing increased rates of national cofinancing.

25. The WLGA is conscious that the N+2 rule can be particularly burdensome for the first year of the programming period due to delays in getting started. Therefore, to defer N+2 so that N+2 only begins from the second year of the programming period would be a welcomed proposal.
26. In light of challenges faced as a result of reduced capital expenditure, the WLGA would in principle support the proposal to extend the scope and scale of financial engineering instruments. This could provide important opportunities for local government to find alternative ways of financing capital projects. However, we would be cautious in our support as we feel we are still as yet to see any real benefits to local government from the implementation of such mechanisms in Wales. We would call on the Commission to build on current experience of dealing with such instruments, and to closely involve local government in exploring the new opportunities.
27. We would welcome any commitment to provide greater clarity and differentiation between rules governing grant-based financing and rules governing repayable forms of assistance in the regulatory framework, especially on eligibility of expenditure and audits.

Governance

28. The WLGA is in strong support of the Fifth Cohesion Report's new focus on local development approaches. However, we would like to see this go further in order that local development becomes the strategic framework within which other policies are implemented. This would mean that local development would become a holistic concept encompassing urban, rural and peri-urban development, thus ensuring policy consistency across a given region.
29. We would call for the new regulations to contain detailed criteria obliging Member States to involve the local and regional level in all aspects of programme development from planning and decision-making to implementation and monitoring and evaluation, in a holistic and horizontal approach.

30. The new policy must also be flexible enough to facilitate links to existing local and regional economic development strategies, such as the Welsh Assembly Government's Economic Renewal Programme for Wales adopted in early 2010.
31. The WLGA recognises the reality of the current economic downturn and the strain on public finances, and therefore the need for more targeted intervention in the next programming period. We also recognise the specific issues faced by urban areas and the exacerbation of many of these issues as a result of massive job losses and public sector cuts brought about by the economic crisis. However, we do have reservations regarding the proposal for a specific urban focus in the next programmes.
32. Such a proposal to single out an area for special attention based on its fundamental state of being would only reinforce dichotomies, such as those between rural and urban areas, which we would like to see blurred to improve the effectiveness of EU funds on the ground. Urban areas should not be treated as though more important, but rather should be included as part of an overarching local development approach encompassing urban areas, but also urban-rural links, rural development, and areas with specifically identified socio-economic development concerns.
33. Equally, we would be concerned if the Commission were to impose too rigid a definition of an urban area. The Commission should not define an urban area, but rather should leave it to the region to decide. In Wales, we should be able to decide where our population centres lie and where the policy should be applied to achieve maximum added value.
34. In addition, we would not want to see any ring-fencing of funds for urban areas, as this should be determined regionally. If there is to be any earmarking, it should be for local development, including urban, but not for urban development specifically.
35. Sub-regional targeting could be a helpful means of addressing specific disparities within regions caused by geographic or demographic handicaps, such as sparsely populated rural areas that lie within NUTS 2 Competitiveness regions and which experience slower growth and greater deprivation than their more populated, urban counterparts. This would therefore require going below NUTS 2 level and working closely with local and regional authorities to identify and address these particular concerns. In this sense, we would welcome the proposals.

36. However, we would emphasise that a specific geographic or demographic feature should not be in itself a reason for increased support. In other words, the mere fact of being an island or mountainous region should not automatically qualify a region for special consideration, but rather each region should be assessed on need.
37. As in the case of the urban focus, we would strongly recommend that regions be given the flexibility to determine for themselves where the need for intervention is the greatest, whether that be deprived wards within a city area, rural communities lacking in certain basic service provision, or isolated island townships in need of an economic boost.
38. The WLGA very much welcomes mention in the Fifth Cohesion Report of functional geographies. The natural economic geography of a place does not depend on artificial administrative boundaries, thus it is necessary to consider the spatial scope of problems. So doing must be linked to existing local governance structures.
39. This will require a true strengthening of the partnership principle. The WLGA is pleased to see that this concept has been included in the Fifth Cohesion Report, as without a strong and effective partnership principle there is a risk that policies will lose their relevance and impact on the ground.

Architecture

40. Cohesion policy must continue to support local and regional authorities to foster development and to exploit the territorial potential of all EU territories. To that end, we are pleased to see that cohesion policy will continue to be structured around the three existing objectives of Convergence, Competitiveness and Territorial Cooperation, that it will continue to be based on the principle of solidarity, and that it will be aimed at achieving economic, social and territorial cohesion across all of the EU's territories, but with a particular focus on those that lag behind.
41. We also welcome the proposal to include a transition mechanism to support regions moving out of Convergence to avoid an abrupt fall in funding that could undo recent progress made in a region. We stress though that it is essential that EU policy ambitions match the budgetary resources available, so as not to spread resources too thinly, and thus risk diminishing the impact of the funds.

42. While we concede that a transition category to replace the current phasing-in and phasing-out mechanisms may be the fairest and most effective approach, we impress on the Commission the need to match ambition with resource. We would be concerned if funds were to be redirected from a shrinking Competitiveness pot, as this would neglect the realities of regional disparities and pockets of deprivation that exist within Competitiveness regions.
43. The WLGA would advocate that a new transitional category should be a time limited objective phasing into Competitiveness. Support should be gradually tapered depending on the GDP level of the region with an upper limit of 90% of EU average GDP.

Conclusion

44. The WLGA is pleased to have the opportunity to engage in the debate over the future of cohesion policy. We again emphasise the vital importance of engagement and consultation with all levels of government and a broad spectrum of stakeholders as this is a policy that is hugely influential to a large number of stakeholders at local and regional level, but also has enormous benefits to the development, progression, and therefore success of the European Union as a whole, and this must not be underestimated.
45. We now look forward to continuing the debate and to further engagement with the Commission and the other EU Institutions, starting with the 5th Cohesion Forum in Brussels on 31st January-1st February 2011 where we hope some of the points made in the position paper will be raised.
46. We also eagerly await the publication of the draft regulations in June 2011 and our opportunity to debate those proposals with the Commission and partners.

For further information please contact:

Katie Cavell, European Affairs Manager
katie.cavell@wlga-brussels.org.uk

Welsh Local Government Association
European Office
Wales House
Rond Point Schuman 11
1040 Brussels
Belgium

Tel: +32 (0)2 506 44 88