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COMMISSION STAFF WORKING PAPER

Results of the public consultation on the conclusions of the fifth report on economic, social and territorial cohesion

1 Executive summary

The conclusions of the fifth report on economic, social and territorial cohesion, adopted in November 2010, provide broad pointers to the future of cohesion policy for the post-2013 programming period. A public consultation was held between 12 November 2010 and 31 January 2011. A total of 444 contributions were received. The public consultation asked a series of questions about the future of cohesion policy. The replies can be summarised as follows:

1. How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels? Contributors generally favoured a stronger link between cohesion policy and the Europe 2020 Strategy, but some stressed the need to maintain the specific aims of cohesion policy. Respondents stressed the need to ensure that cohesion policy provides the flexibility to take into account the regional and local context, allowing regional and local actors to influence the priorities and goals of cohesion policy through a bottom-up approach.

2. Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be? Most contributors supported the Commission's proposal for a common strategic framework that would include other EU funds in addition to the European Regional Development Fund, European Social Fund and Cohesion Fund, which currently make up cohesion policy. However, most stakeholders expressed no clear position on the proposed partnership contracts. A majority of Member States were in favour of extending the contracts beyond cohesion policy.

3. How could stronger thematic concentration on the Europe 2020 priorities be achieved? Although the contributors mainly supported the proposal that cohesion policy programmes should focus on a limited number of priorities in order to achieve the Europe 2020 objectives, a significant number were concerned about how the priorities could be set. Many pointed out that there should be no pre-defined thematic concentration at EU level.

4. How could conditionalities, incentives and results-based management make cohesion policy more effective? Many contributors supported the introduction of incentives linked to the performance of cohesion policy, but tended to be less positive about the introduction of conditions which are not directly related to the effectiveness of the policy. Generally, respondents asked for further details on the different options.

5. *How could cohesion policy be made more results-oriented? Which priorities should be obligatory?* Contributors supported the introduction of better-functioning monitoring and evaluation systems linked to a results-oriented approach to cohesion policy. They also called for better qualitative and quantitative indicators, which are truly results-oriented and aligned with locally identified objectives. The environment, innovation and social inclusion were mentioned among the main policy priorities to be pursued, but respondents generally referred to them as 'priority areas' and only very few were in favour of 'mandatory priorities'.

6. How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies? In general, stakeholders supported a greater focus on urban territories and regions facing particular geographical and/or demographic challenges.



Development of macro-regional strategies was welcomed as a means to support such regions. The role of urban-rural linkages was also stressed.

7. How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved? Contributors called for more and better engagement with local stakeholders, including civil society and the private sector, throughout the strategic programming process and during programme implementation. Specific suggestions from local and regional authorities, the social partners and other organisations included better dialogue between public and private sectors, clearer definition and enforcement of the partnership principle, stronger involvement of target groups in designing measures and projects and more effective communication with all stakeholders.

8. How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed? Generally, there was strong support for a more transparent and simplified set of financial management procedures. In particular, respondents called for a proportionate and progressive system of audit and control which would depend both on the size and cost of the project and on the proven reliability of managing authorities in previous programming periods.

9. How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes? Respondents called for greater flexibility and simplification of administrative rules, particularly when there are limited funds and extensive experience of managing similar projects. A greater focus on the outputs and results of projects was suggested in order to simplify management and control systems. With regard to territorial cooperation programmes, there were calls for greater standardisation of rules and procedures across Member States.

10. How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules? Most contributors called for a common set of rules for the Structural Funds on eligibility of expenditure, audits, financial issues, use of standard costs, etc. However, some added that, within the common set of rules, a degree of flexibility should be maintained on how to achieve and support the different aims of the specific Fund and/or region. Others simply called for clearer definition, application and interpretation of existing rules (mainly with regard to eligible expenditure).

