



Border, Midland & Western
Regional Assembly
Investing in Your Future

Submission to

Commission Working Document on the Future EU 2020 Strategy

January 2010

Introduction

The Border, Midlands and Western (BMW) Regional Assembly is a NUTS II Regional Authority in Ireland and is the designated Managing Authority for two Regional Operational Programmes (2000-06 and 2007-13), the National Contact Point for two Territorial Co-operation programmes and has been the Managing Body for two Regional Programmes of Innovative Actions (2002-04 and 2006-08).

Over the past number of years the Regional Assembly has contributed to the Irish Government's National Reform Programmes and Annual Reports and has also been a regional correspondent for the Committee of the Region's Lisbon Monitoring Platform and in this capacity has participated in EU-level seminars and workshops on the Lisbon Strategy to 2010 and has acted as independent expert on a number of enterprise-related opinions by Irish Rapporteurs to the Committee of the Regions.

The Lisbon Strategy set an important context for the preparation of the 2007-13 Regional Operational Programmes in terms of defining policy objectives in the Community Strategic Guidelines and prioritising interventions through the requirement to earmark those interventions that are considered most consistent with the strategy.

We broadly agree with the need for a successor to the current strategy and the priorities and focus proposed in the Working Document. However, it is in the delivery of the new strategy, geared towards reaching tangible results, that far greater emphasis must be placed.

In this submission, we draw on this experience and comment in particular on both the process of evolving a new strategy and on the mechanisms for ensuring its effective delivery with particular reference to the relevance of cohesion policy and the importance of territorial cohesion to its successful implementation.

Learning the Lessons of the Lisbon Strategy

The Commission Working Document on the EU 2020 strategy as the successor to the current Lisbon Strategy to 2010 lacks any reflection on the successes and deficiencies of the Lisbon Growth and Jobs Strategy. It fails to identify what worked well under the current strategic framework and what the shortcomings have been. It is unclear from the Commission Working Paper if the many policy lessons, from the out-working of the current strategy, have in fact been applied. Neither is there an interim review of the targets that were set at EU level under the original and renewed strategies, and whether or not they are likely to be achieved. Similarly, the early lessons learned from the application of Lisbon earmarking targets to the structural funds programmes funded over the 2007-13 programming period should be clearly stated so that further more effective use can be made of this recently introduced policy instrument. A failure to learn from the lessons of the past will inevitably lead to repeated policy failures and an inevitable undermining of the credibility of the EU's strategic approach to growth and jobs.

An EU-wide consultation process undertaken by the Committee of the Regions in 2009 found that the Lisbon process had brought added value at EU and Member State level by raising awareness of

the need for structural socio-economic reform, by shifting the focus to knowledge-driven competitiveness, by stimulating multi-level policymaking and by bringing together disparate economic, social and environmental objectives into a single policy framework. Furthermore, the Lisbon strategy had set an over-arching framework for strengthening EU competitiveness and encouraging structural reform.

However, its failure to recognise the central role played in implementation by local and regional authorities and to fully integrate local and regional public authorities into the framework, its failure to incentivise Member State Governments to deliver on their commitments, its privileging of competitiveness over territorial cohesion as the dominant goals of the strategy and a lack of policy differentiation to reflect territorial differences in competitive capacity, have all been highlighted as shortcomings of the current Lisbon framework. The Lisbon Strategy was never adequately appropriated by regional and local authorities.

It is also noteworthy that income disparities did not improve significantly during the lifetime of the strategy and income inequalities persist. Furthermore, the current economic crisis and its impact on employment across Europe highlights the immediate challenge of re-building employment and the failure to sustain the gains made in recent years.

The Commission Working Paper does not appear to have taken any of these identified weaknesses on board and it would appear that the approach advocated in the EU 2020 consultation paper is largely a continuation in terms of its strategic focus and its delivery modalities. Ownership and buy-in of the new strategy at local and regional levels will be essential if it is to be successful. An explicit and comprehensive evaluation of the Lisbon Strategy 2010 should be undertaken and clear lessons drawn from this, before the new strategy is adopted.

A Genuine Partnership for Growth across all levels of Government is Required

Bold EU-wide co-ordinated policy prescriptions are certainly required, but will only be effective if there is optimum buy-in from all relevant tiers of Government, including the regional and local tiers. A true “partnership for growth and job creation” can only be built on the foundation of strong partnership principles. Multi-level governance is an essential pre-requisite for policy coherence in the context of multiple, heterogenous competences and complex inter-related challenges, such as those confronting the EU currently.

The EU 2020 process provides a real opportunity for the EU to adopt a genuine multi-level governance approach. As identified above, local and regional authorities, who are the competent authorities for many of the interventions that will drive regional and national competitiveness, have not been fully involved in the design and implementation of the Strategy, to date. This emerges as a clear outcome of the Committee of the Regions Lisbon Monitoring Platform. Member States should therefore be required to give a clear commitment, one that is monitored and evaluated by the EU Commission, to engage fully with the sub-national authorities in policy formulation and implementation.

