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EMERGING STRONGER FROM THE CRISIS: TERRITORIES AT THE HEART OF MEDIUM-TERM EUROPEAN POLICIES

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INTRODUCTION

THE ECONOMIC, POLITICAL AND INSTITUTIONAL CONTEXT

The launch of the Lisbon strategy in 2000 showed that national and European decision-makers had understood the need for European society to undergo rapid and far-reaching change in the context of greater economic globalisation. Neither the revamping of the strategy in 2005, which aimed to help it at last achieve the expected results, nor the use of a large part of European regional policy (which accounts for nearly 50% of the EU budget) after 2007 has made it possible to achieve the ambitious objective of “making Europe the most competitive economy in the world by 2010.” The 27 EU member states are now preparing to propose a new strategy for the Union, so it would be useful to draw some rapid conclusions about the good and bad experiences of the last ten years and to think about the future.

Nobody would nowadays dare to question the importance of the objectives of the Lisbon and Gothenburg strategies. However, it is commonly accepted that the weakness of their social and environmental strands and predominantly top-down, intergovernmental governance and delivery have limited their effectiveness and prevented them from being fully taken on board by all political, economic and social stakeholders. Nor should the time factor be underestimated: a new model cannot be introduced in a just few years, particularly in a bloc that, despite being broadly coherent, is nonetheless extremely varied. While the results fail to match up to initial expectations, there have nonetheless been some achievements. Time has done its work: policies are definitely still faltering, unwieldy and only partly effective, but their existence and increased number prove that the realisation that came to pass in 2000 has now spread in the minds of a large number of decision makers at all levels of public action. Most of them are now fully aware that coping with the rapid pace of change means knowing how to anticipate or instigate it, and that the promotion of innovation in the wide sense of the term (both technological and non-technological innovation, and support for individuals in the innovation process) by the public authorities is a vital prerequisite for development. In the same vein, the principle of the need to rapidly establish the conditions for a type of development that is more in tune with the possibilities offered by the planet is far more clearly understood and shared than ten years ago.

The financial, economic and social crisis has confirmed the topical nature of these concerns as it has hit Europe and its territories, by dramatically clearing out the weakest players. The early victims were primarily sectors and businesses that had failed to innovate and people who were unable to adapt rapidly to changes in the labour market. So the new contract being promoted by public authorities, which is based on the development of a clean model – the “green deal” or “low carbon society” – offers a real opportunity for recovery.

However, beyond this consensus, the conditions for a strong, ambitious political agreement on a medium-term European strategy are far from being met:

- The crisis has not helped to bind national leaders together in common purpose. This is reflected in the nature of the EU’s recovery plan, which brings national plans together side by side without pooling their efforts, as well as the fundamentally divergent economic and budgetary responses of certain member states;
- The delays caused to the ratification of the Lisbon Treaty following the Irish referendum of 2008 have led to the total cessation of discussions on the future of European policies. While debates formally continue, the European Commission is silent on the fundamental issues. The result of the second Irish referendum on the Lisbon Treaty, which will take place on 2 October 2009, may or may not put an end to this period of uncertainty;
- Aside from the institutional haze, there is also some political uncertainty related to the renewal of the European Commission. This is unlikely to be resolved before the end of the year;
- In view of the implementation of the European recovery plan, it would be reasonable to doubt the extent of European ambition that national governments will express in the context of dwindling public funds.

On top of this general uncertainty about the European project and its added value, there are also the urgent democratic warnings being sent out since 2005 as a result of the various referenda (France, Netherlands and Ireland). They have made it vital to put the European citizen at the heart of the system and to ensure that they are the ultimate beneficiaries, more visibly so than at present, of the European project and its underlying policies.

THE PURPOSE OF THIS PAPER

As early as the beginning of 2007, the CPMR undertook an initial overall analysis of the implications of global challenges for territories' development.¹ It drew on this analysis to make a first set of proposals on the future of European regional policy,² during the European Commission's consultation on the future of the European budget and regional policy in January 2008. These were then completed by some further proposals, in January 2009, on the political concept of territorial cohesion and its practical implementation within regional policy, as well as in the various European sectoral policies.³

This paper constitutes a new stage in this work. It specifically draws on the General Secretariat's spring 2009 survey of all CPMR member regions concerning the impact of the crisis at territorial level,⁴ and the results of a political workshop on the same subject in July 2009. It firstly sets out an up-dated analysis of the problems the crisis poses in terms of regional development and their highly varied impact on European regions. It then proposes that territories should be placed at the heart of a European political response to the crisis and sets out some proposals on the shape and governance of such a system.

¹ "The European Regions in the Single Global Market"

http://www.cpmr.org/pub/docs/143_the_challenges_facing_regional_policy_for_the_period_2014-2020.pdf

² "A Project for Post- 2013 Europe" http://www.cpmr.org/pub/docs/163_en_-_crpmntp080006.pdf

³ Response to the European Commission's Consultation on the Green Paper on Territorial Cohesion: "Turning Territorial Diversity into Strength", January 2009, http://www.cpmr.org/pub/docs/206_avis_crpm-livre_vert_cohesion_territoriale-en.pdf

⁴ "The impact of the crisis on EU Regions", on request from the CPMR General Secretariat

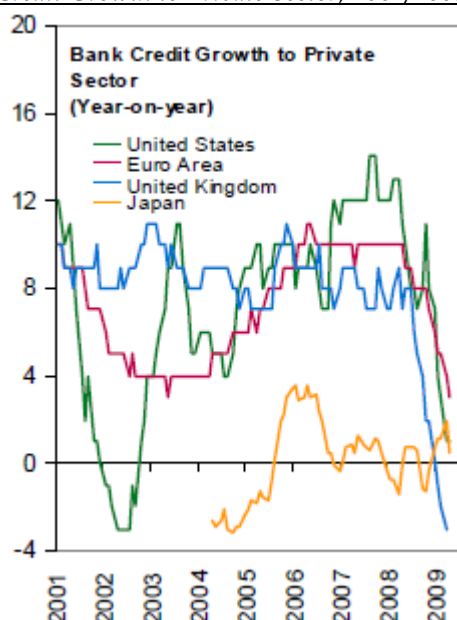
I - THE CRISIS IS SWEEPING AWAY THE FUNDAMENTAL PRINCIPLES OF ECONOMIC DEVELOPMENT ...

I.1 - ACCESS TO BANK CREDIT IS STILL LIMITED FOR BUSINESSES

In its Global Financial Stability Report last July, the International Monetary Fund (IMF), noted an improvement in the short-term financial outlook during the second quarter of 2009. Unprecedented intervention by central banks and governments had stabilised banks' financial situation and thus calmed the financial tensions.

However, global financial conditions are still difficult. The fact that bank finance for the private sector has more or less returned to normal via the market shows that companies are seeking alternatives to bank credit. Bank credit growth in the private sector continues to slow down in developed economies, and despite the exceptional measures taken to restore credit for final users, bank loans are still down, as the figure below demonstrates.

Fig.0: Bank Credit Growth to Private Sector, 2001/2009 (Source: IMF)



I.2 - THE FALL IN TRADE

In its third review on the trade policies of its members in July this year, the World Trade Organisation (WTO) revised its forecasts for world trade in 2009 downwards, and is now expecting it to shrink by 10%, as opposed to the 9% announced in March. This figure was already considered to be "unprecedented" since the Second World War. The volume of trade in industrialised countries should even fall by 14% (as opposed to 10% in the preceding forecast) and that of developing countries by 7% (as opposed to 2-3%).

The organisation believes that while the drying up of credit has significantly weakened the level of global trade, this situation can be explained by "protectionist backlashes" in the form of trade restriction measures and policies creating market distortions. The impact of the economic recovery plans of certain major global economies is also singled out for blame: aside from their effects (to avoid a sharp increase in unemployment, governments have tried to come to the aid of industries in difficulty), the WTO also believes that there is no guarantee that subsidies and other types of support for sectors in difficulty (such as the car industry or banking) will come to an end when the recovery begins.

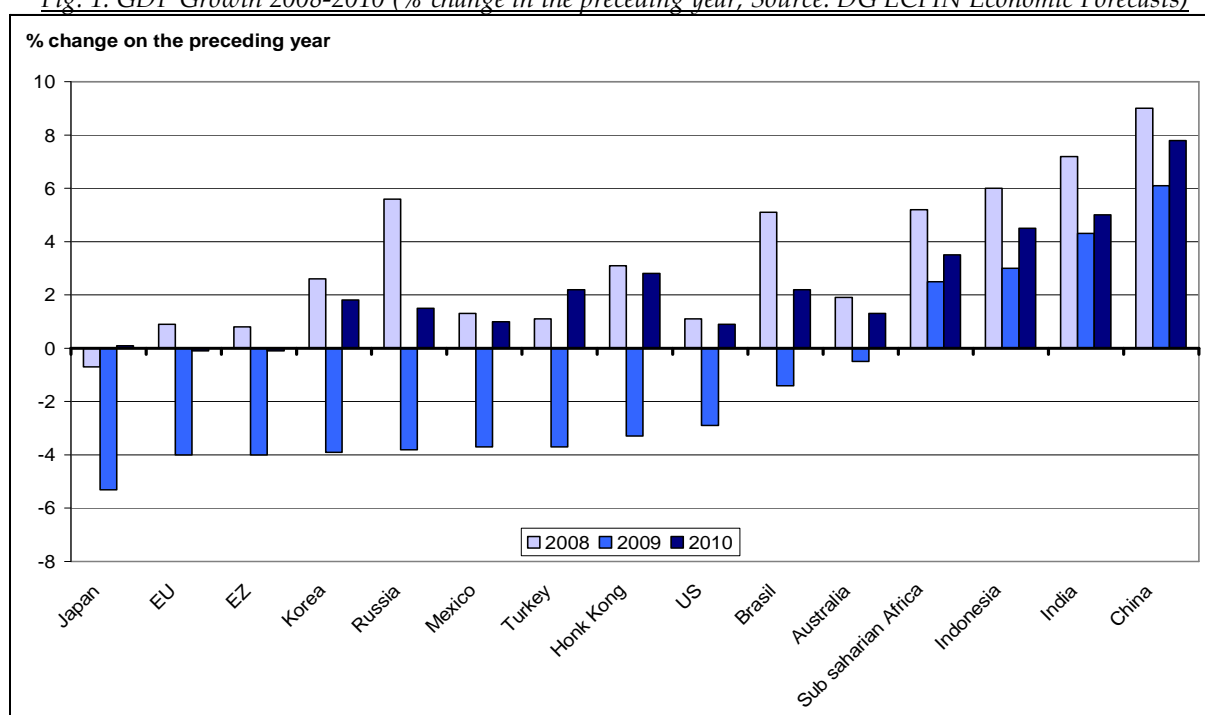
I.3 - DECREASING MIGRATION

The Organisation for Economic Cooperation and Development (OECD) says that the crisis, coupled with the toughening of migration policies, should also lead to a sharp decrease in the number of migrants entering OECD countries, the first time since the 1980s.⁵ This phenomenon has already been observed in Spain, Ireland and the United Kingdom, countries that are among those most affected by the recession. In the United Kingdom and Ireland, immigration from the new EU member states has fallen by over half. However, the challenges posed by demographic ageing in the long-term remain.

