

# EUROPEAN COHESION POLICY: CHALLENGES, DILEMMAS AND SOME OPTIONS FOR ITS FUTURE DESIGN

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## European Cohesion Policy: challenges, dilemmas and some options for its future design.

The aim of this article is twofold. First, to discuss some of the key challenges for the future design of EU Cohesion Policy and to propose several possible options for enhancing the effectiveness of this policy, in particular, how to streamline the delivery system of cohesion policy in the future. Nevertheless, the argument that a large portion of bureaucracy is of “national origin”, and is not required by EU Regulations, is presented. Therefore, a proposal to set up dedicated national task forces for simplifying the delivery system itself, as used within the current programming period has been forwarded. The second aim is to contribute to the debate concerning key points of the Barca Report, as this document appears to be a milestone in the debate on the future design of EU Cohesion Policy. The article argues that in spite of some weaknesses the Report offers valuable proposals concerning the future design of EU Cohesion Policy.

**Key words:** Barca Report, Cohesion fund and Lisbon Strategy, new challenges, transition regions, simplification of the delivery system

## INTRODUCTION – KEY CHALLENGES FOR THE FUTURE COHESION POLICY

Currently, relatively broad agreement exists concerning the need for and merits of the EU Cohesion Policy, both for convergence among European regions as well as competitiveness<sup>1</sup> (Blažek 2009a). In addition, the EU Cohesion Policy promotes sharing of best practices in support of regional development, enhances the quality of the institutional system and encourages policy innovation (Barca 2009). Clearly, EU Cohesion Policy also supports various forms of mutual cooperation among actors, not only within the particular EU countries, but also among actors from different countries. In so doing, cohesion policy supports one of the cornerstones of the European project, namely decreasing the tension of the European continent fragmented into a large number of primarily nation-states (which resulted in two dreadful conflicts in the 20<sup>th</sup> century alone) by supporting mutual cooperation and strengthening common identity and solidarity. From this vantage point, interregional and cross-border cooperation, especially, represent a visible symbol of the practical meaning of “closer union” (Samecki 2009). Moreover, the concentration of economic activities and production factors in too few areas seems to be incompatible with the concept of a social market economy (Wostner 2008a).

<sup>1</sup> The first part of this paper is based on an article published in Czech in *Urbanismus a územní rozvoj* (No. 5, 2009) “Evoluce nebo revoluce? Několik návrhů pro budoucí podobu politiky soudržnosti po r. 2013”.

However, there is broad consensus regarding the notion that the cohesion policy should function (much) better and that (fundamental) reform is needed (e.g. Commission of the European Communities 2008). As a result, issues are being raised in current debates at many levels – from discussions of the strategic focus of this policy and its relationship with other policies through appropriate territorial coverage to an array of implementation issues (Blažek 2009b). Nevertheless, ideally, discussions on strategy should come first and debates on budget and technicalities should follow. From a procedural standpoint, this is hardly realistic in practice. Consequently, issues from many different spheres are discussed simultaneously, only adding to the overall complexity presented by the interests of various lobbies, ranging from member state governments to the international, national and regional associations of various stakeholders or individual actors.

Currently, a surprisingly large body of documents and opinions, expressed at various gatherings, such as the high-level conferences in Maribor (2008), Prague and Mariánské Lázně (both in 2009), dealing with the future of cohesion policy, exists. Nevertheless, only a few such documents seem to be of major importance. The first of these is the Fifth Progress Report on Economic and Social Cohesion (Commission of the European Communities 2008), which summarizes the results of a public consultation launched by the EC, back in September 2007, which tried to distil those principles and proposals that seem to be generally acceptable and to identify key issues for further discussion. These open issues include questions, such as whether the EU Cohesion Policy should cover all European regions or only those that are lagging behind, how should the cohesion policy address “new challenges” like globalization, demographic ageing, the energy supply, climate change, etc.

The fact that such an intensive discussion about the post-2013 cohesion policy is already proceeding could be surprising, since a new programming period started relatively recently. However, given the prominent position of cohesion policy among EU policies (it accounts for more than 1/3 of the EU budget), it is not so surprising. Most often, the debate about future cohesion policy revolves around the following issues: Should cohesion policy focus on key priorities (if so, which priorities?) or should the current wide thematic coverage of the policy continue? Should “New Challenges” be integrated into the cohesion policy (CP)? How can synergy between cohesion policy on the one hand and sectoral policies, with important regional impacts at EU and national levels on the other hand, be achieved? Should all EU regions be supported, or only those regions that are lagging behind? Naturally, dozens of “technical” questions, such as the eligibility criteria for regions subject to support from the Convergence Objective (currently GDP), also exist. Likewise, while there is general consensus concerning the need for a simplification of delivery procedures; concrete proposals have been, so far, infrequent. Inevitably, all these issues are set within the much broader context of a quickly changing (and moving) world, with new economic powers emerging in Asia (see e.g. The World Bank 2009) and profound changes occurring in terms of economic structure and associated with delocalization. Such changes are becoming a reality, not only within the EU15, but also in the new Member States (Ženka 2008 and Matlovič et al. 2009). Moreover,

even future membership in the EU remains unclear as do future political priorities, the degree of EU-level competence, and spending in different policy areas (Bachtler et al. 2007). Finally, the global economic crisis, which erupted in 2008, has recently provided an urgent need to reconsider the overall strategic vision of the EU, within a global context.