11. How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects? Many respondents supported the Commission's proposal to apply the current decommitment rule but introduce an exception for the first year. Some suggested extending the decommitment rule to N+3 for the whole programming period, whereas a small number said that the N+2 rule was adequate but should be enforced better. There were also calls for greater decentralisation of financial management to regional and local authorities, with more flexibility in the design and implementation of operational programmes tailored to the specific regional and national context. Respondents also requested that procedures be agreed in advance and be left unchanged throughout the programming period. They called for specific measures to strengthen the administrative capacity of local and regional bodies. 12. How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives? The contributions addressing the relationship between the ESF and the ERDF generally wanted to maintain the current specific nature of the ESF, but without creating a different budget heading, and called for greater coordination of the ESF and the ERDF. A significant number of respondents, in particular regional and local authorities, highlighted the major contribution made by the ESF in the current socio-economic circumstances and its direct link with the Europe 2020 objectives and wanted to maintain the current specific nature of the ESF in terms of its broad focus on employability, training and social inclusion.

13. How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

Contributors were generally positive about creating an intermediate category, as long as this did not compromise the principle of cohesion policy support for all European regions. Nevertheless, some called for a more flexible transition mechanism, including a gradual reduction of funding with additional help for regions facing specific issues or special needs. Finally, some respondents suggested that other criteria beyond GDP should be adopted to identify intermediate regions.

2 Introduction

Every three years, the Commission publishes a Cohesion Report, as required by the Treaty, covering the progress towards economic, social and territorial cohesion and how public policies have contributed to this goal. The fifth report on economic, social and territorial cohesion, adopted in November 2010, places regional development in the context of the economic crisis and the Europe 2020 Strategy and highlights the following points:

- convergence between EU regions is continuing regional disparities in the levels of GDP per head have narrowed substantially;
- more developed regions are more competitive, e.g. are more innovative, better trained, more employed and better endowed with infrastructure and have higher-quality government;
- well-being and satisfaction with life in the less developed regions is closely tied to increases in household income, whereas in the more developed parts of the Union this link is much weaker if not non-existent;
- environmental sustainability: while some regions are highly vulnerable to climate change, others have strong potential to produce more renewable energy. Many city centres suffer poor air quality. Waste water treatment capacity is particularly low in some of the eastern Member States.

The conclusions of the fifth Cohesion Report provide broad pointers to the future tasks and set-up of cohesion policy for the post-2013 programming period, how the policy can be made more effective and its impact improved so as to achieve greater European value added, how governance of the policy and the involvement of stakeholders can be further strengthened and how its implementation can be streamlined and simplified¹.

A broad public consultation on the conclusions of the fifth Cohesion Report was held from 12 November 2010 to 31 January 2011. The public consultation has adhered to the minimum standards and general principles for consultation as outlined in (COM (2002) 704). A total of 444 contributions were received, including 26 from Member States, 225 from regional and local authorities, 66 from economic and social partners and 37 from European interest organisations on territorial issues. Moreover, there were 29 contributions from civil society organisations, 21 from citizens, 15 from private companies, 8 from academic and research institutes, 1 from EU institutions and 9 from other stakeholders. There were also 5 contributions from public bodies plus 2 contributions from Norway and Switzerland.

All contributions are available on the dedicated website².

¹ Conclusions of the fifth report on economic, social and territorial cohesion, COM(2010) 642 final, 9.11.2010. ² <u>http://ec.europa.eu/regional_policy/consultation/5cr/answers_en.cfm</u>

3 Results of the public consultation

3.1 How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels?

'The explicit linkage of cohesion policy and Europe 2020 provides a real opportunity: to continue helping the poorer regions of the EU catch up, to facilitate coordination between EU policies, and to develop cohesion policy into a leading enabler of growth, also in qualitative terms, for the whole of the EU, while addressing societal challenges such as ageing and climate change.' *Excerpt from the conclusions of the fifth report*.

In general, a large majority of contributors supported a close link between cohesion policy and the objectives of Europe 2020, but suggested that closer partnership and coordination between different governance levels were needed. Many also emphasised the need for flexibility in integrating these priorities into national and sub-national programmes so as not to overlook territorial specifics. Many contributors therefore called for greater involvement of local stakeholders and of the private sector in defining the operational programmes. Stronger policy coordination was the second most frequent response. Contributors broadly welcomed the architecture proposed, especially the role of the common strategic framework and closer coordination with the National Reform Programmes. Nevertheless, many also expressed general concern about fully aligning cohesion policy with the Europe 2020 Strategy. Some respondents stressed the need to maintain the specific aims of cohesion policy, including its focus on territorial cohesion, reducing territorial disparities and promoting economic growth, particularly by means of investment in infrastructure within the broader context of the Europe 2020 Strategy. A significant number thought that cohesion policy should focus more on competitiveness and innovation in order to bring it closer to the Europe 2020 Strategy.