II - ... AND PUTTING EUROPE IN DIFFICULTY ON THE INTERNATIONAL STAGE ...

Economic forecasts published by the main international organisations confirm that the crisis should peak in 2009. While no part of the world has been spared, Figure 1 nevertheless shows that the crisis affects different continents very unequally. While the main economic powers in South-East Asia should see their growth resume in 2010 following a temporary slowdown in 2009, most developed economies and emerging powers are likely to emerge from their stage of recession rather slowly.

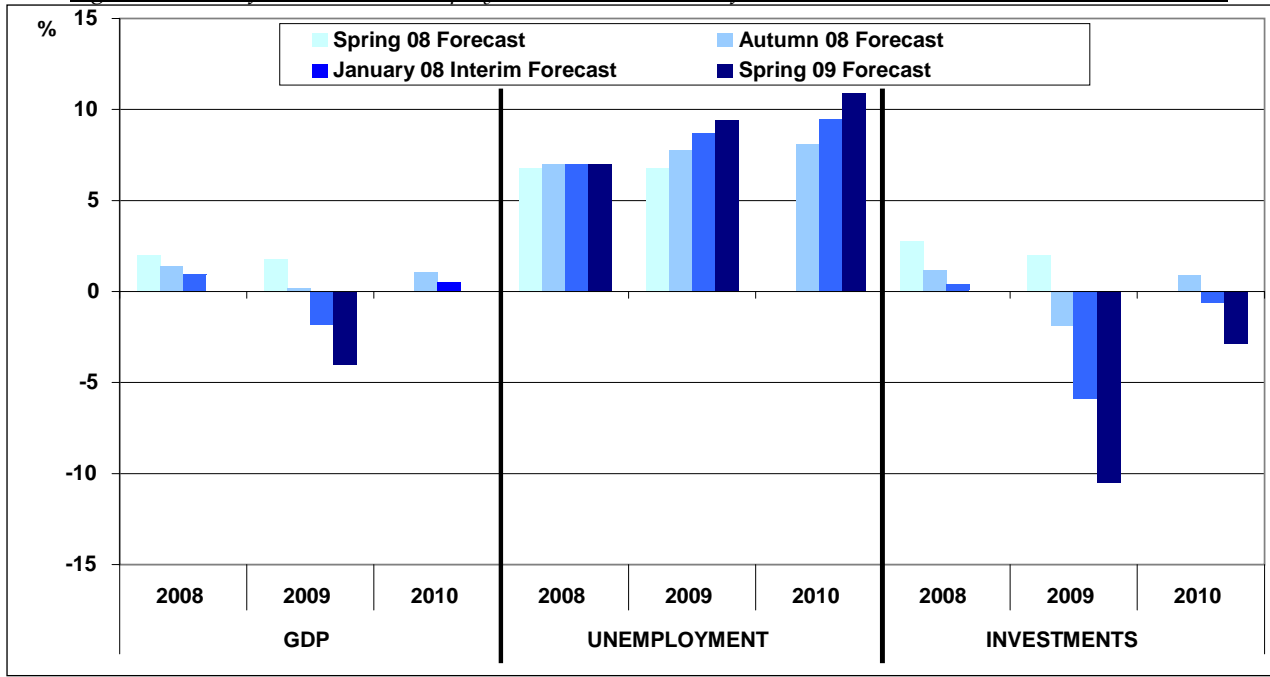
Fig. 1: GDP Growth 2008-2010 (% change in the preceding year, Source: DG ECFIN Economic Forecasts)



For the European Union in particular, the low level of growth rates foreseen at the end of 2009 even creates growing uncertainty about forecasts for 2010 on several indicators (growth, unemployment, investment). This uncertainty is making economic forecasts gradually worse, as Figure 2 demonstrates.

⁵ OECD, International Migration Outlook 2009, <http://www.oecd.org/dataoecd/5/20/43176823.pdf>

Fig. 2: Forecasts for Growth, Unemployment and Investment for the EU27, 2008-2010 (source:DG ECFIN)



However quickly the EU manages to move out of recession, the crisis will have diminished the role of the European economy on the world stage. Figure 3 shows that, further to strong convergence between European and American GDP between 2000 and 2008 (per capita GDP in the EU was 95% of that of the US in 2007), the crisis is likely to reverse this trend and GDP will return to its 2003 levels by 2014, while China “benefits” from the crisis by accelerating the pace at which it is closing the gap. As a consequence, the relative share of the European GDP in global GDP should significantly fall by 2014, as should that of the United States, with both being followed very closely by China (Figure 4).

Fig. 3: GDP per head PPS 2000-2014, US=100 (Source: IMF)

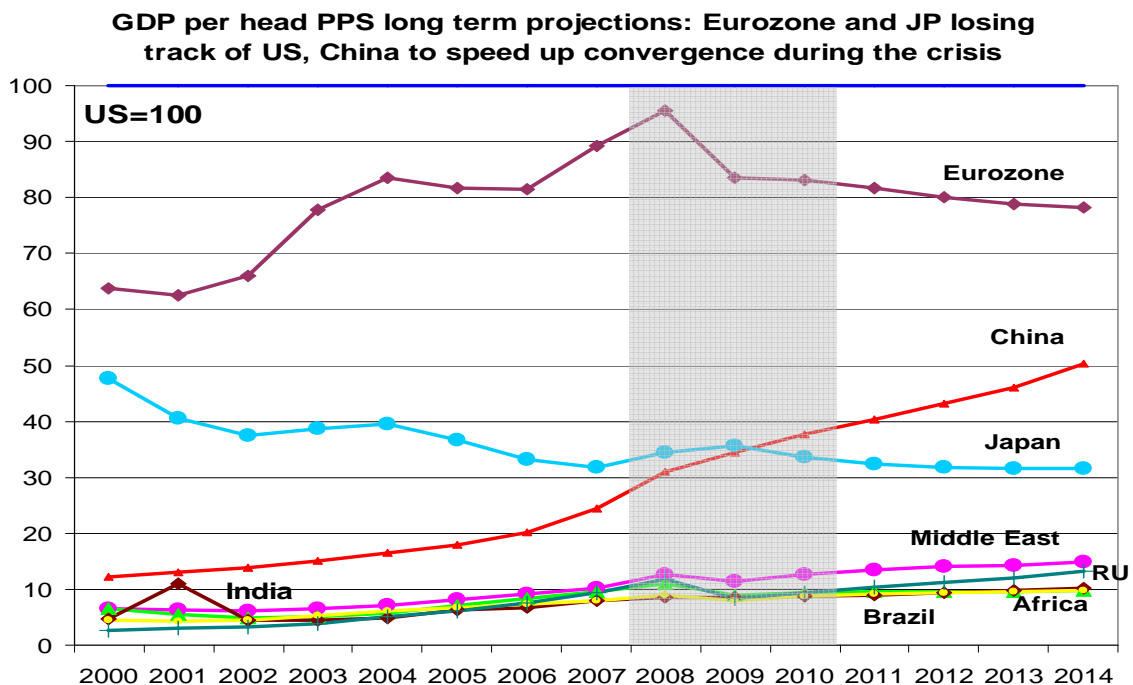
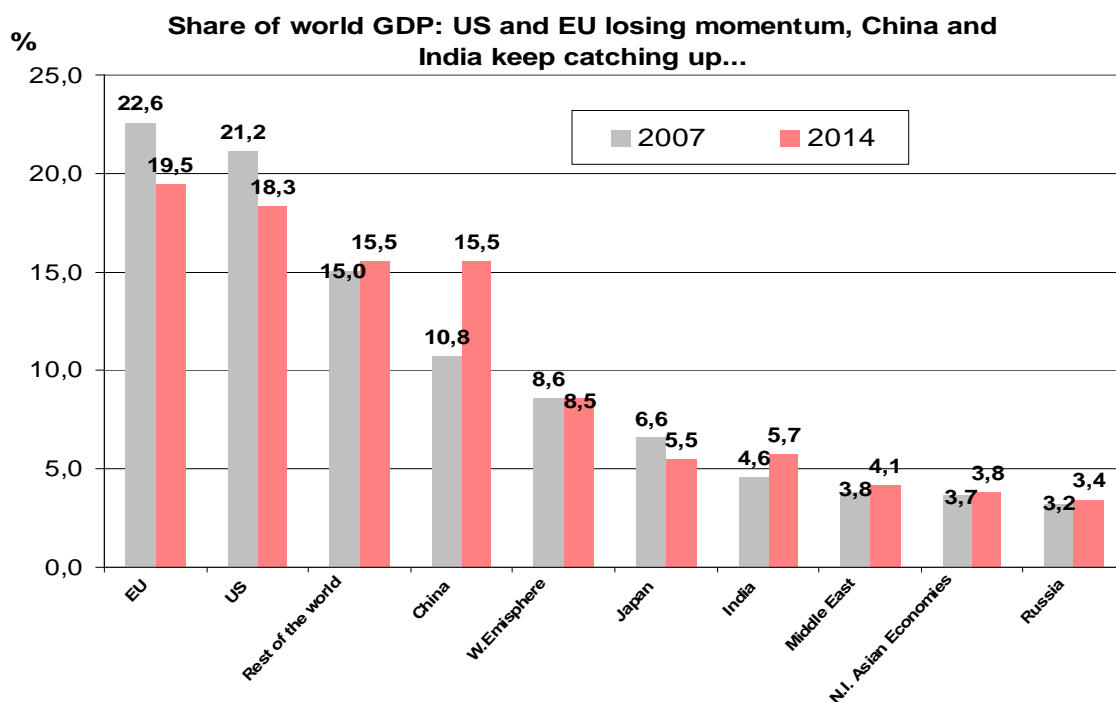