Consequently, this article initially discusses several key dilemmas facing the future EU Cohesion Policy and proposes some possible solutions. After that, the article examines the views of member state (MS) representatives regarding certain key issues, as declared at the ministerial meeting in Mariánské Lázně in April 2009 (MRD 2009a), to illustrate the broad spectrum of existing opinions. Third, special attention is given to a discussion of possible simplification of the delivery system, as this seems to be the Achilles heel of the cohesion policy. Finally, the article reviews the key proposals of the Barca Report, as this report seems to be the most influential of all studies so far conducted on the proposed design of cohesion policy subsequent to the end of the current programming period in 2013.

## DILEMMAS CONCERNING THE FUTURE DESIGN OF EU COHESION POLICY

Should cohesion policy be an instrument for addressing the “new challenges”?

Let us begin with the question of whether the so-called “new challenges” (particularly globalization, but also including demographic ageing, energy problems, climate change, and even migration and security issues) should be integrated into CP. First, questions arise as to whether or not these new challenges really represent the common interest of Member States and whether a clear added value would result from solving such issues at the European level. The nature of a number of these challenges, as well as the current global, economic crisis, seems to support the argument that this really is the case, although a broad range of opinions exist, some of which stress that none of these challenges are actually new (see MRD 2009b). If so (although this remains uncertain), then it is necessary to evaluate whether the establishment of a new policy to respond to these “new challenges” is realistic and desirable. So far, this does not seem to be the case. The other possibility is to incorporate (some) of the new challenges into cohesion policy. In this context, it is beneficial to make reference to the relevant conclusion of public debate, as summarized in the Fifth Progress Report on Economic and Social Cohesion (Commission of the European Communities 2008): “While it is widely admitted that cohesion policy should also address such challenges, most of the contributions point out that cohesion policy cannot be the only instrument, not even the principal one.” (EC 2008, p. 6). This conclusion is rather ambiguous. If the new challenges are to be integrated into cohesion policy, at least two points must be stressed. First, incorporation of the new challenges would lead to further weakening of cohesion policy goals; second, if any significant financial allocation, within this policy, were made to confront the “new challenges”, a justifiable demand could be raised that such expenditures should not be at the expense of support for the traditional core of cohesion policy, which focuses on infrastructure, the development of human resources and support for entrepreneurship (Blažek 2009b).

Should cohesion policy cover all European regions or only those that are lagging behind?

The question of whether future cohesion policy should cover all European regions or only some regions is a politically very sensitive issue. There are, essentially, two primary options. The first possibility is the preservation of the current *status quo*, wherein all EU regions are supported, albeit with significantly differing intensity, depending on their level of socio-economic development. The second option is the strict application of the concentration principle, namely to concentrate support from EU sources only on regions that are lagging behind. Both of these alternatives have their merits and drawbacks. The current system is more politically attainable (every region gets at least some funding) and it aids in the spreading of best practices, mutual collaboration, etc. (for more see Blažek and Macešková 2010a).

However, the limited volume of resources given to (highly) developed regions is a drawback, restricting the possibility of achieving noticeable results. Criticism may also arise from developed states/regions concerning the recycling of their money and returns, which are based upon demanding administrative procedures. Another apparent drawback is that resources allocated under the Competitiveness Objective are subtracted from the amount available for Convergence, the fundamental and high-priority objective of cohesion policy. Thus, support for the "Competitiveness" Objective is far from being unambiguous, as it is also described in the Fifth Progress Report on Economic and Social Cohesion (Commission of the European Communities 2008).

Should the "big slump" in the level of support after a region exceeds the 75% threshold be eliminated?

Another frequently discussed problem is the significant slump in the level of support, which occurs, once the critical threshold for a region's eligibility for the Convergence Objective has been achieved (i.e. 75% of the EU average GDP per capita). A provision for "medium level support" (i.e. less than under the Convergence Objective but more than under the Competitiveness Objective) for those regions whose GDP per capita is higher than 75% but lower than the EU average could be another possible solution to this sudden slump in the level of support, upon achievement of the 75% threshold (Blažek 2009b) (see also the paragraph on transition regions in the Barca Report below). A certain precursor for such a medium level support is the current phasing-out system that is granted to the regions which would have been eligible for the Convergence Objective if the threshold had stayed at 75% of the GDP average of the EU at 15 and not at 25 member states in order to off-set the so called "statistical effect". A similar, but smaller amount of money had been allocated to phasing-in regions, meaning those that were in the programming period 2000-2006 eligible for Objective 1, but their GDP is higher than 75% of the EU 15 average.