Member States attached almost equal importance to the bottom-up approach and to stronger policy coordination to bring cohesion policy and the Europe 2020 Strategy closer together. Many would like national and regional circumstances to be taken into account and suggested that cohesion policy adopt a place-based approach as far as possible. Roughly half stressed the need to maintain the specific nature of cohesion policy, while linking it to the Europe 2020 Strategy. A few others cited the need for cohesion policy to focus on innovation and competitiveness in order to achieve the Europe 2020 objectives.

Regional and local authorities clearly expressed the need for a bottom-up approach, with greater participation by sub-national authorities in designing (common strategic framework and partnership contracts) and implementing cohesion policy to help achieve the Europe 2020 objectives. In addition, many called for closer coordination across policies and governance levels. Nevertheless, there were differences on the role of cohesion policy in relation to Europe 2020 objectives within 'convergence' objective and 'regional competitiveness and employment' objective regions. A large number of respondents would like cohesion policy to continue to support less developed regions. However, many others pointed out the role of cohesion policy in promoting competitiveness and innovation.

Social partners, non-governmental organisations and other stakeholders rated both a stronger bottom-up approach and greater policy coordination as equally important, calling for greater involvement of local stakeholders in the strategic programming process. They mostly called for closer coordination between European, national, regional and local policies around

the Europe 2020 objectives. There was a fair balance between contributions calling for the specific nature of cohesion policy to be kept and those calling for cohesion policy to be used to foster competitiveness based on innovation.

3.2 Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?

'A development and investment partnership contract [...], based on the common strategic framework, would set out the investment priorities, the allocation of national and EU resources between priority areas and programmes, the agreed conditionalities, and the targets to be achieved. This contract would cover cohesion policy. In order to promote economic, social and territorial cohesion in a coherent and integrated manner, it might be useful to extend its scope to other policies and EU funding instruments.' *Excerpt from the conclusions of the fifth report*.

A large majority of contributions welcomed the idea of extending the common strategic framework (CSF) to different funds. In particular, many drew attention to the common objectives of cohesion policy funds (the ESF and ERDF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). Furthermore, many called for closer coordination of all EU policies, including competition, transport, the environment and research. On the question of the extension of development and investment partnership contracts, only Member States tended to take explicit positions, though some would prefer to wait for more details. Other stakeholders were generally less clear about their position on partnership contracts, though a large majority mentioned greater coordination across funds in general.

A large majority of **Member States** were in favour of a common strategic framework including both the EAFRD and the EFF. They varied much more in their support for the proposed partnership contracts and on whether these should cover cohesion policy funds only or be extended to other funds and policy areas. Fourteen Member States supported the proposal of partnership contracts and of extending them (principally to include the EAFRD and EFF). Four opposed extension of the partnership contracts to other funds and policies, while three others explicitly rejected the principle of partnership contracts itself. The other Member States took no clear position on the issue and were waiting for further details.

Regional and local authorities were mostly in favour of including the EAFRD and EFF in the common strategic framework. The respondents did not elaborate on the possibility of extending the partnership contracts beyond the cohesion policy funds. Their contributions stressed the need for closer coordination between cohesion policy and other thematic funds relevant to Europe 2020, notably for research and innovation, transport, the environment, energy and the green economy, but made no specific mention of the proposed partnership contracts.

Social partners, non-governmental organisations and other stakeholders also showed a majority in favour of a common strategic framework including the ESF, ERDF, EAFRD and EFF but made no specific mention of partnership contracts. Nevertheless, many respondents called for greater coordination between funds and closer partnership.

3.3 How could stronger thematic concentration on the Europe 2020 priorities be achieved?

'The *ex-post* evaluations of cohesion policy concluded that greater concentration of resources is required to build up a critical mass and make a tangible impact. In the future it will therefore be necessary to ensure that Member States and regions concentrate EU and national resources on a small number of priorities responding to the specific challenges that they face. This could be achieved by establishing, in the cohesion policy regulations, a list of thematic priorities linked to the priorities, Integrated Guidelines and flagship initiatives of Europe 2020.' *Excerpt from the conclusions of the fifth report*.

