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## **THE FUTURE OF REGIONAL COHESION POLICY**

Cohesion policy is the main European investment policy which implements European objectives at all levels of government and which takes into account territorial specificities in the EU. A cohesion policy with adequate financial resources is indispensable to support and relaunch investments and development in Italian regions and is therefore an absolute priority for such regions.

Cohesion policy contributes to the implementation of most policies in favour of innovation, research, digital, energy and transport infrastructure. It also helps improve education systems and take action to tackle and mitigate climate change.

Italian regions are also aware that the “post-2020” debate takes place at a time of high International and European tensions. In this situation, some dangerously put into question the most European policy of the EU. Indeed, cohesion policy was always the main tool for implementing European policies at territorial level within the EU, contributing at the same time to growth and development in regions and getting the EU closer to its citizens.

In order to address the main challenges facing the EU, cohesion policy must be confirmed and relaunched in the post-2020 period, since it is a fundamental pillar of European integration. Pursuing economic, social and territorial cohesion is one of the main objectives of community action according to the Treaties. By reducing economic and social inequalities within and between European territories, cohesion policy is a basic precondition for assuring not only solidarity, but also full implementation of the single market.

The availability of adequate resources – also by increasing own resources – is absolutely necessary to pursue common European objectives, and cohesion policy cannot be penalised by possible revisions of the Union’s budget. An adequate budget must be guaranteed-which is at least equal to current levels – in order to

make sure that cohesion policy is credibly implemented in the whole EU and that it stays universal in its approach through the implementation of actions across all EU regions. The budget must also cater for any possible crisis or unforeseen event in the short term by providing for flexibility mechanisms, for example, an emergency reserve for unforeseen events (such as natural disasters and the migratory crisis).

Cohesion policy is the only European policy which has precise objectives and measurable results: member states and European Commission measure the impact of programmes through a number of evaluation tools.

The European Fund for Strategic Investments (EFSI), for example, does not have the same objectives as cohesion policy and is very different in the way it operates. Italian regions therefore recommend, a clear distinction is kept between the European Fund for Strategic Investments (EFSI) and ESI funds. Notwithstanding possible synergies, the former cannot overlap or replace the latter, not even in part, and – most importantly – cannot be granted resources that are taken away from cohesion policy.

The added value of cohesion policy lies in its strong points, such as the place-based territorial dimension approach, and multilevel governance, multiannual planning and shared and measurable objectives, the integrated development approach and convergence towards European standards in administrative capabilities. Italian regions confirm that it is important to focus on the principle of thematic concentration, the efficacy of interventions and on the how to use additionality effectively. This can be achieved by leaving more room for manoeuvre to regions in choosing their priorities on the basis of their respective regional economic contexts so as to contribute to European objectives according to the principle of subsidiarity.

This policy has huge advantages both for the European Union and for individual regions. Its added value is particularly evident in cross-border, transnational and interregional cooperation which brings together different players from various member states and regions and offers a fundamental contribution to Europe and its citizens. Territorial cooperation, therefore, must be further reinforced and adequately funded. A strong integration between operational programmes and macro regional action strategies must also be envisaged.

Through the years, cohesion policy programmes – as also rural development ones – have made it possible to implement a number of projects in favour of territories and European citizens. These projects have provided incentives for innovation, for the redevelopment of cities, for spreading the use of digital technologies, strengthening infrastructure, protecting the environment and promoting the development of the

circular economy. Indeed, such projects have provided many young people the resources and measures necessary to pursue their aspirations, have helped less fortunate people find a place in society, have provided many workers with the tools to adapt to changes on the labour market. They allowed regions and cities to create networks, to implement interregional cooperation and to exchange experiences at European level.

However, the way cohesion policy and its impact are assessed, is often undermined by a number of issues that often have a negative impact on the way structural funds are perceived by the public. A possible solution is to improve communication in the future. Indeed, it must be both more effective and inclusive and capable of creating a new more positive and captivating narrative around the use of these funds. This can be achieved by using more modern language and tools.

In order to give a new thrust to a cohesion policy that can contribute to the common European home, it is necessary to identify some key elements on which to concentrate in order to improve this policy.

## **General aspects**

On the basis of these considerations, Italian regions:

- Reiterate that post-2020 cohesion policy must keep on supporting all European regions and must make sure that the principle according to which “the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions” (Art. 174 TFEU) is still applied;
- maintain that GDP per capita must be confirmed as the main reference indicator for classifying regions and allocating funds;
- are in favour of highly harmonising the rules concerning the five ESI funds and believe that the sectoral approach by fund must be dropped since in the past this has shown serious limitations. To this aim, a single programming instrument should be introduced;
- hope that the shared and multilevel management model is further developed, by better establishing roles and responsibilities of the various levels of government. In particular, it is worth strengthening the role of regional authorities that are closer to the territories and are therefore better placed to plan and execute interventions. In order to implement cohesion policy more effectively, it is necessary to actively

encourage partnerships, not only during the programming phase, but also during the implementation and dissemination of results phases;

