LGA position

Future of EU Cohesion Policy

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Key messages
• Given today’s global context, it is right that an EU-wide regional policy, financed by all Member States to at least current levels, should continue to focus a majority of resources on those lagging regions which need it most.

• All other regions, including those in the UK, should be able to access remaining and reformed cohesion resources, including those for competitiveness and employment type activities, and territorial cooperation.

• All regions should also have access to enhanced ‘thematic’ funds which tackle specific challenges such as R&D, innovation, and the environment. The EU should not hesitate to create new funds (or adjust the structural funds), to tackle new challenges such as globalisation, climate change, demographic change, & migration etc. Reform of the CAP regime will be an important factor to finance this approach.

• EU funds have brought great benefits to the UK, and any attempts to withdraw EU funding from local authorities through a programme of ‘renationalisation’ should be contested.

• In England, future cohesion policy should be driven by new locally-led democratic governance structures to oversee & scrutinize joined up delivery of both EU and domestic funds; all as part of delegating authority and implementing an improved and deeper ‘partnership principle’.

• LGA is committed to discussing these issues with all partners in order to secure the best possible long-term policy and financial settlement for local authorities and the communities they serve.
Introduction

1. The Local Government Association (LGA) represents over 400 councils in England and Wales. The LGA exists to promote better local government. We work with and for our member authorities to realise a shared vision of local government that enables local people to shape a distinctive and better future for their locality and its communities.

2. This position has been produced based on discussions and consultations with a wide range of stakeholders, including local authorities. It has been discussed and agreed by members of the LGA Regeneration and Transport in February 2008.

3. This position is in line with the LGA’s position on the EU Budget Review and has been drafted in parallel.

Overall approach

4. The LGA welcomes this consultation on the future of EU Cohesion Policy and recognises the need for modernisation to ensure it remains responsive to current and future needs in an EU of 27 plus Member States.

5. The LGA believes that an EU-funded regional policy is an essential element to achieve a more competitive EU based on the values of fairness and solidarity. We recognise the significant benefits EU funding has brought to the UK and would therefore strongly oppose any attempt to lessen UK participation in the Policy, or any approach which might remove the possibility of local communities benefiting from EU funding in future.

6. We believe that the Policy should remain strategic rather than prescriptive in its approach and, in turn, should be delivered through reformed governance arrangements. Because of the centralist nature of the delivery of both EU and domestic funds in England, the LGA is leading a major campaign so that devolved governance can become a reality. Local authorities and the communities they serve should be given new capacities, resources, and flexibilities to allow them to lead and innovate.

7. With an uncertain future facing the Regional Assemblies, future cohesion policy in England should be driven by new locally-led democratic governance structures to oversee & scrutinize joined up delivery of both EU and domestic funds; all as part of delegating authority and implementing an improved and deeper ‘partnership principle’.

8. We furthermore emphasise the importance of democratic accountability in delivering regional development funding from both national and EU resources. Democratically elected local politicians are those closest to the people and are best placed to address the needs of the areas which they represent.

9. The implementation of Cohesion Policy should therefore not be unduly limited by national level mechanisms and structures. A stronger EU focus on promoting subsidiarity beyond the national level, and a much closer monitoring of the partnership principle, ensuring engagement of governance at all levels, will help achieve this. Furthermore, such an approach (in line with the Council of Europe’s charter on Local Self-Government) will help to ensure that fundamental EU goals can continue to be pursued even if the domestic political priorities of the moment should change.

10. The future of current objective 1 regions in the richer member states and potential transitional arrangements will be an important part of the
The Future of EU Cohesion Policy

11. The direction of the EU’s Cohesion Policy has already changed significantly with the policy priorities and mechanisms laid out for the 2007-2013 period. Almost 42.9% of the EU budget is now earmarked for agriculture & rural development, 35.6% for growth and employment, 8.6% for competitiveness, and the rest goes to external relations and administration.

12. Nevertheless, further reform is necessary. The LGA believes that the cohesion element of the EU’s budget designed to tackle ‘lagging regions’ (Article 87.3a), should continue to reflect the values of commonality and solidarity between the different EU Member States, with a continued focus on job creation and economic growth. This will mean taking a pragmatic approach and recognising that, by its very nature, a majority of EU funding for regional development (especially ERDF objective 1) will go to the less prosperous Member States after 2013.