Co-ordination of the delivery of priority actions at Member State level must become a focus of the EU 2020 process. Member State strategies must outline how they are engaging with all relevant actors to deliver on the agreed priority actions and how the territorial dimension of these actions is being addressed. The role of sub-national authorities must be explicit in the national strategies and the agreed strategies should be the outcome of a co-production process by all relevant actors. This could be achieved by requiring that a comprehensive regional chapter be included in the proposed 5 year National Strategies.

A more explicit territorial dimension is required

Overall the Working Document pays little attention to territorial issues. This is disappointing, given the explicit acknowledgement in the Orientation Paper on the Future Cohesion Policy by Commissioner Samecki, "...that territory and place increasingly matter in delivering public policies that aim to allow the Union and its regions to exploit their endogenous development potential." Similarly the report authored by Fabrizio Barca on a reformed Cohesion Policy emphasises the importance of a place-based EU development policy.

Recent international literature on the foundations of national and regional competitiveness stresses that regions and cities are the arenas where competitive advantages are largely built. Regional competitiveness can be considered as an aggregate of firm competitiveness, as there are common features (e.g., indigenous assets, market structures and institutional arrangements) within each region that affect the competitiveness of all firms located there. However, regional authorities do not control the levers of the key macro-economic adjustment mechanisms that can determine interest rates, exchange rates, etc., and are thus not completely free to 'compete' at a macro-economic level. This provides a strong rationale for an effective multi-level governance approach and an explicit territorial dimension to delivering macro and micro competitiveness on an EU-wide basis, built from the bottom-up.

Promoting national growth and EU-wide competitiveness as a priority does not necessarily contribute to enhanced regional competitiveness. An exclusive focus on national growth may lead to a concentration of productive investment in "winning regions" and a further weakening of weaker regions. Widening productivity disparities in the EU would not be conducive to enhancing the EU's overall competitiveness and the EU's competitiveness is clearly bound up with successful territorial strategies.

The absence of an explicit territorial dimension is particularly pronounced in relation to the European Research Area, where the Working Document emphasises consolidation and the need for world class universities, without acknowledging that the research capacity and the technology transfer infrastructures are very weak in many regions. Research by the EU-sponsored ESPON initiative (2005) found that R&D policy in the EU was in fact adversely affecting spatial balance by reinforcing existing concentrations of activity. Consolidation of research activities will only serve to exacerbate this disparity, contrary to cohesion policy goals. Accessible, industry-relevant research and innovation supports must be available in all regions in order to unlock latent business potential. As stated in the Orientation Paper on Future Cohesion Policy by Commissioner Samecki, "Long term

competitiveness and the capacity to create and sustain employment will depend on the strength of regional innovation systems, built on regional assets, such as knowledge, skills and competences." All EU citizens, regardless of where they live within the Union, must be enabled to benefit from the proposed European Knowledge Area. The global ambitions of some of Europe's universities in leading regions, while necessary and important, must not be allowed to completely over-ride the need for effective innovation supports and mechanisms for the effective diffusion of transferable 'knowledge' in order to create an innovative and creative economy.

Policy Co-ordination

Policy coherence across all relevant policy domains and among actors at all levels is an imperative in order for the new strategy to succeed. This requires effective mechanisms for vertical and horizontal co-ordination. Vertical coordination is absolutely indispensable as it is only through such coordination that sub-national authorities will buy into the strategy, adapt it to their own contexts, and support it throughout its implementation. Economically, it is increasingly recognised that public action is more effective when it tries to integrate rather than separate investment decisions. Horizontal coordination is more important than ever to avoid conflicting results and to exploit synergies. We therefore urge the Commission to back-up the EU 2020 strategy with a credible, inclusive governance system, which allows everybody in the EU to benefit from and contribute to it. An improved mechanism is required, perhaps through the reviews of Member States' performances, for ensuring that relevant policies are effectively coordinated by Member States themselves in order to improve overall competitiveness, increase sustainable growth potential, promote investment and establish inclusive labour markets.

Territorial Cohesion must remain a central policy goal

We agree that a new strategy is indeed required, but one that recognises territorial cohesion as being just as important as EU-level competitiveness. The territorial impacts of a competitiveness-driven agenda must be explicitly taken into account. A competitiveness-driven agenda tends to favour the most productive sectors and regions (backing winners), whereas a territorial cohesion approach builds capacity in all regions to exploit their potential (balanced growth). The new strategy should enable flexible adaptation to regional specificities and Member States should be obliged to demonstrate this in their proposed 5 year national strategies. Otherwise there is a risk that the strategies adopted will be incoherent with the recognised territorial cohesion goals. Incongruent policy goals give rise to unintended negative policy outcomes and wasteful investment and must be avoided.

The new strategy should require Member States, working with their regional partners, as they currently do in cohesion policy programming, to establish clear objectives, flexibly adapted to regional needs that are consistent with over-arching EU objectives. Along with this, Member States should set measurable challenging targets within a standard framework - the aggregate of which

would constitute the EU level targets. This would reflect a genuine bottom-up strategic planning process and the overall strategy would then have constitutive national performance indicators that are relevant to each Member State. Those policy outcomes that are most explicitly monitored at national and EU level will be most effectively managed at member state level.

