Contribution of the Portuguese Government to the Public Consultation on the Future of the EU Cohesion Policy

1. Cohesion as a fundamental purpose and policy of the EU

The Lisbon Treaty has established that the promotion of economic, social and territorial cohesion, and solidarity among Member States, is one of the key values and missions of the European Union (EU). It therefore reaffirms and inscribes in the EU’s legal and political order the central nature of cohesion as one of its foundations.

The primary objective of Cohesion Policy is the promotion of the harmonious development of the Community and it shall aim, in particular, at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.

This main objective has been successfully met, as it is recognised in the assessments to which this Policy has been regularly subject to. Over the past two decades, Cohesion Policy has also made a key contribution to the creation and deepening of the Single Market; to the success of the European Union enlargement; and, more recently, to the creation and consolidation of the Euro.

Cohesion Policy has therefore made a fundamental contribution to economic prosperity, social progress and the strengthening of the EU influence in the global scene.

As before, Cohesion Policy must now renew its role, enriched and reinforced by a new dimension - territorial cohesion - that is in line with the development agenda of the Union. Together with the other EU policies this will enable to better respond to the emerging challenges.

It is against this background - this history, principles, political framework and our common will - that the future of the EU Cohesion Policy should be conceived.

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1 Cf. Article 3 of the Treaty of the EU, according to the Lisbon Treaty.
2 Extracts of the Treaty on the Functioning of the EU, according to the Lisbon Treaty.
2. The added value of cohesion policy

The importance and value of the EU Cohesion Policy arise from the following features:

- Clearly defined objectives and delivery of tangible outcomes: both in terms of the development of, and convergence between, Member States and regions, as well as in the context of wider objectives such as: the enlargement of the single market, growth and employment, the provision of public goods, modernising public administration, etc.;

- Allowing for the potential of Member States and Regions to be fully realised and capitalised upon, hence contributing to the realisation of the Union’s overall development strategy and its policies in a coherent manner, in a way that is sensitive to different territorial contexts;

- Multi-level territorial governance (the EU, Member States, regional and local levels) in conformity with the principles of subsidiarity, partnership and participation.

- Employment of multi-annual methods of strategic and operational programming, as well as management methods that are geared towards objectives and outcomes all of which undergo systematic assessment.

These distinctive features cement the added value of Cohesion Policy granting it an irreplaceable role in the construction of the EU and in the implementation of its overall development strategy and its many missions and policies (e.g. enlargement, internal market, growth and employment).

3. The three dimensions of the EU Cohesion Policy

By considering the territorial alongside the economic and social dimensions the EU Cohesion Policy has been enriched. However, it is nonetheless necessary to clarify the specificity and complementarity of these three dimensions of cohesion:

- Economic cohesion envisages the promotion of structural conditions for the convergence of growth potential and level of economic development of regions and Member States;

- Social cohesion aims to enhance human potential, improving labour market and employment conditions, and ensuring the inclusion and participation of all citizens and social groups in the processes of development and in the reaping of the benefits that these yield. In this context, special attention is to be given to large cities and urban areas – where opportunities and challenges are concentrated but
are also coupled with the most severe cases of social exclusion and inequality -
and to the most impoverished and peripheral rural areas, which are particularly
vulnerable both from a demographic and a social perspective;

- Territorial cohesion capitalises on the diversity and complementarity of territories. It builds upon the notion of polycentric development of the EU, strengthens territorial co-operation among regions within a Member State or between Member States. It also ensures that territorial intervention and governance at multiple levels (EU, Member States, regional and local levels) is increasingly coherent and integrated.

The joint consideration of these three dimensions reinforces EU Cohesion Policy as a whole. It therefore deserves being a full exploration, to enhance the complementarity of the three dimensions and to mitigate the tensions that naturally arise whenever policies are being renewed.

4. EU Cohesion Policy as a response to new challenges and priorities

The challenges the Union faces call for the reaffirmation and reinforcement of the EU Cohesion Policy in all three dimensions. Its contribution will be fundamental for the EU to be able to:

- Counter the trends of polarised and asymmetric growth that competition at a world scale will tend to generate spontaneously;
- Successfully drive the EU’s overall agenda towards social and economic modernisation and reform as well as macroeconomic stability and public finance consolidation, while simultaneously ensuring that the objectives of economic, social and territorial cohesion are met;
- Effectively meet some of the current challenges at both European and Global scales (globalisation, migrations, population ageing, climate change, energy, technological research and development, etc.);
- Consolidate the EU’s recent, substantial and complex process of enlargement;
- Galvanize the potential of EU territories for lasting growth with more and better jobs. This process must necessarily be based on innovation, qualification of human capital and modernisation of socioeconomic structures across the whole EU.