## Should the Cohesion Fund support the infrastructure for research and development of national/European significance?

In line with the vision of a globally competitive Europe, the question emerges whether to make it possible to finance any infrastructure of state-wide significance from the Cohesion Fund (CF), that is not only transport and environmental, but also scientific and research infrastructure. This step would allow focused investments to qualitatively enhance European scientific and research infrastructure to the level required for the 21<sup>st</sup> century. Such modernization of the Cohesion Fund's orientation would also eliminate the undesirable situation, which exists in some cohesion countries, in which large scientific and research projects are intentionally located just beyond the borders of a competitiveness region and inside a convergence region, because the level of support from the Structural Funds in the Competitiveness Objective is considerably lower than support provided within the framework of the Convergence Objective, and as yet it has been impossible to finance these projects from the Cohesion Fund (Blažek 2009b). The Cohesion Fund is currently applicable to member states with a Gross National Income of less than 90% of the EU average.

The "pulling out" of potentially top scientific and research activities from metropolitan cities into greenfield localities in their hinterlands also has a significant urban dimension with many negative effects on the cities themselves (increased traffic and urban sprawl, which contrast with empty brownfield sites in inner cities). This issue is likely to become even more timely and critical, during the next programming period, as it can be assumed that, in many cohesion countries, the most developed regions will not be eligible for support under the Convergence Objective. At the same time, the most developed regions in cohesion countries have the greatest potential to decrease the vast deficiencies, which exist in comparison with world and European cutting edge R&D, and to operate as a gateway in creating and spreading innovation for their respective countries (Blažek 2009b).

## (UNOFFICIAL) OPINIONS OF MEMBER STATES ON CERTAIN KEY ISSUES

In this context, it is interesting to examine whether or not something of a consensus is emerging among member states (MSs), regarding the future design of cohesion policy (see Tab. 1). Tab. 1 shows a surprisingly wide range of opinion among MSs, demonstrating how difficult it is to achieve any reasonable consensus. In addition, the fact that these opinions were expressed by ministers directly overseeing cohesion policy who are all more or less sympathetic to this policy (perhaps in contrast to some of their governmental colleagues), should be noted. Also noteworthy is the fact that the ministerial meeting in Mariánské Lázně (from which table 1 was prepared) was held previous to the Barca Report being published. Consequently, the current situation could be different, as the report seemed to be quite influential, at least during the greater part of 2009. On the other hand, the Barca Report revealed a new set of issues and so it appears as though the consensus regarding the future architecture of cohesion policy is still far from reality.



**Tab. 1. Unofficial opinions of MSs on certain key issues concerning cohesion policy**

Country	Support to all EU regions	Integration of new challenges into CP	Transitional support for regions above 75%	More focus on key priorities	Bigger coherence among the Funds
BE	YES	YES		YES	
DK				YES	YES
EE		YES			YES
FI	YES				YES
IE			YES	YES	
IT	YES			YES	
CY	YES		YES	YES	YES
LT				YES	YES
LV	NO			YES	YES
HU	YES		YES	YES	
MT				YES	
DE		NO	YES		
NL		NO			
PL	YES				
PT					YES
AT	YES				
EL		YES			
SK	YES	YES			YES
SL		NO	YES	YES	
UK	Rather NO	Rather NO			
ES			YES		
SE	NO	Rather YES			

Note: based on presentations of ministers responsible for regional development, during their informal meeting in Mariánské Lázně, in April 2009. Some countries are missing from the table due to the fact that their representatives did not explicitly address these issues in Mariánské Lázně.

## IS A STREAMLINED DELIVERY SYSTEM POSSIBLE?

There is a huge gap between the strategic vision of the EU cohesion policy and the form in which it is delivered on the ground. The need to simplify the management and implementation systems and administrative complexities is apparent, at least, on the following three levels:

- relationships between the EC and the Member States,
- the management and implementation systems of the MSs,
- the project level – that is the framework of the entire project cycle.

