

# For a more place-based approach

Position paper of CESCO  
on the Future of Cohesion Policy

October, 2015

*„The main questions from the Barca Report still remain unanswered.”<sup>1</sup>*

This paper has been elaborated as the part of the project managed by the COTER aiming to collect former experiences from the ground and to draft recommendations for the future of Cohesion Policy beyond 2020. As the representative of our association has been invited to take part in the work of the expert group facilitating the process we had the opportunity to join the common work and to summarise our experiences.

Central European Service for Cross-border Initiatives (CESCI) is a Budapest-based think-tank and do-thank involved in territorial cooperation activities, mainly in cross-border ones. The association was established in 2009 following the initiative of the French Mission Opérationnelle Transfrontalière. The activities of CESCI cover four fields:

- researches, scientific studies on cross-border and territorial cooperation (our references: <http://www.cesci-net.eu/research-ref>);
- development of cross-border strategic plans and programmes, as well as, methodological tools on the subject (our references: <http://www.cesci-net.eu/planning-ref>);
- cross-border institutional and project development, project management (our references: <http://www.cesci-net.eu/institution-development-ref>);
- mediation between different level stakeholders interested in cross-border / territorial cooperation (our references: [http://www.cesci-net.eu/mediation\\_ref](http://www.cesci-net.eu/mediation_ref)).

As being involved in cross-border cooperation in a broader sense, the point of view from where we briefly analyse the issues related to the future of the Cohesion Policy is that of territoriality, territorial cohesion and territorial cooperation, using mainly place-based approach.

We are aware of that territorial cooperation is only one component of the Cohesion Policy as a whole. However, large territories of the European Union (57% of the total surface of the community) belong to border areas where actual borders still are hindering the strengthening of cohesion. At the same time, border regions are the territories of the EU where the achievements and still existing obstacles of the integration process influence the most the people's daily life.

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<sup>1</sup> The Future of Cohesion Policy. Component 3 – Intermediary Note, 08/09/2015 Metis, page 2. Hereinafter, the document is cited in this paper as „3rd note”.

Consequently, we consider territorial cooperation and territoriality as not a complementary but a core issue within Cohesion Policy.

From this perspective, „territorial blindness” identified by the Committee of the Regions in its *Athens declaration* can rightfully characterize the documents ruling the implementation of the CP and the 6<sup>th</sup> Cohesion Report.

This short position paper should not be considered but as a modest recommendation to take place-based approach seriously. The compilers of the document would not like to deny the definitive role of economic governance, ex-ante conditionalities, the net payers’ interests, the need for concentration of resources and the role the indicators play in all this game. They only would like to draw the attention to the weak representation of territoriality in general within Cohesion Policy. According to our point of view, efficiency, what could be the way to measure the results of the CP rests on setting territoriality into the heart of European policies.

## **On the weak representation of territoriality in Cohesion Policy**

As a consequence of the failure of Lisbon Strategy, the targets and priorities of EU 2020 Strategy have been built up into the tool-kit of the new CP as a kind of set of guarantees. The 6<sup>th</sup> Cohesion Report presents, how Cohesion Policy deserves the fulfilment of these priorities and targets. Yet, the main mission of the CP is not to deserve the EU 2020 Strategy, on the contrary, EU 2020 Strategy should deserve a stronger cohesion of the EU.

In harmony with the overweight of EU 2020 Strategy, the operational programmes as tools of the implementation of CP principles have to focus on particular topics enumerated as ‘thematic objectives’ and ‘investments priorities’. The list of TOs and IPs has been set in accordance with the EU 2020 targets. However, it is not self-evident that regions with so big differences<sup>2</sup> can adapt their development needs to a limited number of goals and priorities.<sup>3</sup>

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<sup>2</sup> Let us mention but a few maps of 6th Cohesion Report as examples demonstrating the inexorable gaps between the regions of the EU: Map 1.1 *GDP per head (PPS) 2011* (page 2) (it is worth to compare the map with the same map from 2008); Map 1.13 *Regional Innovation Scoreboard, 2014* (page 32); Map 1.24 *Highest speed on railway network according to timetables, 2013* (page 47); Map 2.3 *Unemployment rate, 2013* (page 60); Map 2.12 *Early school leavers 2011-2013 – distance to national 2020 target* (page 67); Map 2.29 *EU HDI, 2012* (page 95); Map 3.13 *Urban wastewater not collected, 2010* (page 129); Map 5.2 *European Quality of Government Index, 2013* (page 170)