Although the contributors mainly supported the proposal that cohesion policy programmes should focus on a limited number of priorities in order to achieve the Europe 2020 objectives, a significant number were concerned about how the priorities could be set. Many pointed out that there should be no pre-defined thematic concentration at EU level. Some respondents suggested that the range of priorities be set at EU level but negotiated jointly between the European Commission and the managing authorities in order to tailor them as closely as possible to national and sub-national specifics. Similarly, some contributors would like to discuss further how to link earmarking of expenditure with local and regional priorities more effectively. Others called for greater ring-fencing of expenditure.

Member States generally supported the idea of limiting the number of priorities but seemed more sceptical about having these priorities set at EU level. Moreover, several expressed concern that limiting priorities too much at EU level would not allow the flexibility necessary to define appropriate regional development strategies.

Regional and local authorities, although generally in favour of a limited number of priorities, were concerned about any pre-defined thematic concentration at EU level which might constrain their individual socio-economic development strategies. They generally supported other mechanisms to ensure thematic concentration, such as earmarking or ring-fencing resources for specific EU and regional/local priorities.

Social partners, non-governmental organisations and other stakeholders were less concerned about the constraints of pre-defined thematic concentration and thus were mostly in favour of focusing cohesion policy on a limited number of priorities. To ensure thematic concentration, the contributions generally supported earmarking or ring-fencing resources for specific priorities.

3.4 How could conditionalities, incentives and results-based management make cohesion policy more effective?

'Specific binding conditionality in the areas directly linked to cohesion policy would be agreed with each Member State and/or region — depending on the institutional context — at the beginning of the programming cycle in the programming documents (i.e. the development and investment partnership contracts and the operational programmes), in a coordinated approach with all relevant EU policies. Their fulfilment could be a prerequisite for disbursing cohesion resources either at the beginning of the programming period or during a review in

which the Commission would assess progress towards completing agreed reforms. [...] financial sanctions and incentives linked to the Stability and Growth Pact have been so far limited to the Cohesion Fund. The Commission has proposed to extend it to the rest of the EU budget as complementary leverage to ensure the respect of key macro economic conditions in the context of the corrective arm of the Pact. In cases of non-compliance with the rules of the Pact, incentives should be created by suspending or cancelling part of current or future appropriations from the EU budget without affecting end-beneficiaries of EU funds.' *Excerpt from the conclusions of the fifth report*.

Although a general consensus emerged from the contributions on the need to ensure the effectiveness of cohesion policy action, views were very mixed on the different options proposed in the conclusions of the fifth Cohesion Report in terms of conditions, incentives and use of a performance reserve. Contributors were generally not in favour of macro-fiscal conditions, this being the most frequent comment. On the other hand, some supported incentives and sanctions linked to setting effective preconditions directly linked to cohesion policy. A general consensus was clear on the introduction of incentives linked to success in implementation of cohesion policy. Use of a performance reserve to reward more effective programmes was widely debated, some favouring a performance reserve at national rather than EU level but others opposing any kind of performance reserve.

The contributions of Member States had mixed positions as far as conditionalities were concerned. Three contributions were clearly in favour of the concept of macro-fiscal conditionality, three would support it if macro-fiscal conditionality does not only concern cohesion policy expenditure, four contributions stated that the issue is being addressed in other fora (the Van Rompuy Task Force and other Council formations), and three contributions accepted the general idea subject to conditions. Four contributions were clearly opposed to macro-fiscal conditionality and seven contributions were critical of vital elements of the proposal, with three of them requesting conditionality to be linked to cohesion policy and not to other policy areas. Two contributions did not contain any specific reference to macro-fiscal conditionality. Nevertheless, there seemed to a broader consensus on the introduction of effective preconditions within cohesion policy, with fourteen contributions from Member States supporting this and only two rejecting it outright. The majority of Member States also favoured positive incentives related to the implementation of cohesion policy. While only two Member States supported use of a performance reserve at EU level, eight showed a preference for a performance reserve at national level. Eight contributions were either sceptical about or against the very idea of a performance reserve.