Fig 4: Share of World GDP: 2007/2014 Comparison



III - ... HOWEVER, EUROPEAN TERRITORIES ARE EXPERIENCING THIS SITUATION VERY DIFFERENTLY

The variety of national situations illustrated by figures 5 and 6 give an initial insight into the imbalanced nature of the impact of the crisis on EU countries. Looking more closely at the regional level, the analysis reveals differences that are just as wide; this was one of the main conclusions of CPMR survey of its 160 member regions in April 2009.

Fig. 5: GDP Growth 2009-2010, EU 27, candidate countries, EFTA, USA, Japan (Source: DG ECFIN)

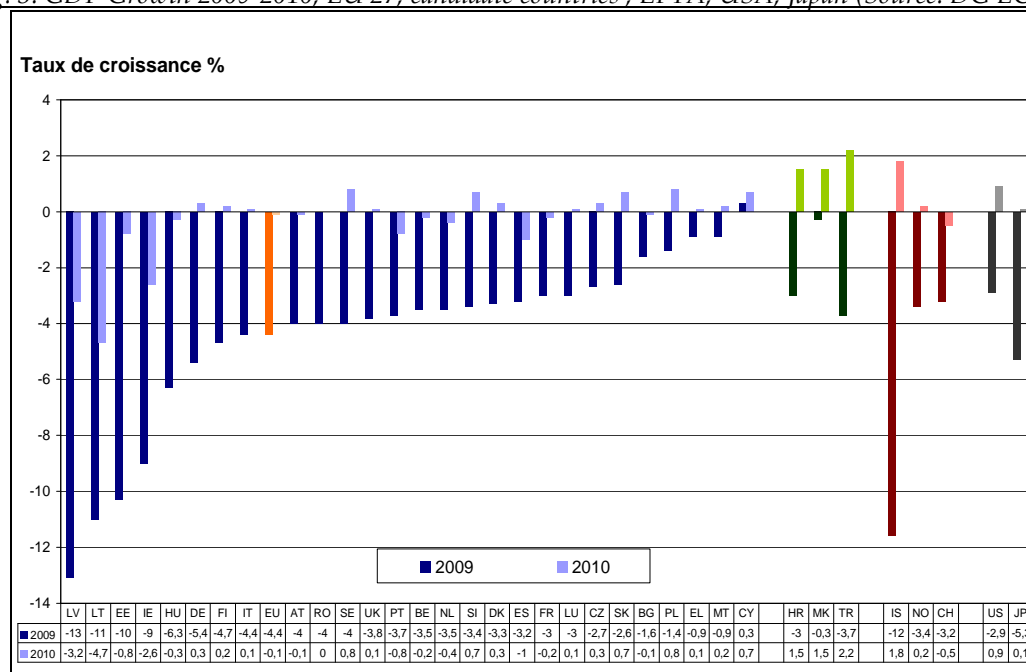
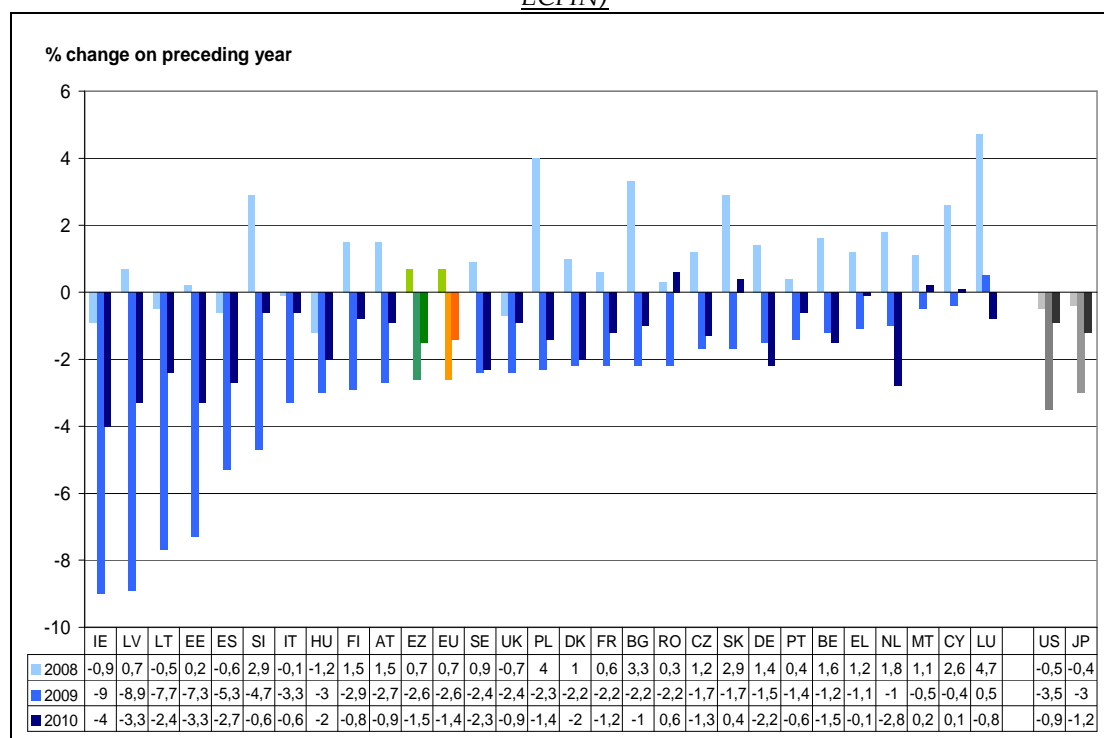


Fig. 6: Changes in Employment Rates, 2008-2010, EU 27, candidate countries, EFTA, USA, Japan (Source: DG ECFIN)



Just as at global level, very few regions have been spared by the crisis: only one of the regions that participated in the survey felt it had not been affected, while two others deemed they had not been affected but were expecting an impact in coming months. The 22 other regions believed they had been affected, for several of them even severely so.

However, all regions have been affected differently. Aside from the non-neutral influence of the regions' national contexts (stability of national public finances, dependency of the national economy on the banking and financial sector), the nature of their local industries and their presence across the region determine the nature and extent of the impact. While a great many factors are at play and their complex interaction makes it impossible to generalise, it is nevertheless possible to say that:

- Regions whose economies are heavily based on exports have been the first to be affected, either because exports are linked to economic sectors in difficulty, because the countries and regions to which they are exporting are in economic difficulty, or a combination of these two factors;
- Regions whose economies are concentrated in declining industries and certain sectors such as the car industry are also affected;
- Irrespective of the economic sector concerned, companies that have innovated in the years preceding the crisis seem to be less vulnerable to the crisis.

So, regions from the same country may be affected very differently, from the point of view of economic activity and its consequences on employment, as figures 7 and 8 show.

Figure 7: Change in Exports for the Italian Regions between the First Quarter of 2008 and First Quarter of 2009
(Source: Italian National Institute of Statistics)

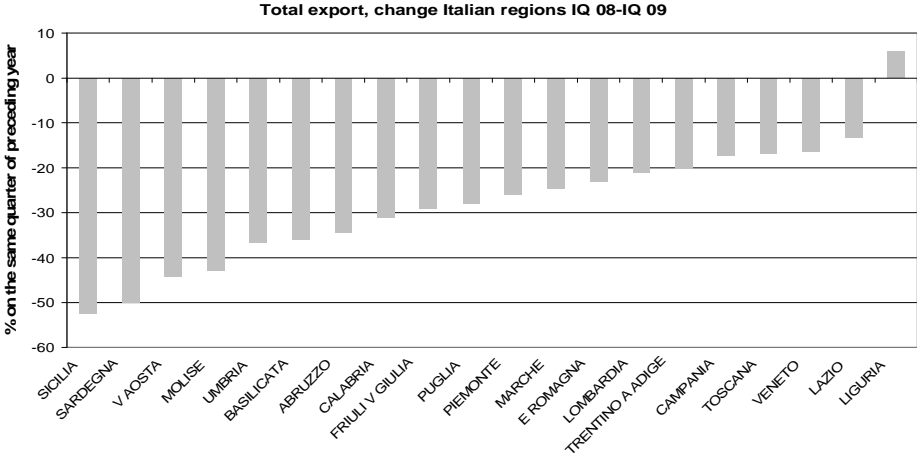
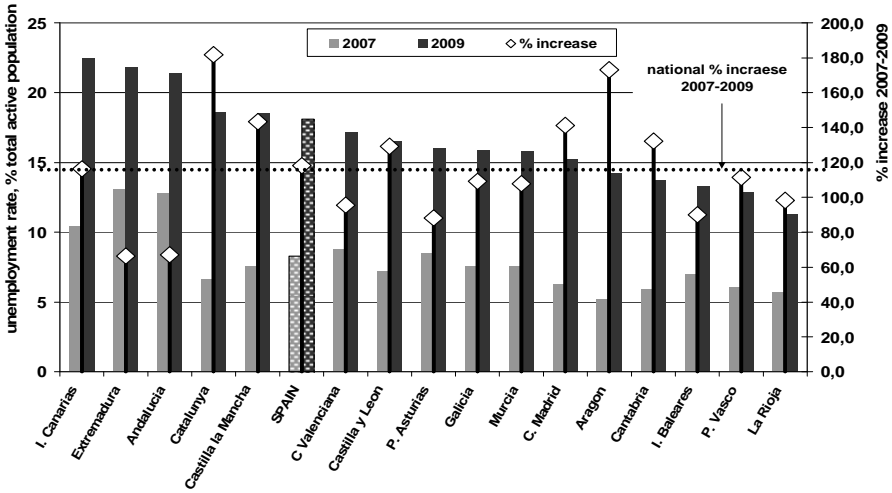


Fig. 8: Increase in Unemployment Rates between 2007/2009 in the Spanish Autonomous Regions (Source: Spanish National Office of Statistics)



The crisis is therefore having a varied impact on EU member states and their territories, which exposes the pitfalls of one-size-fits-all policies and underlines the need to develop responses that are tailored to each territory's specific characteristics as well as an appropriate system of governance.

