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#COHESION POLICY
#SOLIDARITY

FOR A REGIONAL SOLIDARITY POLICY AFTER 2020

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The post-2020 budget debate is at last beginning, free of the long-standing muddled negotiations on the Brexit terms and the laborious formation of the new German government. Unlike the two previous budgetary periods which very early on came under fire from the united front of "net contributors", national positions seem more mixed. A variety of costly policies are currently being balanced against each other and are marking out new interest groups such as defence, research, migration and border security, cohesion, agriculture and the digital revolution. Moreover, new requirements are set to be enforced for recipients, in addition to the usual tandem of solidarity and responsibility specific to European policy: compliance with the rule of law, structural reforms, the reception of migrants, etc.

The Commission is attempting to quicken the pace in order to obtain an agreement on the financial outlook under the current term of office[1], in a bid to avoid repeating the experience of a late completion of the last negotiation which delayed the launch of the 2014-2020 programmes by more than a year. Such a deadline seems unobtainable, unless the prevarications on the EU's main policies are brought to a swift end.

As regards the cohesion policy, despite it demonstrating positive results, its weight in the European budget, accounting for almost one third, makes it a priority target. The Commission recently presented[2] a caricatural mapping of a possible reduction in its endowment. With an equal budget (€370 billion), the policy would remain unchanged while by cutting the budget by 25% (€275 billion), only the least developed regions and "cohesion countries" (with a per capita GDP less than 90% of the EU-28 average) would receive funding. A budget cut by 33% (€245 billion) would mean that "cohesion countries" would be the only recipients. Such a dramatization of the issue is both rather unrealistic, as it would be difficult to find a single Member State in favour of such sweeping cuts, and disturbing as it equates the regional policy to a financial window, a role it has never played.

The time has probably come to focus on what is important and to agree on the four basic elements of the regional solidarity policy that the EU will require in the years after 2020.

1. European Commission, COM (2018)98 dated 14/02/2018 "A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020"
2. European Commission, ibid.

1. Wide geographical coverage to ensure the guidance of the cohesion policy

The arguments put forward at the end of the 2000s during the negotiation of the previous financial framework remain valid. An important component of the cohesion policy's added value is its ability to guide regional and national public policy. This is the case of the acknowledged contribution of the European structural and investment funds to the Europe 2020 strategy. This function can only be fulfilled if **all regions and therefore all countries** are stakeholders of it. This means that the benefit of the cohesion policy must not be restricted solely to regions below a certain level of per capita GDP but rather extended to all EU regions on the basis of **more complex eligibility criteria which reflect the contemporary obstacles to convergence**.

Without twisting facts, it is clear today that the use of the per capita GDP criterion alone does not allow us to consider the problematic situation experienced by regions which are no longer progressing in their development or which are even falling behind, in particular in the wealthiest countries. Inequality, so reviled by Europeans[3], continues to grow and its geography shows a Europe speckled like a leopard's skin. This includes "pockets of poverty" within conurbations or in rural areas, regions which are too weak to cope with globalisation or in demographic decline, isolated or suffering from natural geographic obstacles. Other factors which make regions vulnerable and threaten their resilience[4] must be taken into consideration: climate-related risks, energy dependency, an influx of migrants, etc. All these data types now exist on a regional level and may be easily integrated into eligibility criteria in conjunction with per capita GDP.

2. Sufficient endowments to elicit reforms, going beyond substantial investments

In order to calibrate the correct level of the cohesion policy's budget, it is first of all necessary to consider the **subsidies needed by the least developed regions** to make investments, bridge the gaps between per capita GDP and improve living and environmental conditions, within the limits of their capacity for financial absorption. Subsequently, two other lines of thinking must be incorporated.

The first concerns the amount required to improve the social and economic situation in other regions, which have different needs. Experience and past assessments show that the cohesion policy only has a significant qualitative or quantitative impact, such as changes in regional governance, economic behaviour or procedures when the **endowment received is deemed a sufficient incentive by public or private stakeholders to rally round**. This observation confirms that it is pointless to spread funding too thinly and champions a theme-based and territorial concentration within a region. The minimum threshold to trigger change is almost always calculated on a case-by-case basis, from region to region.

The second line is based on the **mechanism of indirect returns** such as public contracts or an increase in imports which the financing granted to the least advanced regions provide to the economies of the most developed countries. This flow within the European Single Market, which varies between 25% and 40% of the funds transferred according to the period and the country, deserves to be preserved, as proof of intra-European reciprocal solidarity.

A combination of these three approaches would once again do away with the drastic cuts presented in the Commission's two scenarios, while considering that **a slight budget cut would be acceptable**. In this case, the modulation of co-financing rates could be ad-

3. http://cor.europa.eu/en/events/Pages/reflecting-eu.aspx
4. Marjorie Jouen, "Solidarity 2.0", Policy Paper n°196, Jacques Delors Institute, 2017

justed, as could the establishment of repayable advances, in order to maintain momentum in the convergence process.

