

**THE FUTURE OF EU COHESION POLICY:
THE CHALLENGES AHEAD**

**Response from the Border, Midland and Western Regional
Assembly, Ireland
to
Commissioner Michel Barnier**

January 2003

1. Introduction

The Border, Midland and Western Regional Assembly welcomes the opportunity to take part in this important debate on the future of cohesion policy in an enlarged European Union. Having considered the discussion document circulated to the Reflection Group, we have a number of comments and suggestions to make in relation to future cohesion policy. The role of cohesion policy will be of greater importance in an enlarged Union, where the challenges to overcome economic, social and territorial imbalances will become greater than ever and there will need to be increased emphasis on inter-regional and transnational co-operation.

There are many challenges ahead and cohesion policy can become a very effective instrument for promoting more balanced regional development across Europe, both between Member States and regions. We argue in this document that in order for this to happen, there needs to be a greater role afforded to regional bodies through mechanisms such as tripartite contracts and that more regional rather than national indicators need to be considered in the planning and implementation of policies and programmes. Additionally the impact of all EU policies and policy reforms on regional cohesion policy should be assessed on an on-going basis to ensure that negative impacts are avoided.

2. Challenges of Cohesion in an Enlarged Union

Many of the challenges facing the Union of 27 Member States have been outlined both in the discussion document and in the 2nd Cohesion Report. It is clear from the projected statistics that an enlarged union will entail a doubling of income gaps between countries and regions, where eight of the candidate countries would have an income per head of around 40% of the EU 27 average. The challenge therefore is not only how to bridge the gaps between the countries of the existing and new member states, but also to maintain existing cohesion efforts among present member states and their regions to address structural, thematic and territorial issues facing regions across the whole Union.

Cross-border, transnational and interregional co-operation will become more important than ever in an enlarged Union and needs to include exchange of know-how and trade and promote the identification and dissemination of best practice.

3. Convergence and Divergence Between Regions

The discussion document refers to the remarkable degree of economic convergence that has been achieved since the 1980s. We would recognise the extent of economic convergence, particularly at the level of member states, but it is also important to recognise that concentration on national figures alone can sometimes mask inter-regional divergence. This has been the case of the two NUTS II regions in Ireland, where national figures demonstrate convergence with the average EU GDP per capita (from 70% in 1998 to 114% in 1999). If we consider the regional figures however, there is a marked regional divergence between the two regions, with the GDP per capita at 81.6% of the EU average in the BMW Region and at 123% in the S&E Region in 1999.¹

4. Issues Concerning Future of Cohesion Policy

4.1 *Cohesion policy or straight budget transfers?*

The Border, Midland and Western Regional Assembly agrees that any payments made to less prosperous countries and regions need to be within the context of a coherent regional cohesion policy and whilst a single Community approach to funding is welcomed, it is important that funding and programming take into account particular regional and national circumstances and that thematic as well as territorial approaches are employed.

4.2 *Major Goals for Cohesion?*

The BMW Regional Assembly agrees with the goal of targeting regions lagging behind post 2006, whilst maintaining sufficient focus on the regions outside the poorest regions. Whilst average GDP of the EU 15 Member States will increase relative to that of EU 27, many of the economic and structural difficulties facing those countries and regions will not disappear and still need to be targeted by cohesion policy. The case of Ireland has shown the benefits of integrating Structural Funds into coherent national policies and programmes, which can maintain healthy macro-economic conditions as well as improving regional development, expansion of infrastructure and training of the work force. Ireland has been referred to as an

¹ NDP/CSF Regional Socio-Economic Indicators, September 2002

example of ‘good practice of the first order’ in the Second Cohesion Report (2001:71) and it is an example, which accession countries could learn from when drawing up policies on the expenditure of Structural Funds.