PART II - TERRITORIES AT THE HEART OF THE POLITICAL RESPONSE TO THE CRISIS

Public policies which might only a year ago have been challenged as not being useful or effective, are again at the heart of the responses to the crisis. At European level, this new situation is demonstrated by the almost immediate launch of EU and national recovery plans, and even sometimes regional plans as the CPMR survey shows.

The second phase of the response, in the next few months, will consist in defining medium-term strategic objectives which, following the Lisbon and Gothenburg strategies, should set the direction Europe needs to follow in order to emerge in a stronger position from the crisis and benefit from the ensuing recovery in the best possible manner. Medium-term policies should be evolved from these objectives, to be financed by the multiannual financial framework for the 2014-2020 period.

The previous chapter showed how vital it is for this new strategic and operational European framework to be based on territories in order to be truly effective. Firstly this means targeting the priorities of each policy, and above all regional policy, and improving coordination between them, on which this chapter will propose a number of possible options. Secondly, it means reviewing the governance system for European strategy and its policies, which are still ill-adapted to the establishment of a multilevel system of governance. This issue will be dealt with specifically in the third part of this paper.

I - A REGIONAL POLICY THAT TAPS INTO ALL TERRITORIAL POTENTIAL

I.1 - THE FUNDAMENTAL PRINCIPLES OF A POST-2013 EUROPEAN REGIONAL POLICY

I.1.1- The crisis underlines the need for a regional development policy that is for all European regions and tailored to each one's potential

In Seville, in January 2008, the CPMR proposed that regional policy should become the EU's instrument for giving European territories the means to develop their potential, to reduce their vulnerability in a globalised economy and maximise the benefits they can draw from it in order to enhance the quality of life of their citizens.

Using this definition, it drew up a proposal to establish two pillars for regional policy that would cover the entire European territory after 2013:

- A pillar for meeting the basic needs (infrastructure, administrative capacity, etc.) of lagging countries and regions, pre-accession countries and outermost regions, without which it would be impossible for them to catch up and pursue their development. To promote "neighbourhood convergence", it was proposed that such assistance should be extended to the EU's neighbourhood, as part of a strategic vision for a coherent economic bloc with 800 million inhabitants;
- A pillar for developing every European region's potential in three priority areas identified as being essential for regional development: knowledge and human capital, climate and energy, and rural development. This pillar would be used for all European regions, including lagging regions in addition to the assistance specifically allocated to them.

Overall, the crisis has underlined the need for this definition and these general principles. Aside from the economic imperative whereby it is necessary to give priority to helping those regions that are lagging most behind, it reminds us that:

- By highlighting each territory's particular weak points and areas of vulnerability, the crisis has also revealed their scope for progress. This scope exists in each region, including the most developed ones, as the independent report prepared for the European Commission by Fabrizio Barca rightly showed.⁶ From a political point of view, the EU's encouragement of all stakeholders to adopt alternative development models in response to the crisis, founded upon innovation (as proposed in the Sixth Progress Report on Economic and Social Cohesion published by the European Commission on 25 June 2009), efforts to tackle climate change and above all support for the development of human capital, will only fail unless they are accompanied by targeted assistance for all regional stakeholders.

⁶ An Agenda for a Reformed Cohesion Policy, April 2009, Solely available in English, http://ec.europa.eu/regional_policy/policy/future/barca_en.htm

- Support for regional development in countries neighbouring the EU is an essential driver of development for European regions themselves, in particular those that are located at the EU's borders, most of which are lagging behind. Strengthening them will help to boost European territorial cohesion as a whole. The regions neighbouring the EU are natural and key trade partners which are extremely important in context of declining trade. The development of these regions is therefore a means of securing part of the Union's markets.

The aim is not to propose the transfer of the part of the budget destined for European regions to neighbouring regions (the budget headings concerned are not the same) but, among other things, to ensure that the existing European Neighbourhood Policy Instrument is reviewed and improved so that it does more to promote the development of a European area that is close to citizens and coherent with the Union's objectives, and that contributes to the growth of national and regional territories. It is thus fully possible and desirable to use this instrument as a starting point – it has already given some encouraging results in the bilateral action programmes – and to give it a further boost by coordinating it more closely with the objectives and practices of EU regional policy. Regarding funding, particularly in a context of shrinking public funds, it should be emphasised that external contributions can be obtained from international donor agencies, including international organisations and regional funds.

This policy at the EU's borders should also be implemented in coherence with EU development aid policy (both in terms of funding and the objectives), in which the regions are increasingly involved.

I.1.2 - Territorial cohesion and governance: two necessary improvements to regional policy

Territorial cohesion

The CPMR actively participated in the consultation set up by the European Commission after publication of the Green Paper "Turning Territorial Diversity into Strength". Focusing on a political definition of territorial cohesion, founded upon solidarity between territories and the idea of giving people from different EU territories equal access to fundamental freedoms established by the Treaty, it called for this principle to be implemented across the whole range of European policies, in particular those with the strongest territorial impact.

Regional policy is still to a certain extent the EU's main instrument for implementing the principle of territorial cohesion. However, there is significant scope for progress in the following areas:

- The link established in 2007 between the Lisbon strategy and regional policy (earmarking). In principle this clearly represented a positive change, because it has made regional and local political decision makers rapidly aware of the urgent need to focus on a limited number of priorities. However, it is also clear that the strategy was not good for mobilising the regions' inherent potential. The objective of devoting 3% of regional GDP to research, which was set identically for all European territories, is one of the prime examples. While such a link between the EU's strategic objectives and regional policy should be maintained in the future, its effective implementation would require prior work on the definition of territorial potential. Such work should be undertaken at the earliest stage possible, during the current programming period.
- Help for territories with severe and permanent geographical and demographic disadvantages (islands, sparsely populated areas and mountain areas), for which more suitable and more flexible European policies and programmes are still required, to enable them to exploit their potential and tackle their particular difficulties.
- Territorial cooperation (see Part I.3, p.18), which could make a much bigger contribution to territorial cohesion within the EU if it had a more suitable system of governance and organisation than at present.

The Sixth Progress Report on Economic and Social Cohesion, which reports on the results of the consultation on the Green Paper, says nothing about how European Commission intends to follow up this debate. This is not a positive sign. While there is no longer any question that it will publish a White Paper on the issue, which the CPMR most strongly regrets, it will be important to give particular attention to ensuring that these aspects are taken into account in the proposals on the future of regional policy published next year.

Governance

The third part of this paper deals with governance issues in detail, including those that are specific to regional policy (see Part III p. 25). However, the following general points can be outlined here:

- the importance of having regionalised delivery of this policy;
- that decentralisation of delivery must inevitably be accompanied by efforts to give greater responsibility to those involved in management. It will only be possible to simplify procedures and improve this policy's effectiveness by introducing such reciprocal arrangements;
- the necessary coordination between regional policy objectives/resources and other European policies, at regional and national level (see Part II page 22), as well as at various levels outside the framework of regional programming and national borders: this is the added value of territorial cooperation.

I.2 - THREE PRIORITY ACTIONS FOR LIMITING EUROPEAN REGIONS' WEAKNESSES AND MAXIMISING THEIR POTENTIAL

In line with the strategic objectives of the European Union, regional policy should focus on mobilising territorial potential in three priority areas:

- The development of the knowledge society through:
 - o support for innovation (in a wider sense than that accepted today) and research,
 - o the promotion of innovative practices in the employment and training field;
- The development of a low carbon society that takes full account of climate concerns, through support for the introduction of new energy and transport models, the adaptation of territories to climate change and the sustainable exploitation of natural resources.

To make this prioritisation compatible with the flexibility required for a made-to-measure approach, outcome objectives would be set in each region in accordance with their specific circumstances and potential, which would have been identified in earlier analyses. Each region could also be encouraged to put emphasis on one of the three priorities (voluntary earmarking), using incentives to be defined.

I.2.1 - Priority 1- Support for innovation and research

Territories' economies urgently require innovation support policies to adjust to the major global economic, social and environmental changes, and to the associated opportunities and risks. Territories and their industries all have specific potential in terms of innovation. As much economic research shows, there is a close interrelationship between regions' performance in terms of innovation and their economic development. This is valid for all regions with economic activities, both urban and rural, but no single strategy is valid for all territories, and the options in each specific context cannot be determined from on high. For example, the current 3% objective mentioned earlier in this paper is not appropriate for all regions, including those covered by the Regional Competitiveness and Employment Objective.

