The political economy of regional integration in the European Union and mechanisms for regional convergence

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PLAN

I. THE EU DISPARITIES

II. THE COHESION POLICY: economic, social and territorial cohesion

III. THE NEW CHALLENGES: climate change, demography and migrations, energy

IV. THE GOVERNANCE, subsidiarity and multilevel governance
The EU disparities
COHESION POLICY

Article 2 EC TREATY "promote economic and social progress as well as a high level of employment, and to achieve balanced and sustainable development"

Art. 158 of the Treaty: "in particular, the Community aims to reduce the disparities between the levels of development of the different regions and the backwardness of the least favoured regions or islands, including rural areas"
Regional disparities in development in EU27

GDP per head in % and in purchasing power parities EU27 average in 2003

- <50
- 50 - 75
- 75 - 90
- 90 - 100
- 100 - 125
- ≥ 125
Huge pressures

- The internal EU disparities,
- The new challenges: climate change, migrations and demography,
- The economic crisis,
- The crisis of the cohesion policy: the Barca’s report
Difference between employment rates of population with high and low educational level, 2006

-21.77
21.77 - 25.77
25.77 - 30.11
30.11 - 36.1
≥ 36.1

EU-27 = 28.1
Employment rates of population aged 25-64
Source: Eurostat
Interregional discontinuities of GDP, 2004

GDP per capita (Euros) in 2004

- 974
- 4,528
- 10,483
- 16,136
- 21,789
- 27,443
- 33,096
- 38,749
- 45,200
- 51,651

Average EU27: 21,527

Relative differences between neighbouring regions

- More than 2.3
- From 2.0 to 2.3
- From 1.8 to 2.0
- From 1.5 to 1.8

Map by: F. Bafiol / Sciences Po Paris / UNESCAP / Hanoi
The cohesion policy

ECONOMIC
SOCIAL
TERRITORIAL
Structural funds allocation by type of region 2007-13

Total: €347.4 billion

- Convergence: €199.3 bn.
- Cohesion Fund: €69.6 bn.
- Phasing out: €13.9 bn.
- Phasing in: €11.4 bn.
- Competitiveness: €4.5 bn.
- Cooperation: €7.8 bn.

*in current prices*
Benefits and forecasts

Increase in GDP levels attributable to regional policy

- **1989-1999:**
  - 10.0% in Greece and 8.5% in Portugal
  - 3.7% in Ireland and 3.1% in Spain

- **2000-2006:**
  - 6.0% for Greece and Portugal
  - 4.0% in German Länder and 2.4% in Spain

- **2007-2013:** preliminary estimates suggest:
  - 8.0% for Lithuania, Czech Republic and Slovakia
  - 6.0% for Bulgaria, Poland and Romania
  - 3.0% in Greece and 1.5% in Spain, German Länder and Mezzogiorno
Concentration on the Lisbon agenda (1)

Knowledge and innovation for growth

- increase and improve investment in R&D
- facilitate innovation and promote entrepreneurship
- promote the information society for all
- improve access to finance
Concentration on the Lisbon agenda (2)

More and better jobs

- attract and retain more people in employment and modernise social protection systems
- improve adaptability of workers and enterprises and the flexibility of the labour market
- increase investment in human capital through better education and skills
- administrative capacity
- health and the labour force
TERRITORIAL COHESION
3 Cs

• Concentration of economic activities in large urban areas

• Connexion between territories

• Cooperation between different actors and territories (horizontal), between different territorial levels (vertical)
TERRITORIAL COHESION

Sector-based policy: transport policy

- Networks should generate a European added value
- Should take into account spatial planning strategies and promote a more polycentric development
- Should cope with increasing transport flows inside and from outside of EU and be environmentally acceptable
TERRITORIAL COOPERATION

What does cross-border cooperation?