Regional and local authorities strongly opposed macro-fiscal conditions. More generally, they refused conditions based on action which they cannot influence or on results they cannot help to achieve. Regional and local authorities largely viewed these types of condition as potentially counter-productive, because they could penalise regions in less performing Member States, despite their successful management of EU funds. Contributions from regional and local authorities were more positive about the introduction of incentives directly linked to implementation of cohesion policy and, thus, to results they can actively influence. Finally, the contributions from regional and local authorities did not always draw a clear distinction between an EU and a national performance reserve. Very few (three) respondents approved of setting a performance reserve at EU level. Some contributions mentioned the less than satisfactory experience in the 2000-2006 programming period with the performance reserve.

Social partners, non-governmental organisations and other stakeholders were generally not in favour of introducing macro-fiscal conditions and expressed mixed positions about the introduction of effective preconditions directly linked to cohesion policy. A large number of contributors welcomed the introduction of positive incentives linked to the implementation of cohesion policy. The contributions seemed generally to support a performance reserve at national level, as a premium for best practice, with very few backing a performance reserve set at EU level.

3.5 A) How could cohesion policy be made more results-oriented?

'Higher-quality, better-functioning monitoring and evaluation systems are crucial for moving towards a more strategic and results-oriented approach to cohesion policy.' *Excerpt from the conclusions of the fifth report.*

The majority of contributors called for a more place-based approach, achieved via bottom-up involvement of all stakeholders in order to identify clear and shared local priorities. Similarly, many called for better definition of qualitative and quantitative indicators, results-oriented and aligned with the expected locally identified results. The third most frequent request was for greater and better use of *ex-ante* evaluations and impact assessment with the aid of impartial external expertise. Other contributors mentioned the need for greater clarity in the objectives and targets of operational programmes, priorities and action. Finally, a few called for stronger coordination and complementarity between funds, with a view to achieving common objectives linked to the Europe 2020 objectives.

Member States mostly concentrated on the technical aspects of defining adequate resultsoriented indicators and ensuring adequate independent evaluation. Some also mentioned the need to coordinate Structural Funds with other policies and related funds, with clearly identified action and priorities, measurable objectives and targets and a stronger place-based approach.

Regional and local authorities also called for a stronger place-based approach, underlining the need for closer coordination across different levels of governance. More specifically, the contributions called for greater involvement of sub-national players in order to focus policy objectives more sharply on real territorial needs. Contributions also placed emphasis on defining adequate indicators, beyond expenditure-based indicators and moving towards results-based indicators measuring the contribution made by cohesion policy to improving health, well-being, the environment and employment in the regions of the EU. Unlike other contributors, regional and local authorities particularly focused on project delivery. Many regions mentioned the idea of 'territorial diagnosis' (i.e. contextual analysis aiming for a better understanding of real local needs) to assess the strengths, weaknesses and needs of each territory better. In their view, cohesion policy should therefore finance projects that showed clear potential for addressing the real needs of local stakeholders. Contributors also called for better evaluation, clear and measurable objectives and targets, clearly identified action and priorities and stronger coordination across different funds.

Social partners, non-governmental organisations and other stakeholders mainly requested better results-oriented indicators, followed by a stronger place-based approach, stronger results-oriented evaluations, clear objectives, targets, action and priorities, and stronger coordination of EU funds being implemented in each region.

3.5 B) Which priorities should be obligatory?

'Depending on the amount of EU funding involved, countries and regions would be required to focus on more or fewer priorities. Thus, Member States and regions receiving less funding would be required to allocate the entire financial allocation available to two or three priorities, whereas those receiving more financial support may select more. Certain priorities would be obligatory.' *Excerpt from the conclusions of the fifth report*.

Only a few contributors were openly in favour of mandatory cohesion policy priorities set at EU level. Instead, most suggested identifying areas requiring attention, possibly applying the principle of subsidiarity. The priorities most frequently suggested were sustainable development, the environment and energy. These were followed closely by competitiveness (achieved by means of greater support to innovation), poverty alleviation, equal opportunities and social inclusion. Other respondents called for other priorities such as tackling demographic challenges, supporting businesses and small and medium-sized enterprises, greater inter-regional cooperation, support for transport and mobility and regeneration of deprived areas.