The highly territorial nature of innovation makes regional policy a vital tool for supporting this process. The added value of investment made in this framework can be analysed both in terms of both cohesion and competitiveness, which are perfectly complementary to one other and not in conflict with one another:

- Unless territorial considerations are taken into account in innovation support policies at European level, efforts will very probably tend to become more fragmented. Forward modelling by ESPON⁷ shows for example that an increase in support of innovation European policies without a parallel effort under cohesion policy would lead to greater geographical concentration. There is a real risk of technological and innovation divides in the wider sense, including to the detriment of Competitiveness Objective regions. EU regional policy currently offers a useful means of dealing with this issue, both in terms of the amount of funding it can provide and as a framework for conducting multilevel governance analysis;
- The use of regional policy to promote growth and innovation in all European regions is necessary, because the full exploitation of potential sources of competitiveness in Europe requires the involvement of all European territories and not just those that are already competitive. This is true regarding both the production of innovation and its absorption.

So it is essential that innovation support should continue after 2013 in the framework of a European regional policy covering European territory as a whole.

⁷ ESPON, Scenarios on the territorial future of Europe, May 2007

Doing detailed preliminary work on the definitions of innovation and innovation indicators

Numerous fundamental factors are necessary for the creation of an environment favourable to innovation. Aside from the basic promotion of technological and innovation resulting from research, these include more widely the upgrading of skills, the circulation and exchange of knowledge between companies, research institutions and political authorities, and more generally certain factors related to the issue of creativity. Regional authorities and their partners must therefore develop appropriate innovation policies.

On the whole, European regions have in recent years supported the move beyond a strictly technological approach to innovation. Both more urban and rural regions nowadays have their own definitions of innovation, which are often very close to those of European Commission and the OECD, and always entail more than a strictly linear technological approach.

The current trend towards the enlargement of innovation approaches is also reflected at European level, for example through the European Year of Creativity and Innovation and the Sixth Progress Report on Cohesion, which interestingly proposes indicators such as a tolerance index and refers to the existence of "creative classes". This tendency to enlarge the notion must be supported because it ensures that the wealth and diversity of approaches to innovation in the regions are taken into account.

However further work on indicators is still necessary:

- The European indicators used for the Regional Innovation Scoreboard currently reflect a fundamentally technological approach to innovation and must thus be improved upon;
- An additional effort to regionalise available indicators must also be undertaken;
- Greater attention should be given to rural regions in the production of research and indicators at European level. Innovation dynamics specific to these regions are insufficiently analysed and visible compared to those at work in more urban regions where there are greater concentrations of science and technology.

Continuing to support the development and improvement of regional innovation strategies

Given the importance of local and regional dynamics in the field of innovation and research, the preparation of regional economic strategies and mobilisation of territorial stakeholders around the accompanying governance processes have an important role to play. Regional policy has a fundamental role to play here because Operational Programmes require the development of strategies. For the 2007-2013 period, some very interesting and positive changes have taken place in terms of the quality of economic development and innovation strategies in several regions. These changes are especially remarkable, because the political time they require is of course long. The design and delivery of an innovation strategy cannot be undertaken by government order. It is the result of a political process and collective learning which takes time.

The negotiations on Operational Programmes for all regions must therefore continue to be a key stage for ensuring the development of an overview and dialogue based on territories' economic research. Moreover, the regions' support for the development of innovation strategies must be pursued and increased, for example via the involvement of the regions and their partners in collaborative projects, the production of indicators and comparative expertise at European level. The aim should be to take the results into account in the implementation of EU regional policy. The role of the European Commission is fundamental in this process and it will be important to give it the resources it requires in order to be a full stakeholder in the fundamental discussions, on top of its supervisory role.

Furthermore, regional policy currently supports a wide range of measures and strategies in the field of innovation and research. Its effectiveness depends upon this flexibility and the decisions taken by authorities involved in programming. In its paper of September 2008 entitled "Boosting EU Regional Policy Support for Innovation in the Regions", the CPMR cited several examples of current innovation policy trends which could be implemented with the support of regional policy: the organisation of innovation strategies in clearly identified markets, open innovation and even clusters. In future, priority should thus be given to analysing and assessing policies implemented at regional level and the exploitation of successful results.

Strengthening synergies with the European Research Area (ERA)

The European Research and Innovation Area is currently enjoying strong momentum, in particular owing to the considerable increase in the budget of the R&D Framework Programme, the creation of a Competitiveness and Innovation Framework Programme (CIP), and the launch of various initiatives such as the European Technology Institute. This momentum should be enhanced along with that generated by regional policy. Excellence and cohesion are complementary and certainly do not conflict with one another and they must also coexist within a range of policies. In the same vein, research policies do not totally exclude issues related to territories and the regions, and the regions also support excellence through their policies, while also integrating territorial cohesion considerations. So the focus should be on these complementary aspects rather than any conflicts.

Some interesting progress has recently been made at European level in this area, for example through the development of the R&D and Innovation framework programmes involving regional authorities, or initiatives such as the publication of the guide on synergies between these programmes and regional policy. Regional policy takes account of the issues related to the European Research and Innovation Area and would do well integrate them further. Here again, Operational Programmes should be strengthened as instruments for defining common strategies to be pursued together by different levels of governments.

Aside from general coordination between instruments, synergies between the regions, EU regional policy and some structured ERA initiatives could be developed:

- The European Strategy Forum on Research Infrastructures (ESFRI) is a first example. This infrastructure needs a large amount of funding, and the idea of using regional policy is currently being debated at European level. Without influencing the decisions the regions will take on whether to support this infrastructure, the challenge is to develop the regional dimension of this infrastructure, through its location and the surrounding networks it will generate.
- European technological platforms and joint technological initiatives are a second example. They bring together major stakeholders from industry and public research institutions in key sectors for European competitiveness, and are hugely important for the regions. But much more should be done to develop real synergies with the regions. Furthermore, the development of research and innovation networks such as those generated by the networks of excellence or innovation and knowledge communities run by the European Technology Institute may usefully create links with the regions. The regions are sometimes asked for support by stakeholders involved in this type of initiative. Those that choose to provide it sometimes use regional policy funds, thus forging a link between the territories and the ERA.

These issues should be examined thoroughly, and the CPMR will do so in the coming months in a specific working group.

I.2.2 - Priority 2 - Adapting territories to climate change and encouraging the emergence of a European low carbon society

Regional policy should play a major role orchestrating the emergence of a new development model that takes full account of climate problems.

Securing funding for the 3x20 target

Mitigation objectives were set by the energy/climate package adopted by the European Council summit of December 2008. The following objectives should be achieved by 2020:

- to reduce greenhouse gas emissions by at least 20%;
- to increase the proportion of renewable energies in its energy mix by 20;
- to reduce energy consumption by at least 20% (energy efficiency).

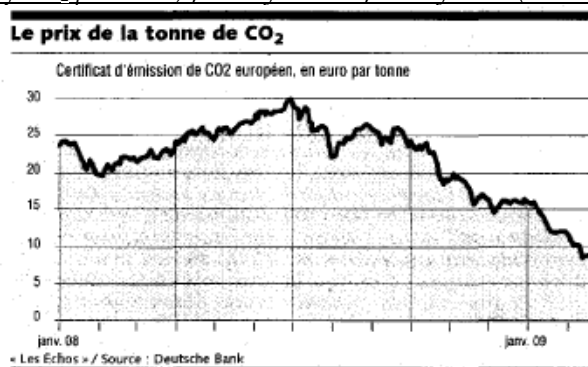
The initial proposal was to finance this shift towards a European low carbon society by auctioning emission allowances. However, three things are limiting the scope for raising funds:

- the auctioning system will only begin in 2013. The majority of emission quotas will then be distributed free of charge. It will only become necessary to pay for all quotas in 2020, thus at the end of next programming period, which will automatically limit the system's ability to raise funds during the 2014-2020 period;
- during the discussions on the energy/climate package, some people estimated that the auctions would raise up to €50 billion a year. However, recent fluctuations in the prices per tonne of carbon

dioxide, shown in Figure 9, create significant uncertainty about the real amounts it will be possible to collect;

- the European Parliament's proposal aimed to allocate at least 50% of this revenue to a specialised international fund to invest in projects in developing countries, to contribute for example to the reduction of greenhouse gas emissions or efforts to tackle deforestation. The remaining revenue would be used at European level to finance a climate change projects within the Union. However, the heads of state and government decided otherwise at the European Council summit in December 2008 by agreeing that the member states contribution would be limited to just 50% of this amount, and even then there would be little obligation. At best this means that national measures will simply be coordinated, when EU action would have provided much more leverage.

Fig. 9: Change in the cost of CO₂ per tonne, January 2008 – January 2009 (Source: Les Echos-Deutsche Bank)



In this context, the Structural Funds offer the only stable and permanent European budget that can be used to achieve the objectives of the energy/climate package. It is thus essential to make the issue one of their priorities; otherwise the low carbon society as a key element of the European strategic project will probably never happen.

Although the ERDF Regulation for 2007-2013 makes no specific mention of climate change, all territories are eligible for support for various types of measure in this area (renewable energy, energy efficiency, promotion of clean urban transport). Additional measures taken by the European Commission under its recovery plan have widened this mix of support, in particular by giving all member states the possibility to finance energy effectiveness measures and programmes to promote renewable energy in housing. It will in future be necessary to ensure that these actions continue in the long-term.

Specific measures will be necessary for regions with permanent geographical disadvantages, particularly islands, which do have considerable renewable energy potential, but their remoteness creates financial difficulties when it comes to making such investment.

Encouraging territories to adapt to climate change in line with the White Paper

The White Paper entitled "Adaptation to Climate Change: Towards a European Framework for Action" was published by the European Commission on 1 April 2000. A two phase approach is envisaged: the first phase (2009-2012) focuses on the development of a European adaptation strategy, which would be implemented during the second phase starting in 2013. It is specified that the work undertaken in Phase 1 has no link to either the structure of the future EU budget or the multi-annual financial framework. But the beginning of the second phase in 2013 shows that there is a clear link between the strategy and its implementation using EU financial instruments. This link even constitutes an essential condition for the success of the strategy as the CPMR emphasises in its policy position on climate change.

