

The Union and Cohesion Policy – Thoughts for Tomorrow*

by Fabrizio Barca

The Union is at a junction.

First, European citizens increasingly expect the Union to give them the tools to grab the opportunities provided by market integration and to ward off its threats, especially at times of crisis. They know that the challenges they face — natural challenges (climate change), economic challenges (Asia competition), social challenges (waves of migration) — are global: But they also know that these challenges are amplified by the Union's choice to unify markets. Natural challenges are amplified by the choice to mitigate climate change; economic challenges are amplified by the removal of internal protective barriers; social challenges are amplified by the free circulation of people. European citizens expect the Union to address these challenges.

Second, EU leaders are raising the stakes by stressing that in a Union that is people-oriented those expectations will be addressed. In the *Political Guidelines for the next Commission*, President Barroso argued that: “EU citizens should be able to make use of their rights as EU citizens in the same way as they use their rights as national citizens”.

Third, as of November 3, a stronger institutional design has been put in place, which increases the role of the European Parliament and is a requisite for these expectations to be addressed.

What, then, should be done? The Union now needs a *development policy* that can provide the tools to address these issues.

We should therefore be grateful to the Polish Regions and the Polish government for celebrating Poland's accession to the EU by opening up a debate on what role cohesion policy could play in the years ahead as a policy for development.

Not everyone agrees that cohesion policy has a role to play.

Some think, perhaps because the debate has been so poor, that cohesion policy is mostly - if not only – about redistributing financial resources between Member States and Regions: a kind of “Equalization Fund” similar to those found in many Federations (although, if this were the task, it would be a very cumbersome way to pursue it). They have not realised that cohesion policy is, or should be, a *policy for development*.

Some have not yet fully understood, perhaps because the debate has been so poor, the process that, cohesion policy has activated (in your case, as in several other Member States): strengthening institutional capacity; designing systems to select projects; tackling the trade-off between efficiency of spending and quality of spending; and, more recently, experimenting with impact evaluation so as to learn about the actual results of your interventions. These are all steps that turn, or can turn, cohesion policy into a “policy” – a place-based development policy – not a redistribution of funds.

Some misunderstand, perhaps because the debate has been so poor, the Treaty's task of “harmonious development” with the convergence of per capita GDP of Regions and Member States. Actually, “harmonious development” is about giving all EU citizens, wherever they are

* Transcript of the presentation at the Conference for the 5th Anniversary of Poland's Accession to the EU, Brussels, November 4, 2009.

born, in all regions, the opportunities to make the most of the unused resources of their territory, and to achieve socially acceptable standards in the main dimensions (not just in income!) of their well-being.

Some do not appreciate, perhaps because the debate has been so poor, that, in order to be effective, any development policy needs to elicit and aggregate local knowledge and preferences, needs to be tailored to places. Most policy actions are *de facto* place-based, even when they proclaim themselves to be spatially-blind. The alternative is between not facing up (or even covering up for) spatial effects, or making them into the transparent topic of public debate and policy tools. A place-based development strategy is what the Union needs: cohesion policy can be the tool to deliver it.

Some again do not yet realise, perhaps because the debate has been so poor, that cohesion policy, interpreted as a place-based development strategy, can provide a “Federation-in-the-making” with a unique political leverage for seeking a solution to cope with two conflicting tasks:

- entrusting the institutions which lead the Federation, namely the Commission, with the guidance of the European Parliament and the Council, with the authority and the power to steer institutional and policy change in all places of the Union and to play a visible and effective role in fulfilling the expectations of EU citizens;
- giving Member States, Regions and local governments the opportunity to implement policy according to contexts, in order to truly elicit people’s preferences and knowledge.

In other words, cohesion policy can reconcile conditionality and subsidiarity.

Yet some have not fully understood, perhaps because the debate has been so poor, that no feasible alternatives to cohesion policy — interpreted as a place-based development strategy— exist for fulfilling the expectations of EU citizens that they be endowed with the capacity to cope with the main opportunities and threats created by a unified market. In particular, the option of creating sectoral funds - for Employment, for Climate Change, for Innovation, for Migration – by which resources are allocated directly to projects in a competitive way by the Union technocracy is a “super-federal” solution. It is suitable and feasible for a 250-year-old Federation like the US, but incompatible with the strength of the national social contracts of EU Member States. Member States would find this solution unacceptable. Furthermore, economic, social and natural challenges are not sectoral by nature. Regaining the innovative edge, coping with the effects of migration on the quality of life, adjusting skills to the changing context: all these goals require multi-sectoral interventions. And the appropriate sectoral mix can be achieved at place-level. The further away one is from places, the less chance there is to achieve integration, and the more likely it is to fall prey to a bureaucratic separation of expertise.

For all these reasons, it is vitally important today:

- to open up the doors and windows , often tightly closed, of the Cohesion Policy House
- to finally face up to the serious weaknesses and the lessons that come from the experience of using cohesion policy
- to be ready to shape and support the *sharp reform that cohesion policy urgently needs*.

The *status quo* is not an option. It never was. Certainly not after all Member States agreed in 2005 to submit the EU budget to a thorough review.

In this context, with a mandate from the European Commission, excellent support from DG Regio, the guidance of numerous academics, experts and fellow policy-makers around Europe, I have advanced a proposal for reform. It combines five ingredients:

1. a *concentration of resources* on 3-4 issues where EU citizens rightly expect the Union to act: issues to be chosen through an intense EU-wide policy debate;
2. stronger and more focused *conditionalities* in the contracts between the Commission and Member States/Regions, committing the latter to well-defined and measurable results and

- necessary institutional changes, but making Member States/Regions freer regarding how to achieve those results;
3. new tools for *mobilizing actors at place level* and a *new metric* (outcome indicators and targets, plus prospective counterfactual impact evaluation) in order to ensure a much *stronger orientation to results*;
 4. a *major investment in human resources by the Commission* and a much greater *coordination* among its Directorates under the guidance of the Secretary General;
 5. a *strengthened system of checks and balances* with a new formal Council for Cohesion Policy and a greatly enhanced role of the European Parliament (coherent with the new Treaty)

This reform can address the present limits and can provide the grounds for a political compromise in the weeks and months ahead.

The proposal builds on ideas that have emerged through years of experience, and that are shared by many important leaders, as we heard today in the opening speeches.

But now is the time to act, to bring these ideas to a close, to launch an open, public debate: the debate that all Member States and Regions and citizens decided to have with the budget review. Europe does not need rumours and un-attributed documents. It needs a transparent comparison of alternative proposals for reform in all European forums, a visionary and pragmatic effort by Member States, and full use by the European Parliament of its budgetary power as a way to demand *ex-ante* a clear voice in choosing among different solutions and policies.

It is what we all hope for and today's events can help bring it about.