

## Informal Meeting of the Ministers in charge of Cohesion Policy Liège, 22-23 November 2010

### Presidency Conclusions

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At the Informal meeting on the 22nd and 23rd of November 2010 in Liège, on the invitation of Minister-President Rudy Demotte, the Ministers for Cohesion Policy met to discuss the future of this policy after 2013.

Ministers welcomed with interest the Fifth Report on economic, social and territorial cohesion: *Investing in Europe future* and the Commission's communication on the conclusions of the report<sup>1</sup>. They consider this report as a good basis for the debate. Johannes Hahn, EU Regional Policy Commissioner, and László Andor, EU Commissioner for Employment, Social Affairs and Inclusion, co-authors of this report, exposed it in details.

In the light of this 5<sup>th</sup> report, and on the basis of the preparatory work of the Belgian Presidency, Member States representatives put forward marked political directions to be taken over the next programming period, preparing the ground for the more detailed proposals that the Commission will draw up in 2011.

The Ministers took note of the European Parliament's resolution of 7<sup>th</sup> of October 2010 on the Cohesion Policy and regional policy of the EU post-2013.

In a general way, the Ministers spoke out in favour of :

- Maintaining an ambitious Cohesion Policy, covering all European regions and strongly geared towards the objectives of Europe 2020 Strategy, its flagships and its integrated guidelines, insofar as they also contribute to the objectives of economic, social and territorial cohesion.
- Maintaining the current architecture of the Cohesion Policy, provided that a few changes are introduced, in particular with regard to the transition regions or urban areas. In this framework, the integrated approach towards regional socio-economic development based on strong synergies between funds must be maintained, while avoiding a sectorial approach of Cohesion Policy instruments.
- Strengthening the effectiveness of the interventions through a coherent set of incentive mechanisms specific to the Cohesion Policy, focused in particular on a heightened thematic concentration, a consolidated strategic approach and a strengthened specific conditionality, the definition and feasibility of which must be examined as soon as possible in a concerted way between Member States, the Commission and the European Parliament.

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<sup>1</sup> COM (2010) 642 final – 9 November 2010 – SEC(2010) 1348 final.

The Ministers pointed out that this debate takes place in the context of the discussions held on the budget review and economic governance and with a view of future discussions on the upcoming financial perspectives, about which the European Council took first orientations on the 28th and 29th of October 2010. They stressed that, while coming out from a deep financial, economic and social crisis, it is needed to pursue structural efforts in favour of the regions socio-economic development in order to secure the intelligent, sustainable and inclusive growth and competitiveness of the EU in the long term, in compliance with the objectives of Europe 2020 Strategy. The 5<sup>th</sup> report on cohesion allowed to establish that Cohesion Policy has shown significant results as far as reducing socio-economic disparities, but also concerning the improvement of regional competitiveness.

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The conclusions of the work led under the Belgian Presidency are set out in greater details below.

#### *The specific contribution of the Cohesion Policy to Europe 2020 Strategy*

1. The Cohesion Policy has to fully contribute to the priorities of Europe 2020 Strategy, even more that it was the case for the Lisbon Strategy concerning the 2007-2013 programming period. European intervention should concentrate on a reduced number of priorities.
2. The Regions have a central role to play in the success of Europe 2020 Strategy. It is therefore necessary to take into account the nature of regional development when defining thematic priorities, and to conceive for the Member States and their regions a flexible approach in relation to regional specificities.
3. The objectives of Europe 2020 Strategy can only be achieved by continuing to reduce disparities, which remains the central aim of the Cohesion Policy. The crisis effects are further exacerbating the structural problems faced by the regions, heightening the need for a long-term structural action, taking into account the regional specificities as it is provided by Cohesion Policy.
4. The added value of the Cohesion Policy also lies in its integrated approach towards regional socio-economic development, based on strong synergies between funds. From this point of view, Member States recommend to strengthen the regional dimension of ESF, and doing so to increase its visibility. The flexibility between ERFD and ESF should also be eased. The common strategic framework to ERFD, ESF, Cohesion Fund, EAFRD and EFF proposed by the Commission is likely to promote such synergies and is widely supported by Member States. A sectorial approach of Cohesion Policy is to be avoided. However, the complementarities between the Cohesion Policy instruments and Community sector policies must be promoted.
5. A greater focus on Europe 2020 Strategy priorities must be ensured, with some flexibility enabling to take into account the needs of each region. To operationalize this approach, the idea put forward in the 5<sup>th</sup> report on cohesion of a list of priorities that would be defined in a relatively broad way at European level, in which the regions should select a limited number of priorities, garnered widespread support but the Member States wish to be informed of the exact intentions of the Commission. The number of priorities could be adapted according to the level of intervention. In addition, the priorities of Europe 2020

Strategy are to be specified within the framework of regional development and the Cohesion Policy.

6. The Member States concerned by the Convergence Objective point out the need of maintaining the possibility of investing in the basic infrastructures necessary to sustain and further their competitiveness (see Conclusions of the European Council of 25 and 26 March 2010).
7. Finally, the Member States greatly support the idea of a broader use of new financial instruments when it seems possible and appropriate, as long as the rules of implementation are clearly established from the start of the programming period and as long as it does not exclude the possibility to use other forms of intervention.