Insofar as the general objective of regional policy is to provide European territories with the means to develop their potential in order to reduce their vulnerability, it has a clear role to play in the implementation of the climate change strategy.

With this in mind, particular emphasis should be given to the transnational dimension of territorial cooperation. Pending the development of a more comprehensive knowledge base on the impact on climate change on the territories, research conducted to date shows that this impact (in particular changes in rainfall and temperature, frequency of extreme climate phenomena) is spread relatively evenly across the big transnational areas. In future, the preparation of adaptation strategies and coordinated or common responses specific to these transnational areas should be an objective of transnational cooperation and not

just regional programming (see Part I.3, p.18). In the meantime, current Interreg IVB transnational cooperation programmes should be used to identify the different types of measures that should be taken to help territories and sectors of the economy. These prior analyses will be essential for helping the regions to implement their adaptation strategy from 2013.

As far as Europe's maritime regions, sea basins must be a unit of work, data collection and action. Specific measures are needed for island regions, whose long coastlines exacerbate the technical and financial difficulties they have to cope with when adapting.

1.2.3 - Priority 3 - the "human pillar": supporting individuals in the labour market and tackling the social exclusion of the most disadvantaged groups

Integrating two distinct but complementary dimensions

This human pillar should have two complimentary dimensions: firstly the human dimension of the economic strand of regional policy, which is usually symbolised by the concept of human capital, and secondly the social dimension of this policy, focusing on the need for efforts to tackle social exclusion.

Even though these two dimensions require distinct types of intervention, owing to the specific nature of the target groups, they must nevertheless work side-by-side:

- they have a common origin: the purpose is firstly to manage the consequences of European leaders' decision to pursue European economic integration (the internal market) and its consequences (the free movement of people and workers), and then to open up to the global economy. The current crisis very clearly shows that while this openness undeniably presents some opportunities, it is impossible to spontaneously access them, and even then there are some risks, which in turn requires support at European level. This support should prepare and adapt current and future economically-active people for the specific conditions of the labour market and for future changes. Alternatively, it should take preventative and curative action to tackle exclusion phenomena, which will inevitably persist if the overall conditions of global trade remain as they are. Aside from this economic rationale, these actions are based on the political objective of social cohesion imposed by the Treaty.
- These two aspects are complementary to one another: supporting individuals before and during their working life tends to limit the risks of social exclusion; on the other hand, specific support for people in situations of social exclusion can help them rapidly enter the labour market.

Some possible options for the future: strands of action and EU added value

- *Two structural strands and a short-term strand*

The impact of the crisis on certain economic sectors and its repercussions on jobs strengthen the feeling that there is a need for a short-term scheme aimed at supporting people who have lost their job as a direct result of globalisation, which now exists in the shape of the European Globalisation Adjustment Fund (EGF). Major fluctuations in world trade and their repercussions on labour markets are inherent to the globalised economy. Ensuring the sustainability and durability of an-EGF type scheme should be envisaged to ensure a flexible response to other possible crises in the future. However, it is not enough to restrict European action to just this one short-term scheme. The real challenge lies in far-reaching change in vocational training and employment systems, and of attitudes, which, to be effective, should not be limited to the groups and sectors affected by these crises, but should concern all current and future workers and support structures. It is thus proposed that these two approaches should be combined in future.

- Structural strand No. 1: managing current and future workers' skills

The huge impact of the crisis on various economic sectors and the consequent increase in joblessness shows that most European training and employment systems are insufficiently evolved in the context of the globalised economy. While debates in recent years on the notion of human capital and implementation of active employment policies have begun to produce their first results, most Labour markets are still relatively inflexible. The direct and indirect impact of globalisation on the content and number of jobs and the political responses required in view of this constantly changing outlook, to anticipate needs and better match supply and demand in European labour markets should thus be made a long-term priority, especially in three areas:

- o helping young people into the labour market (training for future occupations, promoting mobility, etc);
- o lifelong learning for workers;

- o across the board, the promotion of entrepreneurship among young people and continuing training for entrepreneurs,

- Structural Strand No. 2: the social inclusion of the most disadvantaged groups

While social exclusion phenomena are an inherent consequence of the current economic model, it is clear that the crisis will make it worse in the medium term, particularly for the most vulnerable groups: the long-term unemployed who have worked in affected industries and/or who have not managed to acquire new skills, migrant workers, young people without qualifications and young people who have qualifications but no access to the labour market, especially women.

It is also important to note that the survey of regions undertaken by the CPMR's Working Group on Employment, Training and Social Inclusion highlighted the EU's clear support for measures aimed at the most disadvantaged groups of people. Most of these measures would not have taken place without this support and they would no doubt be the first to be cut if such an action strand were axed.

On the basis of the principles of equal opportunities and social cohesion, this strand would aim to serve as social safety net for the most vulnerable groups of people, such as:

- migrants,
- young people in situations of exclusion,
- economically-active people in situations of exclusion (the long-term unemployed),
- isolated old people, particularly in rural areas.

- A short-term strand: support for economically active people who have lost their job due to globalisation

This fund would fulfil a specific role in the range of structural measures: by developing retraining schemes for economically-active people whose jobs have been lost because of globalisation, it would prevent them from throwing in the towel and sliding into situations of social exclusion. As with the current EGF, this fund would be managed centrally by the European Commission and funds would be disbursed simply and rapidly through the member states.

- *Territorialised structural strands that are strictly focused on the implementation of innovative practices*

- Territorialised implementation of structural employment and training measures

Two elements highlighted by the surveys⁸ conducted among CPMR member regions support the argument that these measures should be regionalised:

- While the unusually rapid rise in unemployment is something that is shared by all regions, the nature, extent and pace of this phenomenon varies very widely between them (see Part 1). This diversity calls for individually-tailored responses in order to retrain unemployed people, promote lifelong learning and help young people into the job market, whether or not they have qualifications. The need for measures tailored as closely as possible to the needs of the groups and individuals concerned is particularly important for tackling social inclusion.
- The current Operational Programmes and the European Social Fund (ESF) are managed at national level even when they are organised regionally. Aside from being bureaucratic, they suffer from a lack of flexibility and adaptability to territories' specific priorities, since they mainly reflect joint national priorities.

Strategies should be designed and policies delivered at regional level to ensure that action is tailored as closely as possible to real employment and training opportunities, and to deal with specific situations of exclusion.

- Focusing EU action at innovative employment and training practices

While the additionality of EU intervention is very high for equal opportunities and social inclusion measures, the same cannot be said for employment and training policies which, with or without EU assistance, are financed by the member states or regions and will evidently continue to be so in the future. As long as the EU's role is limited to topping up national or regional funds, it will have little added value, especially if the EU contribution is low. The real added value of European action in this area therefore lies in its capacity to encourage the development of innovative measures within existing policies.

⁸ The two surveys are: "The Regions facing the Crisis", conducted among the 161 members of the CPMR, and "The Future of the ESF", conducted among the regions involved in the Working Group on Employment, Training and Social Inclusion

Such a policy should go hand in hand with the design and delivery of strategies at regional level. According to the CPMR's survey, the bureaucratic nature of the nationally-managed ESF Operational Programmes limits their scope for financing innovative projects, either because these tend to be managed by smaller bodies that do not have the administrative or financial capacity to meet ESF implementation requirements, or because their innovative nature means that they do not fit very easily into the programme's administrative system.

It is also interesting to reflect upon the need to develop tools that are specifically designed to encourage social innovation and to pool experience on this subject. A possible solution could be the creation of a specific Leader-type strand, based on action at local level and shared governance, and involving national and European networks. Another possibility, which would not exclude the first option, would consist in promoting the emergence of multiregional Operational Programmes focusing on key issues, in particular in border regions (managing migration, the integration of cross-border markets etc). The pooling of part of regional budgets for such programmes and their management by a European Grouping for Territorial Cooperation (EGTC) would make them more independent from national budgets than the current cross-border cooperation programmes (Interreg IVA), while making it possible to spend more funds on these issues (see below).

- The particular case of rural territories that are subject to depopulation or desertification

Particular attention should be given to the specific problems of rural areas undergoing depopulation, and even in certain cases desertification, where the risk of social exclusion is greater due to the usually more limited and difficult access to public services in general, and to employment, training and social services in particular. In these regions, employment, training and anti-exclusion policies must therefore go hand in hand with a debate on the maintenance of services of general interest, whether economic or not.

I.3 - MAKING TERRITORIAL COOPERATION IN THE EU AND ITS NEIGHBOURHOOD AN EFFECTIVE INSTRUMENT FOR COORDINATION AND GOVERNANCE

Despite having a small budget (2.52% of the regional policy budget), territorial cooperation has won its spurs over the years. It was originally a Community Initiative Programme, and then became the third objective of EU regional policy in 2007. In some 20 years, it has introduced a real culture of cooperation into the practices of regional and local authorities. This is not easy, as the barriers that still limit cooperation with other regions of the world and especially the EU neighbourhood demonstrate. However, the challenges facing the EU now make it necessary to require progress to a new phase of European cooperation, which is made possible by the experience and expertise acquired by the regions in this field. This part of the paper sets out a series of proposals on how to create the conditions for this decisive step forward.

I.3.1 - Clarifying the objectives of transnational cooperation in order to highlight its potential benefits

The added value of territorial cooperation lies in its ability to transcend, when the issues require, different regional and national public policies in general and regional development policies in particular, especially the delivery of Structural Fund programmes, and to mobilise the different stakeholders concerned in a coordinated fashion when none can act alone effectively.

