

*dr Monika Stupińska*

University of Lodz

Institute of Spatial Economics

Department of Regional Economics and Environmental Protection

## **Changes in European Cohesion Policy – New Opportunities and Threats for the Regions**

### INTRODUCTION

In October 2011 European Commission adopted a package of legislative proposals outlining the Commission's vision of the future shape of the cohesion policy for the period 2014–2020. The concept of the cohesion policy for the future programming period as proposed by the Commission is, on the one hand, consistent with the objectives of the *Europe 2020* strategy and, on the other hand, it makes reference to the postulate of implementing a place-based development policy [Barca, 2009]. New cohesion policy is supposed to be result-oriented and much more subject to conditionality mechanisms and simplification with respect of projects financed with the EU funds. Commission's proposals have reinforced the role of NUTS 2 regions in effective implementation of the cohesion policy. Their active role will be reflected in drafting partnership contracts, deciding upon the content and implementation of Operational Programmes, taking part in developing joint action plans, and participating in management and implementation of Integrated Territorial Investment (ITI). This article aims to present and comment the European Commission proposal, and attempts to assess the opportunities and threats that they can bring to the Polish regions.

### LEGISLATIVE PACKAGE PROPOSED BY THE EUROPEAN COMMISSION

The Commission's proposal introduces many changes compared against the current period of the cohesion policy. These changes concern the objectives, instruments, geographical scope of support, new allocation ceilings for Member States and the introduction of mechanisms of conditionality and efficiency (increasing the efficiency of European investments).

What is new is the concept of a new infrastructural instrument, Connecting Europe Facility (CEF), closely linked with the cohesion policy and designed to assist projects of key importance for Europe (improving transport and telecom-

munication network by extending transport infrastructure, energy connections and ICT solutions). CEF is to be managed by the European Commission.

The Commission also intends to introduce some performance-oriented instruments that could improve investment efficiency of funds. Among measures proposed by the Commission we may list: concentrated number of objectives, partnership contracts (that will clearly specify goals and will enable making a performance reserve to reward regions with the best record in achieving goals), and a Common Strategic Framework.

The most discussed part of the reform is the issue of conditionality, which is supposed to improve the efficiency of programmes delivered under the cohesion policy. Conditions will include *ex ante* conditions that must be met before funds are disbursed and *ex post* conditions that will make the release of additional funds contingent on performance. *Ex ante* conditionalities are to ensure that the conditions necessary for effective support of funds are in place meaning that structural funds will be deployed only after national instances demonstrate they are capable of ensuring effective use of EU funds based on appropriate strategic, regulatory and institutional framework. Transposition of the EU law in the area for which funds are disbursed is one of such conditions. E.g. in order for a country to be able to benefit from resources for energy efficiency it will have to implement the energy performance of buildings directive. Disbursement of additional funds will be contingent upon the *ex post* evaluation, i.e. upon the performance. The Commission's proposal introduces measures that prevent Member States from pursuing incorrect macroeconomic policy which in practice means that the disbursement of funds under the cohesion policy will be closely linked to macroeconomic capabilities of a given state (i.e. its national fiscal and monetary policy) and the payment of structural funds will depend on financial stability of a Member State. Besides the performance reserve (5% of the budget of appropriate funds will be set aside and allocated in the course of mid-term evaluation of the implementation), penalties are also proposed. Unattainment of indirect goals may lead to the suspension of funds and serious irregularities in the delivery of the objectives of the programme may result in cancelling of the financial aid.

Another modification proposed by the European Commission that raised concerns of some Member States is the proposal to lower the maximum national absorption level from current 4% GDP to 2.5%. Lithuania, Latvia and Hungary noted that „long-term GDP forecasts are highly unreliable” and making the ceiling contingent upon the GDP and its forecast „is unfair and highly doubtful”. Prime Ministers of these countries appealed to the EC to „reconsider this part of its proposal in order to ensure the most effective implementation of the objectives of the cohesion policy after 2013” [Skulimowska, 2011].

## INSTRUMENTS OF NEW COHESION POLICY

Legislative package presented by the European Commission includes numerous modifications in individual cohesion instruments.

For the European Regional Development Fund (ERDF) modifications result from the identification of several categories of regions. Transition regions and more developed regions will be obliged to focus the most of their allocations (except the ESF) on energy efficiency and renewable energy sources, SMEs competitiveness and innovation. Less developed regions will be able to use their allocations for a larger number of objectives connected with their specific development needs.