### *Stability of the Cohesion Policy's architecture*

8. The objectives of Europe 2020 Strategy are imperative for the Union as a whole with each region required to contribute to attaining these objectives. As such, a wide majority of the Member States want to see the Cohesion Policy available to all of the regions and support the global stability of its architecture. Unanimously, the Ministers felt that the main priority must continue to provide ongoing support to regions whose development is lagging behind.
9. However several Member States expressed a wish for certain adaptations to be brought, in particular with regard to the transition systems.

A majority of Member States express that there is a need to maintain the principle of a soft transition to ease regions out of the Convergence Objective. But the financial, economic and social crisis has showed the fragility of regions which social-economic structures are not enough consolidated even if they are not eligible to Convergence Objective. Moreover, some Member States showed their openness to examine the Commission's proposal set out in the 5<sup>th</sup> report to create a new intermediate category of regions which could ensure an equitable treatment of the regions. The terms and conditions still remain to be refined.

10. A consensus is emerging with regard to maintaining the urban dimension in the regional programming, with some Member States pleading for a particular effort to be made in this area. The current terms and conditions and instruments allow each region to develop its own approach. The need to take into account the interconnections between urban and rural areas is also emphasized. The integrated local development approach would be encouraged.
11. Some Member States wish that outermost regions and sparsely populated Northern regions should continue to be subject to specific attention in the future.
12. There is also consensus about the need to reinforce the Territorial Co-operation Objective, with its current three-tiered structure. However, the terms and conditions of implementation and management need to be improved, as well as the strategic approach of the programmes, in line with Europe 2020 Strategy and the other Cohesion Policy Objectives. The macro-regional approach appears to many delegations as a useful strategic tool although still in its exploratory stage. Any evolution must be based on the scheduled evaluations of current and future macro regional strategies.

### *Greater effectiveness thanks to a conditionality specific to Cohesion Policy*

13. Within the framework of this stable architecture and in addition to the concentration efforts, the Member States are very eager to work towards increasing the efficiency of Cohesion Policy actions, and reinforcing its result-oriented strategic approach. The terms and conditions should be defined within the framework of the Cohesion Policy programming.
14. The idea of conditionality external to the Cohesion Policy, in the form of sanctions related to macro-economic governance, to the transposition of Directives, or to the structural reforms, generate some worries in a large number of Member States with regard to their implementation. The Ministers point to the Council's attention that these sanctions could weigh down unfairly on the beneficiaries of the Convergence Objective and would be likely to deconstruct the regional programming and deprive the regions of the resources necessary to accomplish Europe 2020 Strategy. Another matter raised is the possible asymmetry between the level of the responsibilities and the level of implementation of the sanctions, which would significantly hamper any incentive effect in linkage with the Cohesion Policy objectives.

Moreover, any such conditionality could not be limited to Cohesion Policy or to instruments under shared management.

15. However, the Member States are open to more in-depth reflection about the development of an incentive-based conditionality linked to the structural reforms, as long as this is based on the content and efficacy of the Cohesion Policy within the national and regional context. The Member States acknowledge that it could also reinforce its legitimacy.
16. The reinforcement of the absorption capacity is also a constituent element of the conditionality issue. Institutional and administrative capacity, localisation, nature of the actions, and levels of co-financing are all variables that need to be taken into account in this context.
17. Generally speaking, most of the Member States agree that the Cohesion Policy should come with incentive-type internal conditionalities, directly linked to the implementation of the regional programming and operational and equitable in nature. This approach moves towards increasing accountability on the part of the regions, taking on the form of a reinforced partnership and a closer dialogue with the Commission, according to a multi-level governance approach. In addition, this would also contribute to a greater ownership at regional level of the Community objectives.
18. It also emerged from the discussions that important conditionalities are already operational and have proven their efficiency within the framework of the current programming period. This is true in particular of the rule of automatic decommitment, the closing rules, the approval of the control and audit systems, and the principles of additionality and co-financing. These tools should be maintained and even improved.
19. However, the need for simplification remains an important concern. Most Member States wish to pursue simplification efforts with regard to the financial management, audit and eligibility rules of expenditures. In the same way, the seek for an increased efficiency should not lead to more complexity, notably when coming to the definition of performance indicators.
20. The lines of reflection put forward by the Member States in the field of conditionalities tie in with some of the Commission's proposals, and are moving towards the

reinforcement of the result-oriented and performance-oriented strategic approach, taking into account specific starting points. They mainly concern :

- The terms and conditions of thematic concentration ;
- The introduction of conditionalities linked to the effectiveness of the actions, on the basis of the use of pertinent and operational objectives and indicators, and reinforced monitoring and evaluation methods ;
- The opportunity of an incentive-inspired community reserve, based on comparable and objective indicators and methods.

Seen in perspective, these elements are liable to enable to better define the notion of "Partnership Contract" as put forward by the Commission.

21. The Presidency supported by the Member States, invited the Commission to tackle as soon as possible the concrete definition of the various dimensions of conditionality, in a constructive dialogue between the Commission, the Member States and the European Parliament within the framework of a Task Force. Its first mission should be to establish its equitable objectives in relation with Cohesion Policy, as well as its feasibility in linkage with programming. The results of this Task Force should be discussed at the next Ministerial meeting in spring 2011, under Hungarian Presidency, before presentation of legislative proposals by the Commission.
22. These elements have an important role in the political discussion relating to the strategic nature of the Cohesion Policy and its contribution to the accomplishment of Europe 2020 Strategy objectives.

The Cohesion Policy Ministers wish to continue this debate within the formal framework of the Council.