13. Remaining resources should not however be linked to GDP thresholds, and can be allocated across the EU in line with where they can have the greatest impact. Funds remaining available to all on a competitive basis after 2013 should include:
   - those aimed at building competitiveness and employment, such as the current objective 2 activities funded through the European Social Fund and ERDF
   - territorial cooperation to exchange & implement good practices (INTERREG, Urbact, Regions for Economic Change)
   - rural development & fisheries funds (EAFRD, EFF);
   - those aimed at building research and innovation (FP7, CIP etc);
   - funds for tackling environmental challenges (LIFE+)
   - employment & social affairs programmes (PROGRESS etc);
   - educational programmes (Lifelong Learning Programme – Comenius, Erasmus, Leonardo, Gruntvig etc)
   - cultural programmes (CULTURE, MEDIA+ etc)
   - funds for young people (YOUTH)
   - funds to deal with immigration (3rd country nationals, Refugee fund etc)
   - European Investment Bank loans (JEREMIE, JESSICA, micro-credits, Regional Venture Capital Funds etc)

14. Such an approach will ensure that the EU still has a role in helping all Member States to tackle the challenges they face, even though a ‘core’ of the structural funds may be focused on those less prosperous.

15. Such an approach would also seek to combine the best of both of the ESPON scenarios¹, i.e. the competitiveness-oriented scenario and the cohesion-oriented scenario. It would also allow EU priorities to be more strongly focused on current and future challenges, like climate change, demographic change, energy and migration.

16. To smooth the transition between the current and the post 2013 cohesion

¹ ESPON Scenarios: The first scenario is based on current trends, followed by two scenarios providing images of the likely impacts, one from an extreme cohesion policy orientation and one from extreme competitiveness-oriented policies.

http://www.espon.eu/mmp/online/website/content/publications/98/1378/index_EN.html
arrangements further, the Commission should also act to ensure that the specific ‘thematic’ funds bulleted above are fully resourced, if not enhanced, in future. Modernisation of expensive and out-dated policies such as the CAP, should fund those policies more aligned to the challenges Europe will face in 2013 and beyond. Again, a cohesion policy which links better with a fuller set of alternatives to the current funding regime, will help local authorities to continue to benefit from EU engagement in the future. (Typically, EU funds contribute to less than 1% of a UK local authority budget).

17. In this context, the Commission should also not hesitate to create new thematic funding programmes if required to meet new challenges, or realign the focus of the current structural funds to achieve the same goals. Needless to say, such funds should also be simplified and made easier to access wherever feasible.

18. There is also a strong view among local authorities that funding for territorial cooperation which generates concrete actions, should remain a priority and be enhanced under a future EU cohesion policy, particularly as a visible expression of the added value of EU activities ‘on the ground’. Future INTERREG or ‘Regions for Economic Change’ type funding must therefore still be accessible to all Member States in the future, so that those with experience can cooperate with newer Member States.

19. In addition, local authorities in the more prosperous Member States must play their part in reform, by looking beyond the current round of structural funds, and by considering other EU and domestic funding to allow important activities to continue. Engaging more squarely with the EU programmes listed above; benefiting from any new EU programmes; building up loan funds which can run beyond 2013 (through the EIB mechanisms); and pushing for greater devolution of economic development powers domestically; will form an important part of this approach.

20. The LGA reminds the Commission that all three pillars of the Lisbon agenda (competitiveness, employment, and sustainable development) should remain important priorities for the future and the focus of funds should not solely be on boosting economic growth. Narrowing the Lisbon agenda may have negative impacts on other EU challenges, like employment growth, social issues, and climate change.

21. The way that funding programmes are designed and delivered can also have a huge impact on climate change. Funding decisions should therefore take into consideration the consequences of needing to adapt to climate change.

22. There should furthermore be greater flexibilities to allow EU funds to be focused beyond dominant metropolitan centres and into the region as a whole. Towns in regions without economically-dominant urban centres, ‘peri-urban’ towns and villages, market towns, and non-metropolitan sub-regional economies, also make an important contribution to regional competitiveness. EU and national programmes should not focus on urban development to the detriment of a holistic approach to regional development which considers the specific needs of all area types, and the development of the region as a whole.