Modifications proposed in relation to the European Social Fund (ESF) are driven mostly by unemployment and poverty situation in Europe. At the moment almost 23 m people are unemployed and 113 m are threatened with social exclusion and live below the poverty threshold [European Commission 2011, draft proposal concerning the ESF]. The scope of the ESF Regulation for 2014–2020 proposes to target ESF funds on four „thematic objectives” in all of the European Union: (1) promoting employment and supporting labour mobility; (2) investing in education, skills and lifelong learning; (3) promoting social inclusion and combating poverty; (4) enhancing institutional capacity and an efficient public administration.

Also the Cohesion Fund (CF) will be covered by the reforms proposed by the European Commission although to a minor extent compared to other funds. As until the present in the field of environment the Cohesion Fund will support investment in climate change adaptation and risk prevention as well as investment in the water and waste sectors, and the urban environment [European Commission 2011, draft proposal for the CF]. For the first time, however, part of the Cohesion Fund will be used to support the „Connecting Europe” facility designed for a competitive and sustainable European transport system.

Provisions on thematic concentration and investment priorities are new in the European Territorial Cooperation (ETC). Modifications are supposed to improve the strategic focus of programmes and their effectiveness. Programmes may choose a limited number of priorities (from the thematic menu) with corresponding investment priorities, ensuring in this way concentrating on European priorities and interventions guaranteeing the highest value added [European Commission 2011, draft proposal for the ETC].

Modifications have also been proposed for the European Grouping of Territorial Cooperation (EGTC). They concern e.g. the membership, the contents of the EGTC convention and statute, its objective and adoption by the national authorities [European Commission 2011, draft proposal for the EGTC].

## REGIONS IN NEW COHESION POLICY

European Commission proposal connected with geographical scope of support differentiates less developed regions, transition regions and more developed regions. These categories are decisive for the allocation of funds among types of regions (NUTS 2) under the objective „Investment for economic growth and employment”. The Commission proposes the division in three categories of regions for which it specifies funds allocation criteria under the objective „Investment for economic growth and employment”. The Commission plans to allocate in total 96.52% of funds from the general allocation for this objective (table 1).

**Table 1. Categories of regions and criteria for funds allocation among Member States according to the proposal by the European Commission of 6 October 2011**

Region category	Eligibility criteria for regions under the objective „Investment for economic growth and employment”	Criteria or allocations among member states
Less developed regions	GDP per capita less than 75% of average GDP in EU-27.	population, affluence of the country and unemployment rate in less developed and in transition regions
Transition regions	<ul style="list-style-type: none"> <li>– new category of regions;</li> <li>– replace the current <i>phasing-out</i> and <i>phasing-in</i> system;</li> <li>– GDP per capita between 75% and 90% of the EU-27 average.</li> </ul>	population, affluence of the region unemployment rate, employment ratio, education and population density in more developed regions
More developed regions	GDP per capita exceeds 90% of the GDP average for EU-27	population, affluence of the country and its area for the Cohesion Fund

Source: own studies.

In the future period of the EU cohesion policy it is postulated to increase the impact of regions upon its implementation in accordance with the concept of *place based economy* (F. Barca). Regions will be equipped with some competences in both programming, management and monitoring effects of operational programmes.

Partnership Contracts will become the main instruments for regions to impact cohesion policy. The document will be drafted by a Member State and will set out its strategy, priorities and conditions for effective use of funds in accordance with the Common Strategic Framework. Partnership Contract will cover the entire programming period and all of the allocation for a given Member State. The contracts will have to be drafted with active involvement of partners, i.e. competent regional, local, urban bodies and other public authorities, economic and social partners and NGOs. Partners, besides being engaged in draft-

ing Partnership Contracts, will also participate in reporting on the progress in works on Partnership Contracts, drafting, implementation, monitoring and evaluation of operational programmes and they will take part in the work of Monitoring Committees for operational programmes.

Partnership Contracts give regions real opportunity to impact priorities and the conditions for the use of funds. They were proposed by the Commission in its attempt to ensure the real participation of regional authorities in the shaping of national programming documents and the implementation of the cohesion policy.

Regions will also be able to actively participate in drafting operational programmes implemented under the European Regional Development Fund and the European Social Fund. The programmes will be drafted in accordance with the institutional system of each Member State at appropriate geographic level and at least at the NUTS 2 level [*Rola regionów...*, [http](#)].