Cohesion Policy is essential to deliver the new strategy

The role of cohesion policy in delivering many of the ambitious goals of the new strategy is understated in the Working Document. There is a reference to “harnessing of community instruments” but the enormous contribution that cohesion policy can make into the future is barely recognised. Substantial EU, national and regional resources are currently being applied to implement agreed multi-annual programmes which are aligned with the goals of the current Lisbon strategy. Structural Funds investment continues to be made in providing competitive infrastructure, supporting business expansion and incentivising green economy investment. The simultaneous planning of structural funds programmes across the EU territory enables strategic planning aligned to EU policy objectives.

Cohesion policy is therefore an indispensable tool to take up the many challenges confronting the EU and to pursue the objectives of the new 2020 strategy. Cohesion policy is primarily aimed at promoting balanced and sustainable growth across all EU regions. In so doing it mobilises territorial assets and endogenous potentials, building on region-specific comparative and competitive advantages, removing barriers to growth and stimulating structural adjustment, thus providing a valuable framework for integrated policy delivery on an EU-wide basis. For this reason, such an approach must be strengthened in all regions, with an effective alignment of resources and policy objectives, in order for the goals of the EU 2020 strategy to be achieved. This will require a well-financed EU-wide cohesion policy into the future. The role of cohesion policy in flexibly responding to the financial crisis has been recognised.

There is also a need to strengthen the links between cohesion policy and the National Reform Programmes. A reliance on un-coordinated sectoral policies to achieve an integrated outcome, as intimated in a recent EU budgetary perspectives paper, is destined to fail. This reinforces the point made earlier for more effective monitoring of Member State actions and a review of the failures under the Lisbon Strategy to effect greater synergies between strategies.

Mobilise growth and employment from all sectors

The Working Document places an undue emphasis on the green and smart economies and research-driven employment generation without recognising that many employment generating sectors do not necessarily fall within this rubric. The emphasis throughout is on new sources of growth, rather than on the mobilisation of all sectors with potential for growth - both new and existing sectors. The tourism industry for example is a major source of economic development and employment growth in both prosperous cities and under-developed regions. Similarly the third sector is a growing source of employment by civil society organisations, while healthcare and wellbeing are also growing

sources of employment. Research investment is assumed and presented to be the major driver of employment growth, but is this strictly true? Given the huge increases in research investment across the EU in the past decade, have the measured benefits been commensurate with the investment costs? Our view is that all sources of growth must be tapped into and not just those that are new and popular with research-active institutions, leaving many weaker regions to fall further behind.

Recognise current realities

The new strategy must recognise that our starting point is quite different in many respects from what it was at the outset of the Lisbon strategy. We are in a period of very low growth rates or recession in many Member States, the public investment climate is not propitious and fiscal retrenchment is clearly evident. Furthermore the economic downturn has had asymmetric effects across the Union that must be recognised with attendant fragilities and uncertainties in several economies. The aim must be to position Europe's cities and regions through structural reform and appropriate investment strategies to realise the economic benefits over the medium to long term. The context in which Europe can prosper and attain its goal of a sustainable social market economy is one of macro-economic stability, institutional excellence and a favourable business environment.

It must also be taken on board that many of the challenges recognised in the Lisbon strategy have become even more pressing, i.e., ageing populations, climate change and income inequalities. An even more ambitious strategy will be required to address these.

Setting appropriate targets

The establishment of appropriate performance indicators and targets encompassing a balance of economic, social and environmental objectives will set the focus for the new strategy. Measures of economic and social progress must be better aligned with the EU's commitments to a low carbon and socially inclusive society. Employment growth and societal wellbeing should be just as important measures of progress as productivity into the future. Monitoring of the implementation of the strategy and the achievement of its targets should be undertaken at EU, national and sub-national levels

Concluding Remarks

The EU 2020 Strategy provides a valuable opportunity to enhance the territorial coherence and synergistic benefit of all EU policies. All EU policies ultimately have territorial effects and these effects should be managed so as to be both positive and complementary. In order to be credible

and earn its legitimacy, the new strategy must emerge from a meaningful engagement at EU, Member State and at regional and local levels. Such a participative democratic engagement will ensure credibility and help overcome perceptions of the EU as an elite top-down polity. The EU has an opportunity through the EU 2020 strategy to provide a leading role in transforming the global economy and putting it on a more sustainable path.

Key points made in this submission include:

1. The failure of the Commission Working Document to recognise the role of regional and local actors
2. The need to evaluate and learn the lessons from the Lisbon Strategy
3. The importance of integrating the territorial dimension in the new Strategy
4. The requirement for a new system of implementable bottom-up targets and appropriate multi-level governance arrangements
5. All sectors with employment growth potential must be supported and mobilised, not just the green and smart economy sectors
6. Cohesion policy is an indispensable instrument to pursue the objectives of the EU 2020 Strategy and must be strengthened in all regions
7. Unlocking the endogenous potential of all regions requires an approach based on building the territorial capacity of all regions rather than one based on backing winning regions and sectors.