The future of EU Cohesion Policy must therefore be aware of emerging challenges. This calls for a more innovative attitude, which will enable the EU to be more effective and selective in meeting these challenges.
5. **A more focused EU Cohesion Policy, in closer coordination with other EU policies**

Cohesion, a fundamental objective of the construction of the EU, does not come only from concentrating resources in the least developed territories. The convergence of the least favoured regions presumes the creation of structural conditions for growth and competitiveness. This requires investment that is at the same time selective, qualifying and modernising.

Policies embody the making of choices. The EU budget, in spite of its large absolute value, is rather small in relative terms. Over the 2007-2013 period it will account for less than 2.5 per cent of total public expenditure in the EU representing less than 1 per cent of the EU Gross National Income.

Therefore, choices must be made. This implies setting priorities to allocate available resources and to improve the coherence and complementarity of various EU policies, while in the meantime enhancing co-ordination between actions at the EU and national levels. **The first issue to clarify here is the role of each of the EU policies vis-à-vis the many challenges that the EU faces.**

**Cohesion Policy must continue promoting the development of the least favoured Member States and regions in the EU, and supporting integrated strategies that take differences amongst territories into account. These strategies must be defined and implemented in accordance with the principle of subsidiarity. Furthermore, the alignment of this policy with the major objectives and strategic development priorities of the EU must be extended and deepened.**

This alignment requires the continuation of assistance to the attainment of the objectives of those policies via the instruments and programmes that are specific to cohesion. In addition, it requires the integration of cohesion objectives and criteria in the implementation of other policies, especially those in the area of economic and competition policy co-ordination and State Aid, as foreseen in the Treaties and in the remaining legal instruments of the EU.

Together with the integration of its objectives in other policies, this clarification of the mission and the scope of intervention of Cohesion Policy will improve EU performance and focus. This will in turn promote greater accountability, a key to strengthening the public acceptance of cohesion policy.
6. Critical factors for the success of the programming and implementing of the EU’s Cohesion Policy

- To strengthen the strategic approach and the orientation towards outcomes by placing increased focus on the negotiation of development targets.
- To strengthen the application of the principle of subsidiarity and an integrated and flexible approach to territories in implementing Cohesion Policy. This must take into account both the diversity of situations and the scale of problems (to ensure that they are addressed as effectively as possible), as well as the diversity of models of territorial governance in the EU.
- To strengthen partnerships between the various levels of public administration and public entities as well as with private sector entities and non-profit organisations, both during the design and implementation of cohesion policy instruments.
- To strengthen the simplification of application processes of the Cohesion Policy financial instruments, improving its performance and targeting the use of resources to the achievement of tangible results.
- To strengthen the monitoring and assessment of programs, transparency in the use of resources and in compliance with auditing requirements and highlighting achievements and outputs delivered through Cohesion Policy.

7. Summary and key issues for the future of the EU’s Cohesion Policy

Cohesion Policy aims to promote and support the achievement of harmonious and sustainable territorial development strategies in the EU, with a particular focus on its least favoured regions. Cohesion Policy is the transversal EU policy that reconciles solidarity and equity in territorial allocation of resources with competitiveness and efficiency in their utilisation.

The current debate on the future of Cohesion Policy takes place against a backdrop of an ongoing discussion debate about the EU political priorities and the future of the EU Budget. Let us highlight the key questions to be further explored in this context:

- How to improve public understanding and recognition of the added value of Cohesion, as well as of the costs of non-Cohesion?
- How to better integrate cohesion objectives within the overall EU development strategy and in its other policies?
- How to further enhance the contribution of EU Cohesion Policy to the strengthening of growth (potential and effective), employment and social
inclusion, and the tackling of other major challenges for the EU? How to promote, in a more effective fashion, the convergence of the structural conditions that support the growth of Member States and regions, and particularly the qualification of their human capital?

- How to increase the coherence between the Cohesion Policy’s allocation of means and the efforts of the EU and its Member States to consolidate the processes of enlargement and of economic and social reform? How to strengthen support to those Member States and regions which, understandably and justifiably so, are most severely affected by the impacts and structural adjustments resulting from those processes?

- How to strengthen the application of the principle of subsidiarity, as well as an integrated and flexible approach to territories, in the implementation process of the EU Cohesion Policy? Furthermore, given the variety of territorial organisation and governance models of Member States, would it not be more effective, given the appropriate framework of common priorities and rules enshrined in Regulations, to assign to the Member States an increased responsibility in both allocating means and implementing strategies within their territories as agreed with the EU?

- How can it be assured that territorial cohesion yields an effective contribution to more polycentric development of the EU? How Cohesion Policy must take into account the needs of more peripheral Member States and regions and must also highlight the role that some regions play in catalysing development in less developed Member States?

- How to ensure appropriate and sufficient resources to meet the needs identified above, and to accomplish the specific missions and objectives of EU Cohesion Policy?

The success of the current discussion on the future of the EU Cohesion Policy and, implicitly, the effectiveness of Cohesion Policy design that addresses the challenges that territories across the EU will face, depend on our joint ability to find clear answers to these questions.

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