Wostner (2008a), for instance, identifies ten verifying or controlling steps, every expenditure is subject to and on the basis of his previous study. He estimates that administration costs consume up to 15% of the Structural Funds. In addition, this discovery can be contrasted with the findings of the Court of Auditors, relating to the year 2008, that at least 11% of the total amount reimbursed to cohesion policy projects should not have been reimbursed (Court of Auditors 2009). Wostner (2008b) argues that the main reason for such a high rate of irregularities is the incomprehensible body of rules, which discourages the project holder from investing time in monitoring all of the (changing) rules, and further that the fundamental barrier to simplification is the uncertainty, resulting from a multi-level governance structure. In other words, cohesion policy consists of a built-in “play-it-safe” mechanism (Wostner 2008b). This observation concerning the key role of uncertainty was also confirmed by the discussion in a seminar of representatives of the Czech Managing Authorities, held in August 2009 in Prague, in which delegates argued that actors at all levels (i.e. grant holders, intermediate bodies, managing authorities and even the paying and certifying authority) are uncertain as to how particular cases will be interpreted from “above”. Consequently, the allocation of EU resources is much more costly than that of national resources (Wostner 2008b). In addition, the cumbersome management and implementation systems also slow the overall pace of implementation, prolonging especially the project cycle. As these examples illustrate, problems concerning the simplification of administrative procedures are particularly pressing, a reality which contrasts sharply with the lack of proposed solutions (a recent positive example of such change comes from an option set forth in a relevant regulation to broadly apply flat rates for indirect costs at the project level). The inherent difficulty in simplifying implementation and administration is naturally linked to the need to respect principles of transparency and to ensure or even increase the efficiency, with which these European resources are used.

Nevertheless, the Estonian suggestion to shift financial control at the project level to control over outcomes/results instead, for instance, represents a noticeable proposal. According to this proposal, projects that succeed in delivering the outcomes and results, which were set forth in contracts, would not be examined in terms of eligibility of expenditures (Government of Estonia 2008). This would allow for a shift in attention to take place, during the contracting period, from formal issues to discussion over the results to be achieved. However, this approach is also not problem-free, as demonstrated by recent discussions (Wostner 2008b and Barca 2009), and yet it remains suitable, at least, for those

types of projects, concerning which a fair price of the outcomes might be robustly estimated ex-ante.

Experience accumulated up to the present time, at least in some intermediate bodies, also shows that it is possible, in a growing number of intervention sectors, to define minimum qualitative standards for projects. As a result, on-going open calls for projects could be used on a larger scale in place of periodic calls. The wait for a project call would be reduced and the burden placed on intermediate bodies would be more consistent throughout the year, in comparison to periodic calls for proposals. Periodic calls for proposals also distort the market for grant management and consulting, as high demand for these services, during a period when a particular call is open, leads to higher prices (for more, see Blažek and Macešková 2009). Experience also demonstrates that a smaller number of broader operational programmes (OP) can reduce the problem of project applicant orientation, while, at the same time, limiting the diversity of management and implementation structures and decreasing the fragmentation of the overall management and implementation system. Thus, it appears that a smaller number of operational programmes would be an advantage, even in spite of the potential drawbacks resulting from greater internal heterogeneity, within a broader OP framework (Blažek and Macešková 2009). It is also clear that the potential of e-government to simplify the delivery system is far from being fully exploited. Certificates from various state authorities, for example, are still required from grant applicants instead of automatic controls, performed through relevant databases, operated by public sector bodies.

Moreover, Wostner (2008b) recently formulated a number of other interesting proposals for enhancing the micro-efficiency of EU cohesion policy, resolutely claiming that the delivery mechanism and effectiveness of cohesion policy are linked. In the light of large differences in staffing requirements for different funds, he suggests the re-orientation of cohesion policy to focus on projects that are easier to implement, which means favouring Cohesion Fund-type projects. His second and much more radical suggestion is to transfer full responsibility for legality, efficiency and effectiveness to MSs (or even regions), in which the EC acknowledges the existence of national financial management and control systems that meet the required standards. In order to satisfy the accountability criterion, Wostner proposes lowering the rate of EU co-financing (for instance, to 50%).

Lowering the rate of EU-cofinancing (however unpopular this might be among the Member States as well among the final beneficiaries) would also eliminate an inefficiency problem, which is, in the Czech Republic, neatly referred to as “golden canals/pavements”. This expression describes a situation, in which there is a complete lack of incentive to economize the costs of a projects, due to the fact that a decisive portion of the expenditure is covered by an external source. A municipality, for example, might have a low incentive to monitor whether or not the parameters of prepared projects exceed actual community needs.

Even if all of these proposals are accepted, certain built-in inefficiencies will remain in the overall system. An example of an overlooked opportunity to streamline the management and monitoring system could be cited in the fact



that each MS developed its own computerized monitoring system for structural operations, while a single monitoring system for the entire EU would ensure compatibility, better performance comparability and – last but not least – would cut administrative costs for the design and operation of such systems.

Finally, the fact that simplification aims not only at easing the position of grant recipients and administrative staff, but, especially, at making it possible for the implementation and management authorities to shift the focus from administrative/legal issues towards issues of substance, that is towards the rationale and focus of the overall strategy, towards the effectiveness and efficiency of particular programmes, measures and projects.

### SOME REFLECTIONS ON THE BARCA REPORT (AN AGENDA FOR A REFORMED COHESION POLICY)

Nevertheless, for most of 2009, a report drafted by F. Barca (2009) was considered to be something of a milestone document. The report was prepared in response to a direct request from D. Hübner, the former Commissioner responsible for regional policy, on the basis of extensive consultation and a set of detailed analytical studies. It examines relevant issues, ranging from methodological and evaluation issues, to the role of institutions in regional development, to empirical studies concerning convergence between European regions. The report represents a radical departure from several of the fundamental principles, upon which current cohesion policy is based.

