



A strong cohesion policy for Europe and citizens

EUROCITIES policy paper on cohesion policy post-2020

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Summary

EUROCITIES, the network of the largest European cities and metropolitan areas, is firmly convinced that cohesion policy should remain the EU's main public investment policy, promoting a balanced, sustainable and inclusive development, and that the next EU budget should reflect this. It must remain a strong tool to deliver on EU's long term priorities and commitments, such as the UN sustainable development goals and the Paris Agreement.

We encounter the challenges facing Europe in our cities daily. We understand the need to adopt new and flexible ways of governance to effectively address the increasing complexity surrounding us. We cooperate with citizens, businesses, academia and the civil society to address the impact of rapid societal, technological, economic and environmental transitions. We need to work together to ensure that the core values and remarkable achievements of European integration are preserved and enjoyed by everyone, including future generations. This is the only way we can restore trust in European and national institutions, and tackle Eurosceptic populism.

In the debate on the future of Europe, cohesion policy plays vital role through local investments in infrastructure, human capital and public services in enabling the EU to better harness globalisation and spread the benefits of the single market more fairly and evenly. Spreading innovation and good governance through cooperation, it can help us create a stronger, more balanced and united Europe built on respect, tolerance, freedom, human rights and solidarity.

We need to further improve the relevance, effectiveness and efficiency of cohesion policy and we ask for a post-2020 cohesion policy that:

1. covers all regions to promote cooperation and the transfer of innovation
2. makes partnership and multi-level governance a reality
3. strengthens the urban dimension and the tools for an integrated approach
4. provides a coherent and flexible framework
5. simplifies access and implementation for all actors

1. A strong cohesion policy for a better functioning Europe

We see cohesion policy as the principle expression of European solidarity and interdependence between richer and poorer regions, between urban and rural areas, between central and more isolated territories and between people.

Created to promote harmonious development and strengthen social, economic and territorial cohesion, cohesion policy investments have helped to unlock the potential for sustainable and inclusive growth all over Europe. These investments have facilitated the structural transitions of former industrial areas, improved the connectivity of outermost regions, provided vital resources to poorer regions to build basic infrastructure and improve public services, and promoted social innovation throughout the EU. Cohesion policy has brought tangible results: better access to housing, schools, jobs, health and social care for vulnerable groups, improved conditions for research and businesses, lower emissions and better air and water quality.

Besides being a stable financial resource for strategic local investments, we believe a major contribution of this policy to cohesion within the EU is its potential to strengthen cooperation and spread good governance: through evidence-based and long-term planning, cross-sectoral approaches, stimulating citizen engagement and cooperation across territories and between different levels of government.

In fact, cohesion policy acts as a catalyst for local policy innovations in both more developed and less developed regions across the continent. It has provided valuable seed funding to test new approaches before upscaling them. In addition, European territorial cooperation makes it possible to share these solutions through cross-border, transnational and interregional partnerships, creating Europe-wide knowledge transfer on policy innovations.

This is why cohesion policy is more than a tool to boost investment in the short-term. We believe a well-resourced cohesion policy covering all regions is a powerful vehicle to build local engagement for addressing common challenges and global commitments and to strengthen European integration through cooperation and knowledge sharing.

Recommendations:

- Cohesion policy should continue to cover all regions of the EU to create a shared ownership of common European objectives.
- The share of cohesion policy from the EU budget should be at least maintained to allow for its investments to achieve a tangible impact.
- The European territorial cooperation pillar of cohesion policy should be strengthened to enhance the Europe-wide transfer of innovation and good practice.

2. Making partnership and multi-level governance a reality

Multi-level governance is about shifting from a traditional hierarchical and normative governance model to a partnership driven way of policy making and implementation. It allows for better informed and targeted policies, and a more effective delivery of results thanks to a common ownership of objectives.

Since the impact of the top challenges facing Europe are mostly felt in cities, tackling them successfully depends greatly on how cities are equipped to deal with them. Despite showing leadership and having the right competences and hands-on experience, city authorities are rarely involved in setting programme priorities and in selecting the most suitable implementation tools under cohesion policy. This has led to a mismatch between needs and resources and prevented the use of a bottom-up integrated approach. To improve the effectiveness of the policy in addressing challenges on the ground, city authorities must be meaningfully involved in shaping the policies and programmes.

The European code of conduct on partnership was an important step in this direction but it was not fully applied across the EU. There is ample room for development in the partnership approach both in terms of the range of partners and the level of their involvement.