– believe that post-2020 cohesion policy must provide a strong answer to the social challenges facing Europe, by continuing to contribute to job creation, to developing peoples' skills through a general improvement of the levels of education and training. At the same time, it must not lose its “inclusive” nature and therefore address issues such as integration. Furthermore, measures need to be taken fight against the marginalisation and the fragility the European continent has been suffering from in recent years. In this respect cohesion policy must play a fundamental role in the implementation of the future social pillar of the EU;

### **Result-oriented approach**

Focussing more on results achieved, rather than on whether resources can be adequately absorbed, is a precondition for the continuation of cohesion policy. In order to strengthen this approach within the post-2020 cohesion policy, Italian regions:

– note how effective ex ante conditionality has been in reinforcing institutional capacity, rules concerning the relevant instruments and policies promoted by local and regional authorities, as well as the role of smart specialisation strategies and the improvement of innovation in regions. They therefore hope that the principle of ex ante conditionality is clarified and strengthened in the post-2020 programming period and that it is implemented in a more flexible and dynamic fashion by linking it to a series of incentive mechanisms rather than the usual system of sanctions foreseen in case of incompliances;

– consider that cohesion policy must keep its strategic nature by focusing on long term objectives. Furthermore, it is necessary to give programmes a more versatile structure and to make revision procedures simpler and quicker to provide faster answers to the evolution of socio-economic contexts;

- recognize that financial instruments can also be used in the implementation phase of the programmes and that they can therefore - in certain cases – be considered as an alternative or an addition to grants. Consider that the use of financial instruments must be considered only when it has been preliminarily established that they are more effective compared to grants in pursuing the strategic objectives of the relevant programme;

## **Strengthening governance**

The democratic legitimisation of the European Union is based on the principles of subsidiarity and proportionality, according to which, decisions must be taken at the closest possible level to its citizens. Cohesion policy is one of the main European policies and is fully in line with these principles thanks to its shared and multilevel governance. Italian regions:

- are convinced that the introduction of a territorial dimension in the European semester, by widely involving decentralised levels of government, can contribute to making it more effective and improve its legitimacy;
  
- recommend clarifying the link between cohesion policy and economic governance, in particular by better aligning national reform programmes and operational programmes;
  
- observe that ex ante conditionality must have a pivotal role in establishing the link between cohesion policy and economic governance, since the former is the main instrument for implementing structural reforms at local level;
  
- propose to abandon the principle of macroeconomic conditionality in favour of a system of awards. Such principle is currently based on the wrong assumption that local and regional authorities have the same responsibilities as central governments in terms of respecting macroeconomic stability rules;
  
- ask that regional and national co-funding are excluded from calculations concerning the stability pact since such co-funding has a positive impact on the implementation and the effectiveness of relevant actions.

## **Territorial dimension**

Strengthening the territorial dimension in European programming can effectively reduce the (ever growing) distance between the Union and its citizens. Furthermore, a strong territorial dimension requires integrated intervention strategies between the various themes that also need to be *place-based*. For these reasons Italian regions:

- ask that cross border, transnational and interregional cooperation are supported within the framework of "European Territorial cooperation" and macro regional strategies.

- are convinced that strengthening the urban dimension - through strong cooperation between cities and regions – is an effective way to address the challenges cities are facing, especially because of the persistence of the economic crisis that has its most negative effects in the urban context.

- confirm the role urban areas play– as main centres of knowledge-based economy and social innovation – in determining the “competitiveness and attractiveness” of advanced services and large companies.

- recall that inland and rural areas are the weakest link in European economies. Post-2020 cohesion policy must therefore focus on their development and on the quality of life in less populated areas and peripheral and insular regions which face enormous natural disadvantages. Attention should also be paid to mountainous regions where it is possible to monitor the environmental situation of a specific territory. Italy has been implementing a number of projects to relaunch inland areas. The experience acquired can provide a number of indications and lessons learnt that can be used during the reflection on the post-2020 cycle.

## **Simplification**

Simplification is a prerequisite for better implementation of cohesion policy. Italian regions therefore:

- ask that a proliferation of different rules at different levels of action is avoided, by narrowing possible regulatory overlaps. It is also necessary to simplify the endless number of legal acts and guidelines which have accumulated over time and the rules governing relations between regions and governments. Simplification measures are needed to make the lives of citizens and enterprises easier. Administrative and regulatory burdens must be reduced for beneficiaries concerning the reporting of their expenses and cross-cutting issues such as auditing;

- ask that cohesion policy is no longer subject to state-aid rules, as already foreseen for direct management European instruments. Cohesion policy needs leaner and simpler rules that are able to guarantee better synergies and complementarity between structural funds and direct management European programmes;

- consider that management and control systems must aim at pursuing the objectives of cohesion policy as effectively as possible, instead of establishing rules for every possible scenario. This can be achieved by strengthening the proportionality principle.

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