Essentially local in nature:
- Entrepreneurship and SMEs, cross-border trade, tourism and culture
- Protection and joint management of the environment
- Better access to transport
- Information and communication networks
- Water, waste management and energy management systems
- Joint use of health, culture and education infrastructure
- Judicial and administrative co-operation

Particularly important to contribute to Lisbon and Göteborg while working on erasing the negative effects of borders (eg different competitiveness structures concerning work force, taxation policies)

☞ A new tool: EGTC
TERRITORIAL COOPERATION
European Grouping for Territorial Cooperation

- Creation of a new legal instrument at EU level with legal personality (binding Regulation, not a Directive)
- Member States free to delegate management of an ETC programme to an EGTC
- Regional/local partners free to run ETC projects as an EGTC
- Other existing instruments remain possible
The NEW CHALLENGES

Globalization
Climate change
Demography and migrations
Regional vulnerability in a global perspective

- **Globalisation**: EU regions will be exposed to increased competition from emerging countries.
- **Demography**: EU regions will face the largest old age dependency ratio in the world after Japan.
- **Climate change**: Existing conditions are projected to worsen in the Mediterranean regions.
- **Energy**: EU regions will have to move towards a low carbon economy.
- **Cohesion policy post 2013**: Maintain focus on Lisbon agenda; reinforce focus on Gothenburg priorities; strengthen territorial cooperation.
Regions of North-West periphery well placed;

Southern and Eastern regions more exposed;

Mixed patterns in Western and Central Europe;

Urban areas better placed.
Demographic change

- 33% of regions will face population decline
- Highest share of elderly population (aged 65+) in Eastern Germany, Finland, Northern Spain, Italy
- Lowest share of working-age population (aged 15-64) in several Finnish, Swedish and German regions
- Rural areas in less favourable position
Net migration, 2000-2003
Climate change vulnerability index

- Southern Europe most vulnerable
- 170 million people live in strongly affected regions
- North and Western regions less affected, except lowland coastal areas
Energy vulnerability index

- determined by national energy policy choices
- Eastern and southern periphery more affected by security of supply
- Ireland, Poland, Czech Republic and Bulgaria face strong challenges
Multiple challenge vulnerability index

- Southern, western coastal and central regions in Germany and New Member States are strongly affected.
- North-Western periphery regions are less vulnerable.
Cohesion is a matter of governance as much as funding
The multi level governance

“A system by which the responsibility for policy design and implementation is distributed among different levels of government and special purpose local institutions (private associations, pacts among several local public authorities, districts and cooperation projects within national borders or across national borders, public-private partnership, etc”).

• EU report april 2009
MULTI LEVEL GOVERNANCE

• **Vertical** : multilevel governance
  – EU / State / Regions / Département / Municipalities

• **Horizontal** : partnerships on the regional and local level, cooperation between authorities across the administrative boundaries (regional and national)
Contribution of cohesion policy to better governance

- **Multi-annual programming** – strategic approach, stability and sharing of risk, improves capacity for expenditure in general
- **Additionality** and **leverage** effects
- **Partnership** – better targeting of interventions and stimulation of development projects - institutions matter in development
- **Exchange of experience** and good practice
- **Management, monitoring** and **evaluation**
The method

The main tools and principles

Programme cycle

1. National / Regional Plan
2. Specific EU Programme
3. Day-to-day management
4. Project execution
5. Monitoring/Reporting
[6. Evaluation]

National Role
Mixed Roles
How is the effectiveness of governance reviewed?

- Concerning the whole political process: refers to the definition of competences of each level (principle of subsidiarity, etc.) in the treaty in the different institutional and political fields (White Paper on governance)

- Concerning the cohesion policy: it is a permanent discussion between the MS, the Commission and the regions; role of the Committee of the Regions

- On the programme level: it is part of the evaluation system (ex ante, ex post) and the monitoring system (monitoring committee, annual reports, etc.)
The last proposal for reforming the cohesion policy

The BARCA ’s report
A comprehensive reform is needed, for the following reasons:

- A failure to adopt coherently a place-based perspective
- A lack of focus on priorities and a failure to distinguish between economic and social objectives
- A failure of contracts to focus on results and to create adequate incentives to use resources effectively
- Methodological problems in the use of indicators and the evaluation of impacts
- A remarkable lack of political debate on results
Pillar 1. An innovative concentration on core priorities and a conservative territorial allocation