To begin with, the very rationale for pursuing cohesion policy at the EU level is conceptualized, in the Barca Report, in sharp contrast to traditional arguments in favour of EU cohesion policy, which, according to W. Molle (2006 and 2007), can be summarized into the following points:

1) Moderation of the impacts of economic integration, which on the one hand, allows for higher specialization and higher overall efficiency by strengthening competition, but, on the other hand, incurs immediate adjustments costs while the benefits may take a longer time to materialize. This could be particularly relevant for weaker subjects (esp. actors in old industrial and/or lagging regions),

2) compensation for the regional impacts of the Common Agricultural Policy and of the EU R&D policy, which primarily favour more developed European regions,

3) the need to ensure a fair and coherent approach towards the provision of public support to private firms,

4) Establishment of the Economic and Monetary Union, which limits the possibilities available to Member State governments and central banks to play a role in monetary policy. Specifically, the EMU helps to increase the allocational efficiency, but limits opportunities for national, macroeconomic policies to manage distribution problems (Molle 2007). In addition, the EMU could scarcely operate in a situation, in which the EU would move away from rather than towards what Mundell defines as an optimum currency area (Mundell 1961); hence, the stress on convergence between EU regions.

In contrast, Barca argues that the key role of the EU cohesion policy is to provide EU citizens with evidence that the EU cares about their problems (Barca 2009). Despite this somewhat radical departure from the well-established arguments in favour of the EU cohesion policy, it should be stressed that the report is comprehensive, ambitious, quite detailed in most respects, and has been prepared at an appropriate time, namely well before a new EU programming period is set to begin (2014).

In spite of the complexity of Barca's proposal, a brief summary of the main principles of the proposed reform can be made<sup>2</sup>. As mentioned above, the primary rationale and, as such, the focus of EU cohesion policy should be the provision of evidence to EU citizens that the EU addresses their problems, by enabling them to benefit from the economic gains of unification and by promoting equal access to any opportunities created. Therefore, Barca develops a "place-based development model", which would consist of territorially targeted intervention, based on local knowledge, with emphasis placed on the verifiability of achieved results. In Barca's words, "place-based policy is a long term strategy aimed at tackling persistent underutilization of potential and reducing persistent social exclusion in specific places through external intervention and multilevel governance" (Barca 2009, p. VII). However, Barca is not sufficiently specific in defining what type (level) of "places" he has in mind. He only indicates that places would be "defined through the policy process from a functional perspective as regions in which a set of conditions conducive to development apply more than they do in larger or smaller areas" (Barca 2009, p. XI). Thus "places" would not be the same as existing administrative structures, which only adds to the overall ambiguity of this concept.

Barca's second key proposal calls for the concentration of resources on a few key issues, which are significant for the EU and its people and which address both, efficiency and the social inclusion objective. Specifically, Barca proposes the allocation of up to 2/3 of cohesion funding for a narrow set of priorities (ideally 3 or 4) that would be defined uniformly across the entire EU, in order to achieve critical mass, to attract public and political attention and to concentrate the human resources needed for the effective design and delivery of relevant measures. As potential "core priorities", Barca proposes innovation, climate change, migration, children, skills and ageing. This idea has proven to be highly controversial for member state representatives, who argue that narrow and specific core priorities, defined at the EU level and applicable to all countries and regions are not feasible (see DG REGIO 2009). In addition, roughly half of these proposed core priorities would, in fact, represent new areas of Structural Funds intervention, thus extending the current list of EU cohesion policy priorities, which is even now criticized for being too long (see, for example, Tarschys 2008). Nevertheless, there seems to be general agreement that thematic concentration is needed, but that it should be decided at the member state level.

<sup>2</sup> The section on Barca's report is based mostly on the discussion at the seminar held in Brussels in June 2009 which was devoted to this Report. The author participated in this seminar as an external expert in one of the four working groups (see also DG REGIO 2009).

Another key proposal of the report is that the current programming documents should be turned into contracts, in order to place far greater emphasis on the results of planned intervention. Therefore, the report proposes a new contractual relationship between the Commission and each member state, which shall focus on core priorities and a set of targets to be achieved. As Barca argues, "Both types of contracts (NSRR and OPs) generally fail to specify clear objectives and targets, which tend to be relegated to the later stages of the programme approval process ..." (Barca 2009, p. 162). Therefore, emphasis on the quantification of targets is not a brand new concept, because current programming documents should also be result-oriented (see also Manzella and Mendez 2009). However, the main problem, concerning Barca's proposal, is its problematic implementation in practice. First, there are a number of methodological problems; for example, how to set ambitious and, at the same time, reasonable targets or how to select indicators which would allow verification of performance. In addition, the contribution of factors other than cohesion policy to results is also evident (for example, in the light of probable changes in economic situation, during the 7 year span of the programming period; consider, for instance, the huge impacts of the current global economic crisis on principal socioeconomic indicators). The time-lag for the availability of relevant data is also problematic. Clearly, there is no sound basis, at present, on which a rigorous quantification of targets could be based. Therefore, it comes as no surprise that Barca's proposal to impose sanctions against MSs, failing to deliver the targets specified in contracts, was met with a high degree of scepticism (DG REGIO 2009). On the other hand, the proposed shift in focus, concerning both the drafting teams of the programming documents/contracts and negotiations on these contracts between MSs and the Commission, away from formal issues towards a discussion of results that should be achieved was, for the most part, welcomed.