Despite this definition, and in contrast to cross-border cooperation, transnational cooperation continues to suffer from a lack of clear objectives and a national and European lack of interest, which currently prevents it from achieving as much as it could. However the transnational level is the only one that is appropriate for dealing with accessibility, maritime safety, the management of sea basins and coastal areas, in particular their adaptation to climate change. In order to maximise its potential, it will be necessary:

- To set a clear objective based upon the development of European macro-regions and adapted to the needs and each one, and thus to put an end to the unfounded, artificial conflict created in 2007 between the growth-oriented approach and the spatial management approach that had prevailed before on the basis of the European Spatial Development Perspective (ESDP). The development of major European zones will ultimately contribute to be dynamism of these territories by endowing them with conditions for their development tailored to their needs and enabling them to maximise their potential. Moreover, the top-down imposition of this map in an almost identical fashion on all of the 13 transnational areas has generated a mismatch between the objectives and the specific needs and potential of these areas;
- To debate the issue of the nature of the actions to be financed (support measures or investment?) and identify the funds consequently needed;

- To mobilise the partners in accordance with the skills required by projects, notably stakeholders from the member states (relevant ministries) and the European Commission (relevant DGs) which are almost absent from the delivery of these programmes, except for the Baltic Sea.

I.3.2 – Adapting governance to the nature of projects

Once the objectives have been clarified for the overall instrument and its constituent programmes, it will be necessary to introduce a formal distinction between projects of a “strategic” nature, which have a primarily top-down rationale, and “territorial coordination” projects, which have a bottom-up rationale. These two types of projects are essential at both cross-border and transnational level, although they need different types of governance and operational arrangements.

Strategic projects

- *At cross-border level: creation of Cross-border Interregional Operational Programmes*

The definition of cross-border cooperation areas at NUTS 3 level has proved unsuitable for some action fields, especially transport. It is therefore above all necessary to make the eligible area more flexible, for example at NUTS2 level.

Cross-border Interregional Cooperation Programmes could be created on this basis, pooling part of the regional budgets of the Structural Funds, together with a higher rate of funding. Such programmes would be managed by an EGTC and designed to fund projects of a strategic nature, such as joint cross-border infrastructure or investment such as hospitals or medical equipment, as well as the integrated management of the cross-border labour market. They would give these projects access to more funds than at present, forging an intrinsic link between cooperation measures and the regional programming of the Structural Funds. Interregional programmes such as these, focusing on the joint management of shared problems, currently exist within individual countries (for example, the management of river basins, such as the Rhone or the Loire in France), and they seem to function effectively. Extending this measure to cross-border regions would constitute a strong political sign in favour of European territorial integration.

- *At transnational level: drawing inspiration from the Baltic Sea in order to forge transnational strategies*

The implementation of projects aimed at developing major transnational areas or “macro-regions” will require a different type governance than the one used for current transnational cooperation programmes. For example, the process and governance proposed by the Baltic Sea Strategy in principle seems interesting: a strategy and projects defined jointly by the European Commission, the member states and stakeholders,, together with a decision taken at the highest national political level and the strategic support of the European Commission.

Other transnational areas could draw inspiration from this process in order to prepare their own strategy and form of governance:

- Depending on each transnational area’s potential and needs, this strategy could have a more specific focus than the Baltic Sea Strategy (for example, exploiting the potential of the ocean in the Atlantic area);
 - For each project supported by the strategy, the competences required for its delivery in each member state would be identified. When national competences are required, it would thus be appropriate to mobilise relevant ministries in the fields concerned, and not just the finance ministry;
 - Each project would entail the signature of an agreement between the European Commission, the member states and the regions concerned, with each party committing itself to mobilising appropriate expertise and funding for the projects, depending on their areas of competence.
- *Necessary coordination between levels and areas*

Coordination between the corresponding cross-border and transnational programmes is currently very limited, whereas their respective projects are often closely linked (the cross-border dimension of transnational projects, the impact of cross-border projects beyond their given area). Coordination mechanisms therefore need to be invented to tackle this problem, which limits the impact of both cross-border and transnational schemes. The first step in this direction would be to link the strategies underlying the cross-border interregional programmes more closely to the strategies of the transnational areas of which they are part by referring to them automatically. Coordination mechanisms should also be set up by the

decision-making bodies of these programmes, according to arrangements to be defined, in order to ensure coordination of initiatives, or at very least an exchange of information on existing projects and partnerships.

Some fields, particularly maritime ones (fisheries, maritime safety, and maritime transport and coastal management for example) require real cooperation between transnational areas. While at project level the current flexibility of transnational cooperation areas allows – at least in theory – the linking of close or similar projects carried out in different areas, there are still numerous barriers to inter-programme cooperation. The Maritime Safety Umbrella Operation financed by some transnational programmes during the 2000-2006 period was the first attempt at this type of coordination. It would be necessary to clarify the exact tasks of such coordination bodies, their funding and the exploitation of results.

Transnational areas are also insufficiently coordinated with the cross-border cooperation strand of the European Neighbourhood Policy Instrument (ENPI) and the wider neighbourhood initiative, which concerns the outermost regions. A debate should be held to identify possible suitable pathways between the two instruments in the future. The CPMR's Working Groups on Territorial Cooperation and External Cooperation are currently working together on the issue.

Territorial coordination projects

While a decisive step toward a more structured vision of cooperation is necessary, there is no need to interrupt the momentum of cooperation between local stakeholders set in hand by the Interreg programmes, which have helped to bring Europe to the heart of the territories.

Cross-border cooperation programmes like Interreg IVA and Interreg IVB could be maintained, but their purpose would be to finance bottom-up, cross-border or transnational projects on a more open range of themes than is currently the case, with a view to fostering innovative practices on relevant issues for the area related to the area's strategic projects.

Such projects, which are usually run by small-scale public or semi-public bodies and have relatively small budgets, could have simplified management procedures, with partial advances and retrospective audits to replace the current system whereby requests for reimbursement are made twice or three times a year.

Essential strategic investment from the European Commission

The proposals above require investment from the European Commission, which alone can safeguard the European interest of projects submitted when they are of a strategic nature, or their thematic relevance when they are bottom-up projects. This investment would entail the mobilisation of the various DGs concerned.

- In the framework of transnational strategies, the Commission must be able to issue incentives and act as coordinator during the strategy preparation phase, as is currently the case for the Baltic Sea Strategy, and it should have an active role in the delivery of projects when its policies and their budgets are concerned.
- In the framework of territorial coordination projects, Commission DGs would provide their expertise during the selection of projects submitted to the cross-border and transnational programmes, as currently happens in the interregional strand, by giving their opinion on the thematic relevance of projects.

It would also be the Commission's responsibility to exploit cooperation experiences. Such efforts are currently very few and far between: there is no coordinated database from one programming period to the next or between transnational and/or cross-border areas, so the European Commission fails to use the results of cooperation projects. The creation of a centralised database on cooperation experiences would constitute an essential step forward and the Commission should organise this in the current programming period. The KEEP tool (Knowledge and Expertise in European Programmes) currently being developed by Interact could serve as the basis for this, and the CORDIS database run by the R&D framework programme could also provide a source of inspiration.

Summary overview

	Type of project	Implementation	Governance
Cross-border	Locally strategic	Cross-border Operational Programmes (NUTS 2 level)	EGTC
	Cross-border territorial coordination	Using calls for proposals	Interreg IV A-type (NUTS 2 level)
Transnational	Spatial planning	List of projects identified in a Baltic Sea-type Strategy adapted to the specific potential and needs of the territory	Governance dependent on the skills required for each project in accordance with the division of competences in each member state Agreement between the European Commission/member states /regions for each project
	Territorial coordination (networks, pilot projects, etc)	Using calls for proposals	Interreg IV B-type
Interregional and networks	Interreg IV C-type		

I.3.3 – Cooperation at the EU’s borders

It will also be vital to strengthen territorial cooperation at the EU’s borders, for the reasons mentioned above (see point I.1.1), above all to promote the development of regions on both sides of the external borders and enhance the long-term growth and territorial cohesion of the Union and its neighbourhood territories.

Territorial cooperation on the EU’s borders is more recent than within community programmes. Furthermore, it is being developed in more difficult political and administrative conditions linked to the external policies of the EU, each of its member states and the partner countries. The programmes have for the most part only recently started, and at present it is difficult to make specific proposals on the development of territorial cooperation on the EU’s borders after 2013. However, it is important, at the present time, to include this issue fully within the CPMR’s discussions on future European territorial cooperation policy.

European territorial cooperation policy along our borders must promote capacity building for regional authorities, their involvement in decision-making, the implementation of spatial planning policies, and the economies and growth of regions on both sides of the border. It must also help promote decentralisation (via regional government or the relocation of central government offices to local areas) within these territories and provide the resources to bring it about. Lastly, it should serve as a tool for “territorial diplomacy” in areas where relations between countries are sometimes difficult.

So the objective is to strengthen regional authorities on both sides of the border and promote a real territorial approach, which can only be beneficial for the Union’s territories in the long term. The CPMR will make specific proposals on this issue in due course. The cooperation strand of future neighbourhood policy should already guarantee different approaches between the areas concerned. It is impossible to propose the same themes, methods and organisational rules and conditions for all of the territories concerned. It will of course be necessary to take the outermost regions and their specific circumstances into account in these new proposals. In the same vein, it will be necessary to propose rules of governance incorporating the regional level early on in the design of future policies and programmes. Lastly, it will be necessary to ensure greater coherence between the cross-border cooperation programme and ENPI measures at bilateral and regional level (in the multi-country sense).

More generally, it will firstly be essential to gain a better understanding about the territorial impact of European policies. This could be helped by:

- Allocating additional resources to the ESPON network in future. The new Priority 2, which encourages applications from stakeholders, is a model process for enabling users to participate and take control;
- Undertaking systematic territorial impact studies, drawing on ESPON results among other things, and the proposals of the Sixth Progress Report on Economic and Social Cohesion;
- Using the territorial cooperation instrument as described above, to ensure coordination between the different policies concerned in a given territory.

PART III - A SYSTEM OF GOVERNANCE COMMENSURATE WITH THE IMPORTANCE OF THE ISSUES: THE EUROPEAN TERRITORIAL PACT

The European Commission's 2001 White Paper on governance defined five criteria for good governance: openness, participation, responsibility, efficiency and coherence. These criteria are still perfectly valid in the debate on post-2013 European policies and the strategy that will succeed the Lisbon and Gothenburg strategies after 2010.