3. A stabilised implementation system to improve efficiency

Budgetary debate must not excuse Member States from holding honest discussions on the efficiency of the cohesion policy, which is systematically left in the experts' hands. Instead of devising new crippling regulations, two principles should prevail for the programme's implementation post-2020:

- the first is the **stability of rules**. One simplification which is easy to implement, while some "silo-based" programme managers and financial controllers may not like it, is continuity. The cohesion policy is a socio-economic development policy with effects which can only be seen in the medium and long term. Admittedly, far-reaching changes are necessary to tackle new challenges or changes in situation, but amendments of the regulations cause delays and worsen mutual distrust and uncertainty. As a result, they disqualify the cohesion policy in the eyes of stakeholders on a grassroots level and give credit to public opinion's image of a technocratic system which is out of phase with European construction.

- the second is the **moderate use of conditionality**. In other words, some forms of conditionality directly related to the functioning of the cohesion policy, such as ex-ante conditions, have proved their worth. This should be maintained, provided that they are streamlined. In this case, guarantees could be taken to guard against national regulations which are too lenient and comparable to social or tax dumping. Other forms of conditionality, such as the macro-economic condition and the heavy performance reserve mechanism, reflect in particular political concerns aimed at using the cohesion policy to apply pressure on the governments of recipient Member States. These conditionalities are contentious on a legal and economic level and should be shelved. Respect for the rule of law that is inherent in membership of the European Union (article 2 of the Treaty on European Union) is subject to a specific procedure with article 7 of the TFEU. Targeting solely endowments of the cohesion policy, as a penalty, is not justified, while all European financing should be included.

4. A proven regional approach to manage Europe's diversity

While the European treaties explicitly mention the reduction of disparities between regions and the aim of cohesion has been threefold - economic, social and regional - for the last ten years, a return to a sector-based approach is regularly suggested. Generally supported by the national administrations which manage the various funds, this option is also favoured by some economists who, while acknowledging the need for a public convergence policy, recommend replacing regional policies with national and individual policies for professional and geographical mobility.

Given the relatively low amounts in play (less than 0.3% of the EU's GNI) and the major social, economic and cultural diversity of European regions, the only possible convergence policy is the one which was designed thirty years ago. For most Europeans, it remains the **only real translation of continental solidarity**[5], which is a major asset in the current situation in which the feeling of regional injustice is brutally expressed in the polling stations. While this regional development policy has more or less retained the same principles (multi-sector, multiannual and partner-based policy), it has been regularly adapted in line with new structural challenges (industrial and agricultural redevelopment, access to the Single Market, globalisation, environmental issues, climate change, energy, etc.). In the next framework period, **demographic, digital, environmental and energy transitions** most likely need to be taken further into consideration. The visibility of actions conducted at grassroots level must also be reconsidered:

5. Marjorie Jouen, ibid.

putting up a sign is not sufficient, even if it is a minimum obligation. The conditions **for a genuine daily endorsement** must be created in a way that only local development projects can achieve. While the common policy framework of the European structural and investment funds launched in 2014 has not been entirely satisfactory, this is mainly because its implementation was complicated by the upholding of specific rules for each fund. Failing the merger into a single fund, which people are not yet ready to consider, **the funds must be subject to common rules**.

Ultimately, even if the economic upturn is opening up cheerier outlooks for European citizens than was the case ten years ago, the challenge of territorial cohesion (cities, regions, islands, mountains, rural areas, etc.) where they live and work remains strong. The European Union cannot run the risk of cutting itself off from Europeans any further. It must continue to conduct a strong and real policy to provide all citizens, both individually and above all collectively, with opportunities for development and for the improvement of living conditions.

ON THE SAME TOPIC

- Marjorie Jouen, "Solidarity 2.0", Policy Paper No.196, Jacques Delors Institute, June 2017
- Marjorie Jouen, "The Future Cohesion Policy Should Represent EU Solidarity in Action", Tribune, Jacques Delors Institute, March 2017
- Marjorie Jouen, "What Priorities for the Cohesion Policy After 2020?", Tribune, Jacques Delors Institute, May 2016
- Marjorie Jouen, "The Macro-Economic Conditionality, the Story of a Triple Penalty for Regions", Policy Paper No.131, Jacques Delors Institute, March 2015
- Marjorie Jouen, "The Single Market and Cohesion Policy Dyad: Battered by the Crisis and Globalisation", Policy Paper No.108, Jacques Delors Institute, April 2014
- Marjorie Jouen, "The Cohesion Pact: Weathering the Crisis", Policy Paper No.52, Jacques Delors Institute, February 2012

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