23. Finally, we welcome the Commission’s recognition in the Fourth Cohesion Report (May 2007) that the quality of partnership between authorities at the local, regional and national level is an important factor in determining the success of EU Cohesion Policy. The LGA has a ongoing focus to try to foster
closer working with regional and national structures, and sees the partnership principle as a foundation of much of its work.

24. The ‘Thematic Programme for non-state actors and local authorities’ but also programmes on issues, like human rights and democracy and migration.

Administrative governance

25. The LGA welcomes the Government’s proposals in the Local Government Bill and in the Sub-National Review on economic development, which will bring local authorities closer to the centre of the economic development of their areas. These developments make it more necessary to have a common policy approach, including an integrated framework at local level to facilitate the delivery of both EU programmes and domestic funds destined for economic and social regeneration.

26. The LGA has been campaigning for a long time for more locally-focused, more flexible, more accountable and more democratic mechanisms to steer the implementation of both domestic and EU funds at local level. We therefore call for a more joined up approach between the delivery of EU funds and other types of funding as implemented locally. Local mechanisms promoted by government such as Local Area Agreements (LAAs), Multi Area Agreements (MAAs), local public service agreements (LPSAs) and local strategic partnership (LSPs) must be taken into account. This would also be in line with the new central-local government concordat agreed in December 2007.

27. As an example of the importance of a local focus, specifically on the European Social Fund, the LGA and its advisers successfully lobbied for a strengthened and enhanced local authority involvement in ESF for 2007-2013. The goal was to first and foremost be in a position to shape the policy priorities for ESF action, and secondly to give local authorities the opportunity to manage ESF delivery through cofinancing. Our work has resulted in greater local authority involvement in the regional ESF mechanisms which enable councils to ensure ESF is prioritised and adds value to local employment and skills actions. In terms of delivery, our work with government has led to local councils being able to, once again, apply for cofinancing status allowing them to manage, target and deliver ESF in line with local need. We now see a range of delivery models with some individual local authorities delivering ESF, and other local authorities working with neighboring local authorities. In all instances, to help achieve democratic accountability and local targeting, ESF activity is aligned to the Local Area Agreements blocks 4 and 2: ‘economic development - employment and skills’, and ‘safer and stronger communities’. Thus ESF has had some ability to be targeted to local circumstances, even in the absence of regional ESF operational programmes which LGA, and many other regional stakeholders called for.

28. The LGA firmly supports local authorities wishing to pioneer these new approaches to managing funds such as ESF, both in the current and future programming periods.

29. A more locally-focused approach will also help to increase the visibility of EU action, and will help the EU to communicate the benefits of Cohesion Policy to citizens. Currently the EU and certain Member States are poor at communicating the benefits of EU action to different groups, with Cohesion Policy often being the only visible face of the EU ‘on the ground’. Local authorities also have an important role to play here in terms of communicating successes achieved.
30. Improvement to the statistical base to should also be considered in line with future approaches to Cohesion Policy. Improvement of NUTS2 data, across the EU27+, in areas other than GDP, such as economic inactivity and worklessness, may help the EU to target funds more effectively in the future.

31. Finally, simplifying the auditing system and the application procedures should increase the effectiveness and efficiency of future Cohesion actions. The current auditing system of the Commission sometimes leads to unnecessary burdens of bureaucracy, and the EU standards, which often change, add further difficulties. Rules that are less complicated will help public authorities to make sure that funds get targeted in the most effective manner.

Conclusion
32. Due to the process of the 2008/9 Budget Review, the debate on the future shape of EU Cohesion policy post 2013, is taking place at an early stage. We must also therefore maintain a focus on effective delivery until 2013; ensure robust monitoring; and ensure that lessons learnt are captured and carried forward into future programming periods.

33. LGA remains committed to discuss the role and shape of the future EU Cohesion Policy with local authorities, the UK Government, and the European Commission, in order to secure the best feasible long-term policy and financial settlement for local authorities and the communities they serve.

Further information
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