The CPMR's approach to the governance of European policies, in full agreement and complementarity with the proposals set out by the Committee of the Regions in its White Paper on multilevel governance, and combines these principles with that of the systematic involvement of sub-regional authorities in the design and delivery of these policies.

Bearing in mind the issues described in the first part of this paper, the only truly effective solution will be to push for this involvement EU strategy level, and then apply it to different EU policies. This part of the paper sets out a range of proposals for the delivery of this "European Territorial Pact" and its application to EU regional policy.

I - HAVING TERRITORIES REALLY PARTICIPATE IN THE DELIVERY OF EU STRATEGY

I.1 - PRIOR CLARIFICATION OF THE OBJECTIVES AND RESPONSIBILITIES OF EU STRATEGY IS NECESSARY

Generally speaking, three factors make the Union's current strategic objectives hard to understand, both as far as its stakeholders and its citizens are concerned, thus limiting their effectiveness and the extent to which people take them on board:

- the coexistence of several major strategies such as Lisbon and Gothenburg;
- the number of objectives set, which is still high despite the strategy review in 2005;
- the fact that each task is not allocated to a clearly defined group of stakeholders.

The European strategy that will succeed Lisbon and Gothenburg would therefore benefit from:

- being brought together as a single integrated strategy;
- being refocused on a limited number of strategic objectives, with specific outcome objectives identified for each one;
- matching each strategic objective with the responsibilities of each level of governance, in order to apply the principle of solidarity such as it is defined in the Treaty of Lisbon.

I.2 - PUTTING FLESH ON THE BONES OF THE EUROPEAN TERRITORIAL PACT: FROM A POLITICAL AGREEMENT TO THE ARRANGEMENTS FOR INVOLVING SUBNATIONAL AUTHORITIES

On the basis of the proposals made by the CPMR Political Bureau in its contribution to the Green Paper on territorial cohesion, the European Territorial Pact would firstly entail a political agreement signed by the European Commission and all European regions, where states' institutional arrangements allow this to happen, committing them to work in coherence with the strategic objectives of the European Union. Such an agreement would enable regionally and locally-elected officials to take European objectives on board more than they do today, to formally support them and thus be more capable of defending them using their powers and responsibilities, and to make them more visible at territorial level.

The territorial pact could be divided up in the following way:

- geographically, in particular into sea basins and other sub-European geographical areas;
- thematically, through territorial action plans for each major European policy. These action plans would incorporate territorial analysis of the impact and objectives of sectoral policies. They would also set out coordination arrangements for these policies between the different levels of governance.

So that the Territorial Pact and territorialised action plans do not just remain purely formal processes but come to symbolise the real, dynamic political involvement of the regions, the decision-making processes and division of responsibilities should reflect the territorialised dimension of the new European strategy. In practice, this means greater consideration of the territorial dimension within the coordination mechanisms of the future European strategy, which could entail adding a territorial dimension to processes such as the open method of coordination (OMC).

Even so, it will obviously be vital that this should not be brought about to the detriment of the “hard” action mechanisms of regional policy, i.e. those that are binding and have a large budget.

II - DEFINING THE TERRITORIAL PACT WITHIN REGIONAL POLICY: ARRANGEMENTS FOR GOVERNANCE AND IMPLEMENTATION

II.1 - REAFFIRMING THE PRINCIPLES OF REGIONAL POLICY TO ENSURE IT CAN RALLY TERRITORIAL STAKEHOLDERS AROUND MEDIUM-TERM EUROPEAN OBJECTIVES

Regional policy would be a fundamental instrument in the implementation of the European Territorial Pact. It is the only policy that can ensure that territorial stakeholders rally around European objectives over a period of several years. This would fail to happen if;

- some European regions felt they were excluded from the policy;
- territorial objectives were reintegrated into sectoral policies, within which they would very rapidly disappear.

It is thus essential that a specific regional policy targeted at all of the Union’s regions should continue after 2013. It should also reaffirm the principles on which it is currently founded and which guarantee its added value, namely partnership, concentration of assistance, multiannual planning and additionality. It is useful to note that the latter two are particularly significant in the current context of turbulence in public finances. Weakening additionality in particular would not just constitute a decrease in the financial support that the member states give territories. At the end of the day, this would also weaken the leverage potential of European funds.

II.2 - INCENTIVES FOR TERRITORIALISED IMPLEMENTATION FOCUSED ON TERRITORIES’ PRIORITY NEEDS

On the basis of the reaffirmed principles above, the General Regulation of the Structural Funds should list two types of incentive:

- A “governance premium”, which would confer a right to advantages to be defined (extra technical assistance funds, for example) when management procedures adopt a multilevel framework of governance, in particular but not only when programming is managed at national level. This sort of premium could also encourage the programming of support at regional level (whether this is decentralised or managed by the local offices of central government);
- An “earmarking premium”, encouraging further prioritisation by the regions on a voluntary basis, depending on their specific challenges, in the framework of the three priorities identified in the previous part of this paper. The introduction of this optional system would be rewarded by permitting increases in EU support on specific themes (increasing the level of support for subsidies, higher interest rates for financial instruments, and raising the ceilings for state aid).

II.3 - CONTRACTUALISED IMPLEMENTATION AND INCREASED RESPONSIBILITY FOR MANAGEMENT AUTHORITIES

The Territorial Pact would entail substantial adjustments to the delivery of regional policy, namely the necessary transfer of legal and financial responsibility to the authorities which define and manage structural assistance, in place of the European Commission. Such a transfer would put an end to the current paradox which consists in admitting, politically, that national or regional authorities are in a better position to define Structural Fund priorities and allocate assistance, but simultaneously maintaining centralised controls and audits, which widely contribute to making the delivery of this policy more complex.

Greater responsibility would be achieved in practice through the use of contracts binding the Commission directly to the management authority, in other words the central government or the region when management is decentralised. This contract, which would replace the current Operational Programmes, could be of a trilateral nature when management responsibility is shared by a member state and a region, as is the case for overall subsidies. Each party’s responsibilities would be clearly described in a contract, as would outcome objectives, which would be allocated in accordance with responsibilities and based on a prior analysis of territorial potential and weaknesses. Control and audit measures would be transferred to managing regional or national authorities.

This transfer of responsibility represents an essential step towards the simplification of procedures that all stakeholders wish to see take place, with no exceptions.

II.4 - ADDITIONAL MEASURES

The following proposals would not be a direct result of the implementation of the Territorial Pact but would accompany it and serve as a catalyst for the measures described above.

II.4.1 - Better coordination between the ERDF, the ESF and EAFRD

The merger of the Structural Funds into a single fund was one of the options proposed by the CPMR in 2008. It is fully aware of the administrative difficulties that such a scenario might create, but it nevertheless repeats its call for this possibility to be examined, because it is the most coherent with the principle of an integrated approach. Such a merger would necessarily entail the return of single regional programmes. This single approach to programming would be welcome, because the advantages of the current “one programme, one fund” system are unclear: it has led to little simplification, and seems to have deepened the divide between the ESF and ERDF within their management structures, in terms of both culture and administrative practices. This represents an often insuperable difficulty for project leaders when it comes to coordinating these funds, as the majority of projects are of a multidimensional nature and such coordination would be justified.

It will also be necessary to ensure closer coordination between the regional development measures currently funded by the ERDF through regional policy and the rural development measures funded by the EAFRD through the Common Agricultural Policy. Rural development must more than now be an integral part of regional development as a whole, in the same way as urban policy.

II.4.2 - Extending the use of financial instruments

The introduction of the three Js (Jeremie, Jessica and Jaspers) denoted a very important change in the opportunity to secure loans rather than traditional subsidies. These measures have aroused the attention of several public authorities, and are considered as having introduced interesting possibilities that should be further explored for the future of regional policy. Some of these measures, such as Jeremie for example, have however encountered difficulties in their delivery, for reasons such as their complexity, in the eyes of many stakeholders, including the regions. At present, a relatively small number of regions use Jeremie, particularly for this reason. A debate on the governance and complexity of these instruments is yet to take place. The CPMR will try to make a specific contribution.

II.4.3 - Establishing specific rules for territorial cooperation activities

The nature of cooperation schemes requires specific and suitable measures within the Regulation, which is currently applied in a uniform manner across the three EU cohesion policy objectives, though it is clear that different problems arise in regional programming and territorial cooperation.

Much of the complexity of current cooperation programmes is due to the fact that, in total contradiction with the philosophy of cooperation, certain arrangements are made by each individual member state and not a programme level. The same can be said for the budgets and rules governing the eligibility of expenditure. It is therefore vital that budgets should in future be set for each programme, and eligibility rules governing expenditure should be set at European level (a single rule).

Furthermore, to surmount the big difficulty – and sometimes impossibility – of involving private stakeholders (and sometimes universities) in cooperation projects, the idea of facilitating the development of common assistance systems at transnational level should be examined.

The CPMR’s Working Group on Territorial Cooperation will look hard at this issue in coming months.

CONCLUSIONS

The current situation, which is exceptional, calls for an equally exceptional response. This will only be useful if it is based upon an ambitious political agreement, involving all public levels of governance, and implemented at EU rather than intergovernmental level. This is what the European Territorial Pact is proposing.

The launch of the European recovery plan in November 2008 gave a particularly worrying signal, firstly because the European Commission disappeared from view in face of the member states at a time when it had significant legitimacy to take the reins, and secondly because of the member states' inability to coordinate effectively the principles and main strands of their national plans. Let us hope that the results of the second Irish referendum and the arrival of a new Commission at the end of 2009 will help to unleash the shackles and bring an end to its current self-censorship on the future of EU policies. Let us also hope that it will exploit this newly regained freedom of speech to set out some proposals as creative and ambitious as past ones, prior to the start of the battle on post-2013 budgets.

For its part, the CPMR intends to complete its work on the various points dealt with in this paper during the coming months.