The urban agenda for the EU introduced a model for partnership and direct dialogue between cities, national and European institutions to address common urban challenges. This practice could be replicated at national and regional level in the development of cohesion policy programmes.

Recommendations:

- The European code of conduct on partnership should be integrated in the regulatory framework of cohesion policy. An ex-ante conditionality on the full application of the partnership principle should be introduced with the fulfilment of which being a condition to the adoption of each operational programme.
- National and regional policy priorities should be identified based on a comprehensive partnership dialogue with cities.
- Urban authorities should be directly involved in selecting the thematic priorities and the instruments to implement the support to sustainable urban development.

3. An effective urban dimension

Europe is characterised by immense diversity that means even common European challenges have very different local implications. Many cities are struggling to cope with population growth while other areas suffer from outmigration and shrinkage. Spatial concentration of social disadvantage causes enormous socio-economic disparities between city neighbourhoods or between parts of a region. These circumstances all underline the importance of a policy approach that is sensitive to specific local contexts.

Most of the serious and lasting problems in cities are complex and solutions are not sector specific. Policies confined to sectorial and administrative silos often simply displace problems or lead to different ones. Integrated approaches might be more difficult at the start but they are much more likely to deliver effective solutions.

The introduction of the instruments for integrated territorial development, such as integrated territorial investments (ITI) and community-led local development (CLLD), have enabled cities and local communities to contribute to common goals tailored to their local development needs. To maximise the potential of these instruments, city authorities need to have better access to these tools and a much stronger influence on the choice of thematic objectives and investment priorities.

Combining citizen participation and community engagement with digital technologies offers enormous potential for local authorities to better adapt to the rapid technological, social and economic transitions by optimising the use of scarce public financial sources and finding better local solutions. Community-led initiatives could be used on a much wider scale within cohesion policy.

Earmarking ERDF funds and empowering cities in relation to integrated actions for sustainable urban development enabled cities to work towards long-term, strategic goals. In some cities, it has also triggered cooperation beyond administrative borders within the functional areas. The fact that allocations by far exceeded the required minimum clearly shows there was significant unmet demand. At the same time, the lack of clarity of Article 7 of the ERDF regulation on delegating tasks to urban authorities creates unnecessary complications and delays in implementation.

City and regional authorities can pool resources to coordinate policies in their wider region to ensure the balanced and harmonious development of the entire functional area. We would like to see a further shift towards place-based funding for cities linked to long-term strategies promoting territorial integration and strengthening cooperation within and between metropolitan areas. It should enable them to use cross-sectoral approaches to efficiently address challenges at the appropriate spatial level.

With the urban agenda for the EU, the urban innovative actions, the urban development network and the URBACT programme, the urban development toolbox has been reinforced. The urban innovative actions revealed an enormous innovation potential existing in cities, which calls for the EU-wide transfer of state-of-the-art knowledge and good practice in the field of integrated and sustainable urban development to be further strengthened.

Recommendations:

- The mechanism to allocate ESI funds should be more comprehensive, covering social and environmental conditions, and sensitive to spatial disparities.
- Cohesion policy should encourage managing authorities to work together at national and regional level to enable the combined use - or even full integration where possible - of ESIF, particularly ERDF and ESF.
- The use of territorial instruments (ITI and CLLD) should be encouraged through more flexibility regarding thematic concentration.
- The integrated approach to sustainable urban development (SUD) should be strengthened through the following measures:
 - The minimum 5% earmarking for the support of SUD strategies should be increased and extended to both the national ERDF and ESF allocations enabling the practical use of integrated approaches and a critical mass of support for individual strategies to achieve tangible local impact.
 - All ERDF and ESF operational programmes should support the implementation of SUD strategies; the exceptions should be duly justified.
 - Incentives should be created to encourage the use of the support for SUD strategies:
 - to target functional geographies to strengthen urban-rural linkages and metropolitan cooperation, and improve land use efficiency.
 - to promote citizen engagement through community-led local development initiatives.
 - A simple procedure should be used to involve urban authorities in the selection of projects (e.g. through selection committees). Urban authorities willing to take extended responsibilities in management should be designated as intermediate bodies.
 - Direct access to technical assistance for capacity building should be provided to urban authorities related to the tasks undertaken.
- The URBACT programme should be further strengthened to facilitate the Europe-wide transfer of state-of-the-art knowledge and good practice in the field of integrated, sustainable urban development.
- Urban innovative actions should be maintained with a more open choice of topics. The transfer of good practice into mainstream policy should be ensured through the better use of existing networks for increased knowledge sharing.