Member States mainly opposed setting mandatory priorities at EU level. Nonetheless, all their contributions mentioned a number of different areas on which policy should focus (mainly competitiveness and innovation, sustainable development and inter-regional cooperation). In their view, instead of being imposed or pre-set at EU level, these priorities should be negotiated between the Commission and the Member States.

Regional and local authorities called for priorities not to be imposed or pre-defined at EU level, but defined at local level instead, tailored to local needs and regional strategies. Some mentioned a negotiated approach, where guidelines would be provided at EU level, but investment priorities would be set at regional and local levels. Although they rarely explicitly mentioned mandatory priorities, when they did, they mostly opposed them. In their view, the main priority areas to be financed under cohesion policy should be competitiveness and innovation, poverty alleviation, but also sustainable development, the environment and energy.

Social partners, non-governmental organisations and other stakeholders expressed mostly similar views to Member States and to regional and local authorities, opposing mandatory priorities imposed or pre-set at EU level. Only a few contributors argued strongly for them. They most frequently cited poverty, employment, equal opportunities and social inclusion as possible — but not imposed — priority areas, along with sustainable development, the environment, energy and demographic challenges.

3.6 How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies?

'An ambitious urban agenda should be developed where financial resources are identified more clearly to address urban issues and urban authorities would play a stronger role in designing and implementing urban development strategies. Urban action, the related resources and the cities concerned should be clearly identified in the programming documents [...] The report has shown that in some cases geographical or demographic features could intensify development problems [...] It will be necessary to develop targeted provisions to reflect these specificities, without unnecessarily multiplying instruments and programmes [...] Macroregional strategies should be broad-based integrated instruments focused on key challenges and supported by a reinforced trans-national strand, although the bulk of funding should come from the national and regional programmes co-financed by cohesion policy and from other national resources.' *Excerpt from the conclusions of the fifth report*.

Most contributors acknowledged the need for specific support for urban areas, with only a handful arguing that this was unnecessary. Many put the emphasis on promoting territories with particular characteristics, especially those facing specific geographical and demographic challenges, and on greater promotion of urban-rural linkages. Some respondents also called for greater support for rural areas. Contributors were divided on the types of instruments to be introduced or strengthened to promote regions with specific features and difficulties. Some backed the introduction of additional macro-regional strategies to tackle specific regional issues, while others proposed maintaining and stepping up the current approach to territorial cooperation. One general suggestion emerging from the consultation, independent of the type of financial instruments in place, was to promote greater exchanges of practical experience and successful solutions throughout Europe (i.e. by making greater and better use of information and communication technologies for a comprehensive exchange of good practice between remote regions, stronger support for joint innovation initiatives with the aim of solving emerging issues at regional level and greater promotion of planning and regeneration technologies at local level across the EU).

Member States' contributions supported the reference in the conclusions of the fifth Cohesion Report to the key role played by urban areas in driving economic development. One expressed strong support for cities taking on management of specific parts of ERDF programmes. Respondents also favoured the idea of helping regions facing specific geographical and/or demographic challenges, with some calling for a greater role for cohesion policy in supporting rural areas and urban-rural linkages. Very few contributions requested equal treatment for all territories, irrespective of their specific territorial characteristics or challenges... To support such territories, some Member States called for development of additional macro-regional strategies, several supported the concept of city regions, while others requested consolidation of the territorial cooperation dimension of cohesion policy.

Amongst **regional and local authorities**, there was a general consensus that cohesion policy should support urban areas. Other contributions generally agreed that territorial specifics should be taken fully into account, with greater support given to territories with specific geographical or demographic challenges, in particular more isolated and remote regions, and to urban-rural linkages. Nonetheless, quite a few were in favour of equal treatment for all territories, independently of the challenges they were facing. While calling for development of macro-regional strategies as a useful tool to implement policies at a more functional level, most contributors claimed that further thinking about this new concept was needed and that it should not replace territorial cooperation. Stronger support for territorial cooperation was welcomed, as were practical exchanges across similar territories, by linking similar cities throughout Europe or by linking macro-regions across national borders by creating specific trans-national urban programmes.