It is important that adequate phasing out and transitional support arrangements are put in place for regions, which will lose their full eligibility for Objective 1 status and cohesion funding. Many of the current Objective 1 Regions will lose their full eligibility post 2007 due to their relative increase in GDP, arising from both improved economic performance and the poor relative performance of most of the accession countries. If their current progress is to be maintained, it is important that they receive sufficient transitional support during the next funding period. The Border Midland and Western Region of Ireland is one such region where transitional support, both thematic and territorial would be crucial in order to increase competitiveness and social inclusion and to improve infrastructure.

We recognise the need to address future regional policy for regions outside the lagging regions on both a territorial and a thematic basis. Regional bodies should be given a greater role in the future channelling of Structural Funds and the BMW Regional Assembly would welcome the opportunity to play a larger role in the planning and implementation of the next round of funding. In this regard we would propose that the management and administration of future structural funding be devolved to the regional level in Ireland with the Member States acting as a guarantor of exchequer matching resources.

The BMW Regional Assembly would welcome the suggestion of offering a selection of Community priorities based around types of area and theme that regions could adapt to their specific situation. It is important that local and regional authorities should be involved in the drawing up of such plans and policies and we would support proposals for tripartite contracts between the EU, the Member States and the regions. This would also be in keeping with the principles of proximity and subsidiarity, on which the EU is enshrined.

4.3 *The Territorial Dimension*

In relation to the territorial dimension, it would be essential that the financial criteria should be quantified on the basis of regional and not national indicators. As referred to earlier in this document, national economic indicators can often hide regional disparities and often the key features of areas with natural or geographic handicaps are based on their relative difference or separate identity to other regions within the country. This is clearly the case in the Border, Midland and Western Region, which is characterised as a predominantly rural area, with significant isolation and infrastructural deficits and a relatively poor economy in comparison to the more prosperous and densely populated Southern and Eastern Region. This applies similarly to many other regions of Europe, such as the Highlands and Islands Region of Scotland, Southern Italy and parts of Eastern Germany.

On the second question posed in relation to how the criteria should be laid down, we suggest that the criteria should be defined at Community level in conjunction with the regions and national authorities. NUTS II Areas outside Objective One should not be excluded from participating in territorial programmes and it could be argued that all NUTS II areas could be potentially eligible for territorial assistance. There would however need to be basic principles laid down for determining the criteria (e.g. urban areas in decline, areas of low population density, regions with permanent natural handicaps), whilst also taking particular unforeseen circumstances into account (e.g. natural disasters, foot and mouth crisis etc.). It would also be important to apply the principle of additionality in allocating territorial funding in order to ensure that EU funding “adds value” to already established national programmes, and also to ensure that programmes are consistent with EU policies (e.g. European Employment Strategy).

Another point to note in relation to territorial policies is that critical mass should not always be used as a determining feature in the allocation of funding and that priority should also be given to rural areas with low population densities. It is crucial that any future EU cohesion policy also favours rural areas and that its effects do not lead to unnecessary increased urbanisation.

4.4 *The Thematic Dimension*

The BMW Regional Assembly agrees with the suggestion that regions should be entitled to propose development programmes, which could focus on one single theme. Whilst we recognise that thematic support would differ in its nature from territorial programmes, it would also be important to ensure complementarity and to avoid duplication between the two.

One suggestion for such a theme could be based on the ability to innovate technically in order to ensure that regions with a low level of technological innovation are not excluded from economic development based on the knowledge economy. More supports should be available to such regions to improve their technical infrastructure (telecommunications, energy etc.) and to provide training and resources for such technological innovation.

The role of regional and local actors in the drafting and management of such programmes should be emphasised and as stated earlier we would agree with the suggestion of formulating tripartite contracts between the region, national government and the Commission.

4.5 *Integration of Regions*

It is crucial that co-operation and integration of regions is encouraged and strengthened in an enlarged Union and the role of programmes such as Interreg will become more important than ever. In relation to the Interreg programme, it is felt that it can be unnecessarily complex and bureaucratic and it needs to allow for greater flexibility. In the interests of simplification we agree that it would be desirable to concentrate all current co-operation initiatives into one instrument and to place greater emphasis on exchange of know-how and examples of best practice, in particular involving the new accession states.