- No substantial change in the criteria for territorial allocation and distribution of funds between lagging and non-lagging regions and to territorial cooperation

- The concentration of up to 2/3 of funding on 3-4 core priorities
  - EU-wide relevance

- Selection of core priorities through a high-level strategic debate based on three criteria:
  - needs/expectations of EU citizens
  - advantage of EU over Member States
  - Member States’ interests
  - place-based nature
  - verifiability
Concentrating resources

1-2 core priorities must have a predominantly “social inclusion” objective:

• the social and the territorial agendas must come together in a territorialized social agenda, an agenda aimed at persons and aware that policy effectiveness depends on contexts,

• a unique opportunity for the EU to respond to the increasing constraints on Member States’ social policies while respecting the diversity of national social contracts,

• a case for migration

1-2 core priorities must have a predominantly “economic” objective:

• a case for innovation, by adopting new results-oriented methods

• other possibilities: climate change, children, skills, aging
Conclusion

Successes and failures of the cohesion policy
The challenges of the new enlargements
The lessons for the future
THE SUCCESSES 1

- Cohesion policy has played a relevant part in the “paradigm shift” in regional development policies across the EU, towards a more place-based, knowledge-oriented, participatory and integrated approach to public investment based on multilevel governance.

- It offers the appropriate base for the Union to build a rejuvenated place-based approach to tackle economic and social development.
The successes 2

• Cohesion policy has provided a common framework for policy management, allowing for institutional diversity while facilitating cooperation and exchange of information across countries, regions and places. This approach is at the centre of international interest.

• Local-scale projects designed with an active role of the Commission, and intensive input of expertise, often have a good track record of success.

• There is evidence of cohesion policy strengthening the role of administrative Regions and local governments, as part of the regionalisation process in some parts of the EU.

• An evaluation culture has been promoted across the EU, encouraging awareness, capacity-building and methods for assessing regional development in countries and regions where this was previously limited or non-existent.
Important weakness and failures

- In the absence of a high-key cultural and political compromise on a policy model, strategies, both at EU and Member States (Regions) level, often lack clear-cut objectives and a justification of how planned interventions should achieve them.

- Priorities are very broad, covering all possible areas of public action and cannot by identified with any European public good.
Outdated concepts of regional policy, involving financial transfers and sectoral public works still play a role in several Member States (Regions), while the political will or institutional capacity to implement a place-based approach, tailoring public goods and services to specific contexts and eliciting and aggregating local knowledge and preferences, is lacking in parts of the EU.

- The meta-objectives of efficiency and equity are generally mixed, reducing the room for performance accountability. Specific objectives and targets, relevant for EU citizens well-being, are often mentioned only as part of a compliance exercise.
The conditionality system is not adequately results-oriented and insufficiently effective.
- Lack of adequate guarantees on the effective use of funds:
  - ex-ante commitments look inadequate;
  - bad quality and very limited role played by outcome indicators and targets
  - large costs are incurred to prevent irregularities with unsatisfactory results.

There is often a lack of coherence between the implementation of cohesion policy in a Member State and its own domestic strategies, both regional and sectoral. Programmes are often designed to prioritise financial absorption and meet spending deadlines rather than EU policy objectives.
The mobilisation of local actors and experimental approach are inadequate. The prevalence of a top-down approach to programme management, with limited local public debate, too often betrays the very nature of place-based approaches.

Despite the progress made in developing an evaluation culture, a European “policy learning system” has not been created on the crucial issue of “what works and why”,

Outside the “cohesion-policy community” there is no high-level, continuous policy and political debate on cohesion policy.
Implications of enlargement:
further enlargement to include Croatia late in the current period or early in the next period
Western Balkans and Turkey not until later in 2014-20 period
Lessons for the future Regional Policy

• Need for continued support for all European Regions to drive forward regions to focus on the promotion of new approaches, reorientate private and public investments.

• Continued focus on the Lisbon Agenda.

• Reinforcement of investments to address the challenges posed by the shift to the low carbon economy.

• Reinforced territorial cooperation to address common problems.