In this context, Barca also calls for concentrated effort to design a set of high-quality indicators, because, at present, "both the quality of the indicators and the meaningfulness of the targets are so doubtful that no summary statistics can be derived" (Barca 2009, p. 163). Nevertheless, despite the fact that the current indicator system is very weak, there is no easy solution, as the experience of the current 27 EU countries attest. Moreover, one can easily see a conflict between the proposed place-based model, which does not correspond to existing regional divisions or with the requirements for statistical indicators in setting the quantified targets as well as in the evaluation of intervention impacts.

The third key proposal of the report, which describes the contract negotiation procedure in detail, is closely related. Specifically, Barca proposes focusing contract negotiations on the selection of core priorities, to which a large portion of resources (up to 2/3) should be allocated, and on objectives and quantified targets, for both core and non-core priorities, with a clear-cut distinction between efficiency and social inclusion. In accordance with the place-based development model, the report suggests the increased mobilization of local actors along with greater EU-wide political oversight. Unfortunately, the report outlines a complicated and lengthy negotiation process for these new programming documents ("contracts"), even adding new phases /documents, such as the proposed obligation for each MS to prepare a "National strategic assessment of re-

gional/territorial/place-based/spatial development challenges and policies at the domestic level". Moreover, the report grants the European Commission a large amount of leeway in determining whether submitted documents and arguments are sufficiently convincing or not. In such cases, the Commission could launch an independent, *ex ante* evaluation of all or part of a contract with the intent of (re)assessing the proposed deployment of funding. On the other hand, proposed changes in the content of National Strategic Development Contracts, such as the preferential treatment of core priorities, objectives and targets and the manner, in which such goals are expected to be achieved, in terms of actions, institutions and methods seems to be widely acceptable. Nevertheless, practical problems can be expected, in the case of Operational Programmes (OPs), which should, *inter alia*, specify the primary criteria for the allocation of funding to places/regions and the main types of intervention, with an emphasis on their place-based nature, which would not only require detailed analyses but which would also turn OPs into highly prescriptive documents.

The last point of the report, which should be at least briefly discussed, is the role of the Commission (not necessarily limited to the role of DG REGIO only) and of political debate at national and EU levels. First, in Barca's view, a high-level inter-service group chaired by the Secretary General should be established to coordinate the design and implementation of policies run by the various DGs. Second, a set of changes is proposed directly for the operation of DG REGIO. To start with, the Commission would be established as the centre of competence. The report also suggests strengthening DG REGIO's internal coordination in establishing priorities and ensuring the coherence of relevant interventions, *inter alia*, by appointing a task force for each of the core priorities. Likewise, enhancement of the evaluation capacity is necessary if cohesion policy reform is to be implemented. Specifically, the evaluation department should be upgraded, so as to be capable of providing member states with a think-tank focusing on impact evaluation (Barca 2009).

In addition, Barca calls for the promotion of public debate at all levels concerning targets and progress, as the present EU-wide political debate on cohesion policy appears wholly inadequate (Barca 2009). Such debate should be stimulated by the Commission's publication of a multi-lingual, annual "*Indicators and targets survey*", and (from the third year on) and annual "*scoreboard of progress*" to allow some basic ranking of member states (regions) in meeting targets (Barca 2009). Moreover, the report proposes the creation of a formal Council for Cohesion Policy, composed of national ministers, which will bear responsibility for cohesion policy (possibly more than one minister from certain MSs). This council would be charged with politically assessing the National Strategic Development Contracts, once they have been approved by the Commission; debating the progress shown by the indicators and targets survey; assessing the content of the strategic report on results; etc. These proposals were generally met with criticism, as MSs expressed their opinion that the Commission already has too many auditors, who wield too much power. MSs also generally refuse to support any naming and shaming approaches (DG REGIO 2009). According to discussion at the seminar, which was summarized in this DG REGIO document, the Commission should move



away from an audit-driven approach to supervising Structural Funds programmes and move towards evaluation, advice and the exchange of best practices.