<sup>3</sup> The mismatch between European priorities and local needs has to be tackled. (3<sup>rd</sup> note, page 10)

In addition, one of the main reasons of relative failure of previous CP has been identified in the large number of priorities selected by the countries which did not ease the evaluation of the results. (See page 239 of the 6<sup>th</sup> Cohesion Report.) According to this approach, more focused programmes of the new budgetary period can guarantee more salient results at the end. In our position, on the contrary, development of a particular region should always be based on territorial needs and endowments, not on thematic objectives defined in a distant city. Territorial needs are not structured along TOs but territorial capital of the region in question.

Whereas, thematic objectives and EU 2020 targets are handled with so high emphasis, territoriality has a very low representation in the 6<sup>th</sup> Cohesion Report, regardless of the many illustrating maps picturing the situation of cohesion in the EU in an impressive way. Despite of that territorial cohesion became an organic part of cohesion policy since 2007 (the Treaty of Lisbon) at least, the term 'territorial cohesion' is mentioned 6 times only in the whole Report (separately from other two forms of cohesion). The context of the term is very similar to that in the 5th Cohesion Report, and the current document reflects on the four issues only referred by the previous report (*access to services, sustainable development, functional geography, territorial analysis*; see pages xxxiv and 240).

The Cohesion Policy regulations launched new tools theoretically strengthening the use of territorially-based approaches, like integrated territorial investment, joint action plan, integrated urban development and community-led local development. However, sometimes, the regulatory background of these tools is so complicated that their utilisation is in question, mainly in a cross-border context. Beside these new tools, territorial approach is not a relevant element of Cohesion Policy. This way, we have done only one part of our homework from the lessons learnt from Mr Fabrizio Barca. Place-based approach is still rather a desire than reality.

## **1. Competitiveness first**

Sometimes it seems to us that the European Union deliberately weakens its own competitiveness. It is a platitude repeated often that the EU spends lot of time with and money for tackling quasi-problems like the size and shape of different vegetables. Notwithstanding this kind of critical remarks, it is a fact that for instance, the state aid rules contain limitations which surely do not exist in the EU's global competing counterpart states like China, India, Brazil or Russia. When limiting the financial support of our own SMEs, the EU creates unfavorable situation for them compared to their global competitors.

Similarly, as a consequence of different interests of the member states, the legislations being very clear at the beginning when they are published by the EC in a draft version, become fuzzy and hardly understandable (i.e. hardly practicable) at the end.

At the same time, it is also a platitude announced very often by policy makers that one of the strengths of the EU stands in its diversity, in a cultural, historic and natural meaning at the same time. This diversity always was one of the driving forces of the European economy: the freedom for innovation, the competition for the consumers, the will to be the first and invent something completely new.

As it is widely known that the programme of convergence has failed, also the Cohesion Policy, similarly to other European policies should have the objective of strengthening the competitiveness and through this to guarantee well-being for as many people as possible. As a consequence, the interventions of the Cohesion Policy being a territorially-based development policy, should support territorial competitiveness and welfare in each and every region.

For this purpose, territoriality should be set into the heart of European policies.

## **2. To set Cohesion Policy into the heart of European policies**

Due to the necessities created by the EU 2020 Strategy and the global crisis, the focus of the Cohesion Policy seems to be shifted to macro-economic issues and the development of tools guaranteeing the standards of economic performance. At the same time the issue of cohesion gains less attention than needed.

If we take into account the figures, it is obvious, that the disparities between the most and the less developed regions increased<sup>4</sup>. It is hard to say, in which extent the Cohesion Policy has its impact on this unfavourable process but it is not disputable that the original purpose thereof has been failed.

As it is said by many experts: instead of concentrating on convergence, Cohesion Policy should focus on the endogeneous potentials of different regions which can give a new impetus to territorial competitiveness and regional development which can become the engine of the economic development of the European Union as a whole.