Regions as subjects of public law, together with Member States and managing institutions, will also be able to submit applications on joint action plans when or after appropriate operational programmes are presented if they are designated to do so. Joint action plan is defined and managed with respect of outputs and results that a Member State wishes to attain. It comprises a group of projects carried out under the responsibility of the beneficiary as a part of an operational programme or operational programmes.

Undoubtedly in the light of the Commission's proposal for the new programming period of the cohesion policy, the role of regions in the implementation of the policy is enhanced, however, which is a major change, it is accompanied by bigger responsibility of regional administration for ensuring appropriate conditions for receiving support (conditionality).

## POLISH REGIONS AND A NEW EUROPEAN COMMISSION PROPOSAL

Proposal of the European Commission concerning the shape and implementation rules of the cohesion policy in the programming period 2014–2020 introduces numerous modifications compared to the period 2007–2013. Surely, reform directions were influenced by Barca's report on the one hand (place based development, more focus on key objectives or rather one leading objective, enhanced involvement of regional and local authorities and social partners in programming and implementing the cohesion policy) and, on the other hand, economic situation in the Euro zone and high uncertainty with respect to further economic scenarios for united Europe (lowering the absorption ceilings for Member States to 2.5% GDP, possibility to suspend the transfer of funds to Member States pursuing irresponsible macroeconomic policy, more stress on the efficiency of investments co-financed with the Structural Funds).

In the opinion of the author's proposal for a new form of cohesion policy is changing existing concepts, on which –from the beginning – was based the policy of building a coherent Europe. Intended some serious funds for the richest regions – which is a necessity arising from adjustments to the requirements of globalization and international competition – is a shift towards making of cohesion policy investment instrument. This change, understood in the context of the current economic situation of the European Union, however, it is a serious decomposition of the policy, which the main role should be to support the poorest regions and disparities in socio-economic development.

Also for Polish regions new cohesion policy means both more opportunities and new challenges. More influence on the content and implementation of operational programmes or involvement in the drafting of a Partnership Contract offer regions more opportunities to achieve their priorities and strategies (if regions are able to prepare clear development strategies based on reliable diagnosis and consistent with the EU guidelines). In Author's opinion the lowering of the absorption ceiling to 2.5% of GDP does not pose a major threat to Poland and its regions. How much funds Poland will receive will be dependent upon its growth rate in 2014–2020. Unofficially, based on long term forecasts, the European Commission estimates that it could be even more than EUR 80 bn. In the current 2007–13 budget the limit was 4% of GDP with the allocation of EUR 67 bn. A little more threatening is the need for the public authorities to meet *ex ante* conditions, especially when it comes to effective and efficient administration. Regions in Poland are not experienced enough in the implementation of the cohesion policy and the rotation of staff in regional administrations is often substantial. It seems that by reinforcing accountability and discipline in actions by public authorities proposed by the European Commission regional and local authorities will be forced to undertake steps to ensure meeting the conditionality criterion.

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### *Summary*

European Commission proposals for the programming period 2014–2020 introduce a number of changes to the current model of policy implementation. The new policy is supposed to be more oriented towards achieving results, subjected to a greater extent the use of conditionality mecha-

nisms and simplification in the implementation of projects financed by EU funds. European Commission's proposals also strengthen the role of regions in the effective implementation of cohesion policy. Regions' active role will emerge in the development of partnership agreements, defining the content and implementation of operational programs or in participation in the establishment of a joint action plan.

### **Zmiany w europejskiej polityce spójności – nowe szanse i zagrożenia dla regionów**

#### *Streszczenie*

Propozycje Komisji Europejskiej na okres programowy 2014–2020 wprowadzają wiele zmian do obecnego modelu realizacji polityki. Nowe rozwiązania mają być w większym stopniu ukierunkowane na osiągnięcie wyników, mają być w większym stopniu objęte mechanizmem warunkowym i uproszczeniami we wdrażaniu projektów finansowanych z funduszy UE. Propozycje Komisji Europejskiej wzmacniają także rolę regionów w efektywnej implementacji polityki spójności. Aktywna rola regionów ujawni się w rozwoju porozumień partnerskich, definiowaniu zawartości i wprowadzaniu programów operacyjnych czy uczestnictwie w stanowieniu planu wspólnych działań.