Nevertheless, MS representatives were in favour of a gradual reinforcement of the political discussion on cohesion policy, starting at a more technical level, such as the high-level political group of Director Generals responsible for cohesion policy. The main arguments against a specified Cohesion Council included the fact that a council is a decision making body and not an extended committee to discuss issues related to cohesion policy implementation in particular MSs (DG REGIO 2009). Preferably, such a high-level group should focus on discussion of thematic and cross-cutting issues.

In addition to these broader issues, Barca also proposed a set of technical or other changes to cohesion policy, most of which were welcomed. First, participants in the seminar (DG REGIO 2009) agreed that cohesion policy should support all regions of the EU. They also supported the concept of establishing a category for transition regions, namely regions with GDP between 75% and 90% or 100% of the EU average. This concept would eliminate the currently existing slump in the volume of support that occurs when a particular region exceeds the 75% limit. The proposal to apply the decommitment N+2(3) rule at the level of entire Member States, and not at the level of individual OPs as the present rule dictates, also gained broad support. Likewise, several countries supported the idea, formulated during debate over the Barca Report, that the complicated procedure of *ex ante* verification of additionality could be scrapped if the rate of national co-financing were increased from the current 15% to, for instance, 25% to 30%. Finally, participants reached a general consensus that the regional impacts of sectoral policies are of key relevance for regional development and, consequently, that these policies should be closely harmonized as a means of eliminating possible conflicts between them (for more on the regional impacts of the sectoral policies and regarding options for their harmonization, for example, through territorial impact assessment (TIA), see, e.g. Blažek and Macešková 2010a and 2010b).

Thus, despite Barca's pleas that his report not be perceived as a menu from which certain items might be freely selected, but rather as a single comprehensive and integrative package of reforms; it is clear, that while the general direction of the proposed reform strategy is generally welcomed, it is unlikely (or rather impossible) that the Barca Report will be adopted as it stands. First, great variety exists among the 27 MSs, in terms of expectations connected with the future design of cohesion policy, without even considering other important stakeholders. Second, the Barca Report was prepared in response to a direct request from the former commissioner responsible for cohesion policy (D. Hübner). While this fact supported the strength of the report, while she was in office, after her resignation this advantage could easily turn into a disadvantage. Even in a best case scenario, the position of the new DG REGIO Commissioner, who should replace temporary Commissioner P. Samecki in early 2010, regarding the proposals presented in the Barca Report, is unknown.



## CONCLUSIONS

The aim of this article was twofold. First, to discuss some of the key challenges for the future design of EU cohesion policy and to propose some possible options concerning how to enhance the effectiveness of this policy and, especially, how to streamline cohesion policy's delivery system in the future. The second aim was to contribute to debate concerning key points of the Barca Report, as this report appears to be a milestone document in the debate over the future design of EU cohesion policy. While it is true that the origin of the Barca Report was closely linked to the former commissioner, it would be a mistake to turn this fact into an argument for its repudiation. Nevertheless, at least two fundamental weaknesses of the Barca Report are now clear. First, Barca falls far short of the ideal, in terms of urgently needed simplification of the delivery system. Second, in several spheres, such as the programming process for example, Barca proposes a procedure that would be even more complicated than the present system.

Along with the concentration of cohesion policy on a few key priorities, future discussions can be expected to focus on seeking and implementing appropriate relationships between EU cohesion policy and other policies, both at EU and national levels, in order to achieve synergetic effects. It is surprising in this context that questions, concerning the relationship between EU cohesion policy and national regional policies, seem to be absent. However, I believe that the key priority for the next generation of European cohesion policy will be to bridge the vast gap between the grand strategic visions of this policy and the excessive bureaucracy of its delivery system. Therefore, several options for simplifying the delivery system were proposed and/or discussed. The most relevant of these include a shift from formal project monitoring to monitoring of the delivery of outcomes, as stated in project contracts (the Estonian proposal). In addition, on-going open calls for projects seem to work better than periodic calls. This would reduce the waiting time for a project call and the workload for intermediate bodies would be more evenly spread throughout the year. Likewise, the consulting market would not be distorted by sharp peaks in demand for services, when project calls are open. Wostner provides two more options, which have been discussed above. The first is the re-orientation of cohesion policy to projects, which are easier to implement, specifically, in favour of Cohesion Fund-type projects (Wostner 2008b). Wostner's second suggestion is more radical. It proposes transferring full responsibility for legality, efficiency and effectiveness to those MSs, in which the EC acknowledges that national financial management and monitoring systems meet the required standards, in exchange for decreasing the rate of EU co-financing. However, it would be a mistake to disregard the well-known Estonian proposal suggesting that when the delivery of the project's planned output(s) has been confirmed, reimbursement should take place on the basis of the achievement of agreed outputs, instead of the proof of costs. Therefore, in the case of these projects, there would not be a need to audit the actual costs of the project. Recent discussion with some policy-makers suggests that this model might work well at least in some spheres (see e.g. Sventek 2010).