4. A coherent and flexible policy framework

The EU has undertaken important global commitments in the Paris climate agreement and under the UN 2030 sustainable development agenda. These commitments provide a suitable framework for the next generation of ESI funds. A policy covering all regions can help build local commitment to deliver on these common objectives across Europe.

We support the principle of focusing resources on achieving progress on a few common objectives. However, thematic concentration has prevented us from effectively addressing some pressing social challenges through an integrated approach. There needs to be further flexibility to reconcile concentration with specific local contexts and development priorities. Also, the outcomes of the urban agenda partnerships, notably recommendations on better funding, must be fully taken into consideration.

The growing uncertainty brought about by rapid societal and economic transition, and the impact of climate change has given rise to new challenges, such as the integration of greater numbers of refugees, which may call for urgent action. Cohesion policy programmes should be enabled to adapt their priorities to arising challenges.

Financial engineering can ensure a better leverage of resources if operated efficiently under favourable circumstances. The complexity of the current rules, limited experience and the inflexible audit practices do not favour broader uptake. Finding the right balance between grants and financial instruments should be a local responsibility.

EFSI can be a helpful additional instrument to finance long-term investments but reallocating resources from ESIF to EFSI could be detrimental to the achievements of cohesion policy. There should be much more clarity about how the objectives and the strategic approaches of the instruments complement each other to avoid overlaps and ensure that different EU funds can be used and combined more efficiently. It's also important to ensure that investments, supported by different EU budgetary instruments, create synergies locally.

Recommendations:

- A common, long-term growth strategy should be maintained with a link to global EU commitments (e.g. the Paris climate goals and the SDGs) and the outcomes of the partnerships of the Urban Agenda for the EU.
- Social impact of investments should be assessed equally to environmental impact. The should support the use of cohesion funds to improve the situation for the most vulnerable.
- Thematic concentration rules should be more flexible to adapt to specific local circumstances and development needs (e.g. distance from common policy targets).
- Simplified reprogramming procedures should be created to allow for efficiently addressing new challenges or unforeseen urgencies.
- Instead of regulatory means, simplified rules and wider access to technical assistance for capacity building should be used to increase the uptake of financial instruments.

5. Simplified access and implementation

The current architecture of cohesion policy provides a coherent, strategically focused and results oriented framework through thematic concentration, integrated territorial approach, ex-ante conditions and the performance framework. We believe that the future policy framework should be built on these elements.

At the same time, it is often perceived as a complex, rigid and burdensome structure that hinders access, causes sluggish and costly implementation and rewards procedural compliance to the detriment of innovation and impact on the ground.

One of the most pressing challenges facing the policy is how to substantially simplify its rules and procedures while maintaining key features in a shared management model under a single set of rules applying to very diverse national contexts.

The main obstacles to the timely and efficient operation of the policy are the late adoption and excessive amount of legislation and guidance, legal uncertainty stemming from their inconsistent interpretation, disproportional controls and audit burden as well as the disadvantageous state aid treatment of cohesion policy compared to centrally managed instruments.

A large part of the excessive administrative burden is due to ‘gold-plating’ resulting from distrust across the actors and from fear of non-compliance. We believe that building capacity, trust and cooperation within the implementation system would be an essential step in reducing the regulatory hurdle. A shared understanding and ownership of policy objectives would allow for a gradual shift away from excessive regulatory guarantees.

In line with the recommendations of the high-level group, we believe that further simplification of the implementation of the ESI funds can be achieved by the following:

- Comprehensive action should be initiated across the implementation system to create the conditions for a shift from sanctions to preventive measures.
- Legislation and guidance should be prepared and adopted in time to allow for timely start of programmes and to prevent legal uncertainty and retroactive effect.
- A single rulebook for ESIF should be put in place enabling the easier combination of funds for integrated measures and an easier application process in general.
- A level playing field should be created for cohesion policy about state aid treatment and public procurement compared to centrally managed funding instruments. At local level, private and public investments are closely connected, which requires sufficient flexibility in state aid rules.
- Programming documents should be simplified and more focused on strategic objectives and indicators, clearly identifying the actions needed.
- The management and control systems should be based more on subsidiarity (relying more on national systems and procedures) and proportionality (single information and single audit principle, administrative burden proportionate to scale of support).