The researches on territorial capital<sup>5</sup> show that the competitiveness of the regions is fundamentally rooted into their endowments (landscape and natural characteristics, characteristics of urban network, the density and sectorial division of enterprises, the level of employment, quantity and quality of labour force, the availability of different functions of well-

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<sup>4</sup> „Economic convergence has taken place at level of the MS but the gradient in GDP at regional level has deepened; for certain regions - being trapped in vicious circles- the risk of decoupling increases.” (3<sup>rd</sup> note)

<sup>5</sup> See first and foremost Roberto Camagni's works, like: Camagni, R. and Capello, R.: Regional Competitiveness and Regional Capital: A Conceptual Approach and Empirical Evidence from the European Union, Regional Studies, Vol 47, Issue 9, 2013, pages 1383-1402.

being, the governance model, relational and social capital etc. and „something in the air”<sup>6</sup> which characterizes uniquely the given area: the *genius loci*) and their connectivity with other regions.

There is a clear must for better connectivity within the European Union but at the same time, instead of uniform solutions, the regions should be allowed to develop and realise their own regional strategies based on their specific endowments and territorial energies.

For this purpose, territoriality (i.e. regional policy) should determine all the sectorial policies of the EU: territoriality should be the structuring factor thereof.

### **3. To set territorial cohesion into the heart of Cohesion Policy**

In parallel with the set of regional policy into the heart of EU’s policies, territoriality should be given the biggest emphasis within Cohesion Policy, itself.

The concept of territorial cohesion has strengthened since the adoption of Torremolinos Charter in 1983 and it has been „canonised” in 2007 by the Lisbon Treaty (but also by the Leipzig charter, the Territorial Agenda, the European Territorial Cooperation objective). However (as we mentioned previously), territorial cohesion has not been defined yet exactly, and the regional and territorial dimension of the Cohesion Policy is interpreted as an illustration, not as the core factor of all interventions.

Instead, territorial cohesion should be the horizontal determinant of Cohesion Policy which gives the backbone of the investments at regional level. It can guarantee that the project results are organically built into the texture of the territory not becoming a foreign body there. Let us mention but a few examples of the failures resulted from current approach: the empty business incubation centres, the roads leading to the border but not further, hundreds of training projects without resulting in jobs, the cross-border joint projects without continuation, renewed urban centres without enterprise development etc.

Compared to overall aims of the given country and the EU, sectorial-based programming takes territorial specificities into account with less emphasis: the local stakeholders have to harmonise their investments with the national and EU level aims which seems to be in line with the requirements of cohesion. In reality, this way the territorial competitiveness is injured by investments not fulfilling real territorial needs. The EU money is spent for interventions which in practice do not strengthen the cohesion because the territorial specificities are not

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<sup>6</sup> OECD (2013): Regions and Innovation. Collaborating across Borders. OECD Reviews of Regional Innovation, OECD Publishing. <http://dx.doi.org/10.1787/9789264205307-en>

appropriate for filling the structure provided by sectorial programmes with real content. On the contrary, if we set territorial cohesion into the heart of Cohesion Policy, the programmes become the representations of real territorial needs. Nothing else can guarantee that the investments becomes organic within the region and, at the same time, they gain a real „role of engine” of development of the territory and thus the EU.

The policy makers of the EU keep trying to conduct member states to involve local stakeholders in the programming processes, as well as, in the implementation of the programmes. At the same time, in harmony with the common goals of the EU, many prescriptions and restrictions are made at EU level regulations which shackle the people involved in programming.

Let us mention but one single problem we faced when being involved in cross-border programming. It is the case of thematic concentration. According to the principle of thematic concentration, 80% of the programme budget should be spent for 4 priority areas at maximum to be chosen from the list of 11 thematic objectives. The task is not impossible as we can see it from the INTERREG V-A programmes approved so far, but meaningless and unavailing. Territorial cooperation programmes have been launched for strengthening TERRITORIAL, not THEMATIC cooperation<sup>7</sup>. Thematic concentration (theoretically) ensuring the fulfilment of EU2020 objectives is not in harmony with territorial competitiveness. Territorial competitiveness requires TERRITORIAL CONCENTRATION of resources, as it is used in the LEADER programme. In our opinion, territorial concentration should be utilised in all programmes of Cohesion Policy in a similar way.

