

Non Paper

A differentiated approach for Cohesion Policy post 2020

This Non Paper has been drafted in order to trigger the debate on differentiation of the intervention logic of EU Cohesion policies and is not an official Austrian government position. It echoes the concerns of many stakeholders of this policy arguing strongly for a fundamental change of post 2020 cohesion policy if it were to continue its distinct regional mission and as a policy covering all Member States in the future.

An ambitious but ambiguous reform 2014-2020

The last reform of Cohesion policy 2014-2020 has reaffirmed the importance of Cohesion policy in reducing long-term differences between countries and regions and its importance as an important investment arm of the EU to cope with the negative impact of the economic and financial crisis on national and regional economies.

Progress has been made on the relevance and performance of Cohesion policies with respect to strategic coherence, linkage to Europe 2020 (thematic concentration), support for European economic governance (macro-economic conditionalities), performance (results orientation, performance framework, ex ante conditionalities) and promotion of integrated territorial investment.

However, this new elements were designed as a top up on the existing regulatory framework and have led to a proliferation of different targets with considerable trade-offs for the policy's profile, its efficiency and its attractiveness for the final beneficiaries. Competing claims on the future role of Cohesion policy together with the persistence of a uniform intervention logic have resulted in increasing complexity and disproportionate administrative costs without precedent. And this is widely seen as to threaten the future of the policy. It has become increasingly difficult to defend this policy design specifically because of

- the EU wide delay in implementing timely the policy and to show results due to the new or strengthened requirements (strategic coordination, annual accounts; designation and reporting, conditionalities, performance framework, e-cohesion, etc.)
- loss of confidence in the policy at local and regional levels (traditionally the strongest supporters of the policy) and fading political support;
- evidence of implementing bodies not wanting to be involved in managing the policy and beneficiaries not applying;
- inherent trade-offs between policy targets (long-/short term; growth/structural; macro/regional, innovation/regularity, etc....)
- focus of implementation on avoiding errors / administrative complexity rather than policy purpose;
- disproportionate costs of administration.

Consequent simplification of Cohesion Policy for all Member States

Against this background it is not surprising that only shortly after the release of the new regulations a EU-wide debate on further simplification of Cohesion Policy has taken rise. This has led to policy interventions of MS and respective resolutions of the Council. In this light the Commission has installed a High Level Group on simplification and put forward just recently a series of legislative proposals with valuable improvements of the legal framework for the period 2014-2020.

For a more fundamental reduction of complexity for post 2020 Cohesion Policy, however, such an incremental approach would be off target as the given complexity is deeply rooted in the policy purpose and design which has evolved through many programme periods. Consequent simplification of post 2020 Cohesion Policy would therefore require both: A review at the level of policy objectives and at the level of the intervention logic.

- As for the policy objectives: Current Cohesion policy is a hybrid between macroeconomic investment policy and place based regional policy. Objectives range from economic growth and innovation, structural and legal reforms, macroeconomic stabilisation, policy integration up to building up administrative capacity. Reflections on post 2020 policy vary between regarding Structural Funds as a mere financial pot for actual needs and priorities of the EU on the one hand and regarding them as a tool for narrowing down regional disparities by means of integrated regional investment packages on the other. Policy decisions will be needed on the future role of Cohesion Policy to overcome these target congestion and trade-offs and to end up with a clear hierarchy of realistic, limited and balanced out policy objectives.
- As for the intervention logic: The bulk of administrative requirements, procedures and manifold control layers have created a climate of fear leading to a risk-averse behaviour of the beneficiaries and within the administrations (“gold plating”) and a reluctance to launch truly innovative projects. With limited administrative capacities and public expenditure constraints the energies are distracted from policy implementation towards regularity issues. A fundamental shift is therefore needed from the focus on avoiding errors towards following the policy purpose. The limitation of objectives shall contribute to avoid the proliferation of implementing regulations, delegated acts, guidelines and similar soft law as shown by the last reform.

Beyond uniform intervention logic: the case for differentiation

A major source for complexity for many Member States is the fact that the intervention logic of Cohesion Policy is equally applied to all Member States regardless their (relative) share of funds, administrative structures, performance and track record of implementation. It is time to overcome the dogma of uniform policy design for Member States with fundamentally different framework conditions. There is an urgent need for a differentiation of the intervention logic of the Structural Funds specifically because

- the current intervention logic is designed mainly for major recipients;
- the potential influence of Cohesion policy is related to the funding available (and importance relative to domestic funding and relative to national & regional GDP).
- it ignores the fact, that there are differences in administrative structures, institutional settings and track record of implementation;
- this creates disproportionate costs of administration especially for Member States with relative limited volume of receipts and/or relative limited contribution of these receipts to domestic policies/instruments, - which is not sustainable especially at a time of public expenditure constraint;
- doubts at political level that costs of participation in Cohesion Policy outweigh benefits.

The lesson from past reforms is that the principle of proportionality, introduced by the Lisbon Treaty, has not yet been followed so as to cover these fundamental differences between Member States. In other words: the one size fits all approach has come to its end and a differentiation of the intervention logic for fundamentally different framework conditions is needed if Cohesion Policy were to continue covering all Member States.