Nevertheless, my personal experience, gained through implementation of an ERDF-funded project, for which I was responsible, as well as through preparation of the ex-post evaluation of the management and implementation system for cohesion policy in the Czech Republic for the 2004-2006 period (Blažek and Macešková 2009), indicates that a lot of bureaucracy is of “national origin”, and is not required by EU Regulations. Commissioner Samecki recently confirmed this trend, stating that “many of the complaints we receive from potential project partners about complicated delivery systems turn out to be related to rules imposed by national and regional managing bodies, not by the Commission” (Samecki 2009, p.4).

Consequently, I believe we should start by establishing committed national task forces for simplifying the very procedures for project applicants and project holders, even during the current programming period. If we do not take such action, not only project applicants, but also the general public will consider such failure to act as further proof that *the EU* (not the particular member state!) is an excessively bureaucratic body, far removed from the needs and interests of common citizens. Moreover, simpler procedures will only enhance the efficiency, transparency and even the absorption capacity of cohesion policy. Consequently, I believe that the strategic orientation of cohesion policy calls for further evolution, while its delivery system is in need of radical change, even revolution.

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## EURÓPSKA POLITIKA SÚDRŽNOSTI – VÝZVY, DILEMY A ICH MOŽNÁ BUDÚCA PODOBA

Príspevok má dva hlavné ciele. Prvým je diskusia o hlavných výzvach, na ktoré by mala politika súdržnosti EÚ v budúcom programovom období reagovať. V prvej časti príspevku je preto navrhnutých niekoľko konkrétnych možností riešenia niektorých problémov sprevádzajúcich realizáciu súčasnej generácie tejto európskej politiky. Konkrétne autor navrhuje rozšíriť pôsobenie Fondu súdržnosti i na vedecko-technickú infraštruktúru európskeho, prípadne národného významu, aby sa eliminovala súčasná situácia, keď sa tieto veľké projekty nemôžu pre obmedzenú podporu v rámci cieľa konkurencieschopnosť realizovať v hlavných mestách, ktoré majú z hľadiska výskumu a vývoja najväčší potenciál. Namiesto toho sa v niektorých krajinách veľké vedecko-výskumné projekty realizujú tesne za ich hranicami, čo sprevádza celý rad environmentálne nepriaznivých javov (záber pôdy, nárast dopravy a pod.). Ďalším návrhom je poskytnutie prechodnej stredne intenzívnej formy podpory regiónom, ktoré prekročia hranicu 75 % HDP EÚ, ale ich HDP bude nižší než priemer EÚ. Týmto opatrením by sa eliminoval prudký skok („volný pád“) v intenzite podpory, ku ktorej dochádza pri regiónoch, ktoré prekročia kritickú hranicu 75 %. Autor ďalej vyjadruje svoj skeptický názor na zahrnutie tzv. nových výziev medzi aktivity podporované v rámci politiky súdržnosti, pretože by tak došlo k ďalšiemu rozdrobeniu strategických cieľov tejto politiky. Ďalej článok analyzuje postoj jednotlivých členských štátov ku kľúčovým výzvam, ktoré sa týkajú koncepcie budúcej podoby politiky súdržnosti (tab. 1).

Druhým cieľom je diskusia o Barcovej správe, ktorá je dosiaľ zrejme najucelenejším návrhom na hlbokú reformu politiky súdržnosti. Barcova správa však prakticky nerieši otázku zjednodušenia, naopak, v niektorých prípadoch navrhuje výrazné skomplikovanie (napr. pri programovacom procese). Väčšina štátov však túto správu víta ako (vo väčšine prípadov) krok správnym smerom. Hlavnými spornými bodmi Barcovej správy je návrh na koncentráciu väčšiny zdrojov do 3 – 4 jadrových priorít stanovených pre celú EÚ. Doterajšia diskusia ukazuje, že väčšina štátov s myšlienkou koncentrácie do niekoľkých priorít súhlasí, ale s podmienkou, že ich voľba bude v kompetencii jednotlivých štátov. Ďalším sporným návrhom je premena operačných programov na programové kontakty, v ktorých by sa členský štát pod hrozbou sankcií zaviazal, že dosiahne stanovené ciele. Zatiaľ čo Barcov návrh na zameranie negociácií na diskusiu o stratégii a kvalifikovanie cieľov, ktorých dosiahnutie sa plánuje, väčšina štátov víta, v praxi ide o ťažko realizovateľný návrh, pretože neexistuje metodika pre ambiciózne, ale pritom reálne stanovenie cieľov. Naviac sociálno-ekonomický kontext sa – ako ukazuje súčasná kríza – môže v priebehu programového obdobia výrazne zmeniť.

V závere príspevok zhrňuje základné varianty potrebného razantného zjednodušenia administratívy spojenej s realizáciou projektov spolufinancovaných z tejto politiky a prihovára sa za otvorenú diskusiu o estónskom návrhu, ktorý odporúča pri projektoch, ktoré dosiahnu vopred stanovené ciele, nekontrolovať akceptáciu jednotlivých položiek.