According to our experiences, the majority of the projects implemented within cross-border cooperation programmes are not cross-border in the original sense of the word. Most often, local stakeholders use these calls as additional resources for their own, local development needs. In case, an investment cannot be financed by a main stream operational programme, they find an ad-hoc partner from the other side of the border, they submit a „common” proposal which is integrated in a very low level. After completing the project, sometimes the partners never meet again and they are not interested in the sustainability of project results except for those implemented for local purposes, exceptionally. It is clear that in this way cross-border cooperation programmes fail their mission. By our conviction, the reason of this failure is that territorial cohesion at project and programme level is not taken seriously. Territorial cohesion should be set into the heart of the Cohesion Policy because it enforces all the stakeholders of the given region to sit down and plan their future together, developing interdependent projects covering the needs of the territory in a synergic and sustainable way, regardless of the borders. (Cross-border) integrated territorial

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<sup>7</sup> „It must be taken into account that thematic concentration is strict and does not reflect the needs on the ground but the subsidiarity principle asks for funding at the lowest level close to citizens.” (3<sup>rd</sup> note, page 10)

strategies could override the current false practice and making so possible the local stakeholders to use more effectively the resources.<sup>8</sup>

At the same time this new approach may guarantee a higher efficiency in strengthening cohesion at European level, too. For this purpose, the back-to-back system of territorial cooperation (cross-border, transnational / macroregional (?), interregional) and the different solutions of multi-level governance can be used in an appropriate way.

#### **4. To set place-based approach into the heart of territorial cohesion**

It might be not surprising that based on the above approach we stress the significance of the shift to place-based paradigm. (A lesson that we still have not learned from Barca report.)

This new approach makes necessary to re-think two issues: the definition of the term of territorial cohesion and the multi-fund system of the European Union.

As we can see in different documents, territorial cohesion is (partly) defined at European level. For instance, the indicators chosen by the experts of INTERCO project cannot be used at local level. Several attempts are known for identifying territorial cohesion in cross-border areas<sup>9</sup> but the main-stream interpretation of the term is profoundly linked to the entire territory of the EU.

What we propose, it is the „topsy-turvy” of the notion: to use it primarily at local-regional level and to build up European territorial cohesion concept gradually, from level to level.

We propose to re-define territorial cohesion at local level: the Cohesion Policy influencing all the EU policies should support the integration of neighbouring territories first. Territorial cohesion at local level means the common utilisation of the assets (in a broad sense) of the region: the natural and cultural heritage, the human capacities and the networks between different groups, the social capital, the efforts of the undertakings etc. In sum: territorial cohesion is a way of utilising territorial potential, territorial capital in order to satisfy territorial needs regardless of administrative borders, in common. As the 3rd note states: „Cohesion Policy should be more and more understood as (place-based) investment policy instead of a compensation policy. It must be ensured that funding supports regional strength in all regions that face economic challenges.”<sup>10</sup>

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<sup>8</sup> „Especially in cross-border areas, integration should play a greater role than growth.” (3<sup>rd</sup> note, page 12)

<sup>9</sup> OECD: cf; Öresund Integration Index: <http://www.oresundskomiteen.org/wp-content/uploads/2011/04/The-Oeresund-Integration-Index.pdf>

<sup>10</sup> 3<sup>rd</sup> note, page 13.



This way, not the backwardness but the development potential and the territorial energies of the given regions would determine the developments (both in more and less developed regions, so Cohesion Policy would cover the entire territory of the EU). The stakeholders of an organically coherent region can elaborate their own integrated territorial strategy and use the European resources in an integrated way with a view to ensuring higher competitiveness of the region. The structuring factor of these strategies is not the sectorial content but the set of real territorial needs cross-cutting different sectorial policies.

We would like to highlight that there is no conflict between economic convergence and territorial approach as

- the different level strategies can be built upon each other in a synergic and bottom-up way from the local to regional, national, macroregional and European level;
- the utilisation of territorial capital not only improves the level of (global) competitiveness of the regions but feed at the same time the competitiveness of the whole EU;
- the competitiveness of the different regions also depends on their connectivity with further territories which can be ensured by the EU level instruments only.

Certainly, the place-based interpretation of territorial cohesion makes necessary to make the regulatory framework more flexible and strengthen the sub- and super-state level of multi-level governance. But first and foremost, the multifund system of subventions should be re-thought.

Territorial integration of needs and development plans results also in territorial integration of resources. Multi-fund financing makes the implementation of territorial strategies very complicated. It is not surprising that the very innovative instruments launched by the EU, like joint action plan or integrated territorial investment are rarely used even by the member states and they are almost not used in a cross-border context. The reason of reluctance of the stakeholders in this field can be justified by the complexity of the harmonisation procedures between different funds of different countries.

In case the Cohesion Policy places real territorial potentials and needs into the heart of European policies, the developments will not need several funds but one single. We speak much about simplification. Unification of the different structural and investment funds would mean a real and revolutionary simplification. However, revolutions erupt not too often...