4.6 *Sharing Responsibilities with Member States and the Regions*

We agree with the second option of tackling the question of shared responsibilities between the Member States, Regions and the Commission. It should be done through tripartite contracts, which would allow greater flexibility and ensure that regional and institutional differences were taken into account whilst still giving the Commission

the opportunity to assess the goals and effects of cohesion policy in each member state and region. Clearer guidelines are needed on how tripartite contracts should be drawn up and applied and the exact roles of each partner to the contract.

5. Regional Policy and Balanced Spatial Development

The BMW Regional Assembly recognises the role of regional policy in balanced spatial development and the need for integrated spatial planning. Ireland has recently adopted its *National Spatial Strategy* (NSS) in line with the European Spatial Development Perspective. The NSS has been welcomed by the BMW Regional Assembly as a 20-year blueprint for achieving more balanced regional distribution of development in Ireland. It sets out a planning framework to achieve a better balance of social, economic development and to attain a better balance of growth between regions. Ireland has undergone a recent period of economic growth, much of which has been based in the Greater Dublin Area (GDA), which has brought about constraints in terms of accelerated development and bottlenecks in the region and insufficient development and population decline in some other regions. The NSS aims to redress some of these imbalances through the identification of nine regional *Gateways*, which are located in strategic positions to provide national-scale economic and social infrastructure and support services, and of which five are located in the BMW Region. They will be complemented by smaller towns identified as *Hubs*, which will support the role of *Gateways* and energise smaller towns and rural areas within their sphere of influence.

The BMW Regional Assembly recognises that spatial planning alone will not bring about major shifts in regional imbalances and that it should be firmly integrated into other instruments of regional policy (at regional, national and EU levels) and seeks to ensure that the bodies charged with its implementation are given a clear mandate and sufficient resources. Regional bodies can play a crucial role in the planning, co-ordination and implementation of regional policy and spatial planning that can bring about more balanced regional development.

One area in which spatial planning can play a role in bringing about better cohesion within the Union is through ensuring that high-value added activities are not too concentrated and that they are more evenly dispersed throughout the regions. The

Second Cohesion Report refers to the somewhat alarming statistics on the concentration of activities in the central regions, which account for only 14% of the land area, but a third of the population and 47% of the GDP. These gaps are likely to increase even further in an enlarged Union and one of the challenges facing cohesion policy will be how it can effect a more even dispersion of value added economic activities, while maintaining economic growth and social cohesion overall.

6. Concluding Remarks

We recognise the role of cohesion policy in bringing about a greater balance in the development of the EU territory and it is important that it promotes overall sustainable development. Cohesion policy should not only refer to achieving better balanced regional development, but should also include policies and programmes which lead to more stable society and are based on principles of better regional and local government and subsidiarity. Future cohesion policy should re-examine the role of regional governance in Europe and strengthen the links and exchange of good practice between regions in Europe. It is also important to ensure that other policies and programmes do not run in counter-balance to cohesion policy and that they do not have negative differential regional impacts.

Cohesion policy should not be limited however to the EU-level and it could be a requirement for Member States to produce their own policies on cohesion, within the overall framework of EU Cohesion Policy.

Overall we agree with most of the points raised in the discussion document and would welcome a more integrated and coherent cohesion policy, which involves a greater role for the regions in determining how more balanced regional development can be achieved in an enlarged Union.

REFERENCES

Department of the Environment and Local Government (Ireland) (2002), *The National Spatial Strategy, 2002-2020*, Government Publications, Dublin

European Commission (2001), *Unity, Solidarity, Diversity for Europe, its People and its Territory: Second Report on Economic and Social Cohesion*, European Commission, Brussels

European Commission (2002), *Discussion Document for Reflection Group on the Future of Cohesion Policy*, unpublished, Brussels

Institute of Public Administration (2002), *EU Cohesion and Regional Policy in Ireland*, IPA, Dublin

Irish Delegation to the Committee of the Regions and the Association of Irish Regions (2002), *Position Paper on the Convention on the Future of the EU*, Irish Regions Office, Brussels