Social partners, non-governmental organisations and other stakeholders also supported the reference in the conclusions of the fifth Cohesion Report to the key role played by urban areas in driving economic development. Most of the contributions also favoured, to a certain extent, greater support for regions facing specific challenges, rural areas and urban-rural linkages, with only a few in favour of equal treatment for all territories irrespective of their specifics. Many of the stakeholders who would like cohesion policy to put more emphasis on urban territories called for greater focus on spatial planning. Others called for development of additional macro-regional strategies or for closer territorial cooperation.

3.7 How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

'In order to mobilise fully all involved, representation of local and regional stakeholders, social partners and civil society in both the policy dialogue and implementation of cohesion policy should be strengthened. With this in mind, support for the dialogue between public and private entities, including socio-economic partners and non-governmental organisations, should be maintained.' *Excerpt from the conclusions of the fifth report*.

Reinforcing the bottom-up approach to planning and implementation was mentioned very frequently. Many contributors called for better and greater engagement with civil society and the private sector in the strategic programming process and implementation of programmes. A clearer definition of the partnership principle was also frequently supported. Other respondents called for stronger involvement of specific target groups in the design of projects, measures and programmes and for a general improvement in the information available to the broader public, as a prerequisite for stronger participation. Some specific suggestions were made to improve the quality of local participation: greater use of information and communication technologies to engage with local stakeholders and maintain an ongoing dialogue throughout implementation of the project and programme and making funding conditional on meeting strict partnership criteria at different levels of governance.

Member States' contributions reaffirmed their commitment to the partnership principle and asked for a greater bottom-up approach to strategic programming, by involving local and regional stakeholders. For example, some proposed coordination of partners at local level ('place-based') and mentioned LEADER (EAFRD) and Local Employment Initiatives (ESF) as examples of good practice. Similarly, others suggested creating 'stakeholder platforms' where stakeholders would be able to participate actively in discussions on how to achieve the strategic objectives of cohesion policy.

Regional and local authorities frequently commented that devolution of powers and a bottom-up approach would help strengthen partnerships. In this respect, many called for clearer definition of the partnership contracts, usually asking for involvement of local stakeholders in negotiating them. Some made specific mention of stronger involvement, particularly in the programming stages, of the groups of stakeholders specifically targeted by cohesion policy. Others called for a general improvement in the quality and quantity of communication and information available to local stakeholders.

Social partners, non-governmental organisations and other stakeholders concentrated on the issues of a stronger bottom-up approach and on improving dialogue between public and private stakeholders. Many asked for clearer definition of the partnership contracts. A significant number also specifically suggested stronger involvement of target groups and



improvements in dissemination and communication activities to raise public awareness of the role played by EU funds.

3.8 How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed?

'In line with the recent proposal for revision of the Financial Regulation, each year the authority responsible for managing cohesion policy programmes would present a management declaration accompanied by the annual accounts and an independent audit opinion. This would strengthen the line of accountability for expenditure co-financed by the EU budget in any given financial year. On the basis of the annual management declaration, the Commission proposes to introduce a periodical clearance of accounts procedure for cohesion policy. This would reinforce the assurance process and also allow regular partial closure of programmes.' *Excerpt from the conclusions of the fifth report.*

There was strong support for simplification of procedures, which was the most common response. In addition, a significant number of contributions called for a proportionate and progressive system of audit and control, depending on the size and cost of the project and/or on the reliability of the managing authorities, in terms of proven capability in the management of similar programmes, as demonstrated in past programming periods. One specific reform, supported by many of the respondents answering this question, was reinforcement of a 'single audit approach' with the aim of simplifying audit procedures by avoiding a proliferation of audits throughout implementation of programmes. Stronger coordination between European and national levels was often mentioned. Some contributors also recommended greater clarity in setting *ex-ante* audit rules and procedures, which should be agreed before the programme started and left unchanged throughout its implementation. A few respondents called for greater and better use of external auditors to assess the financial management of the programmes independently. Although no clear position emerged on this issue, a few respondents objected to the proposed system of periodical clearance of accounts, preferring greater flexibility in audit and control procedures instead.

Member States concentrated their responses on simplification of procedures and on a system of audit and control which would be proportional to the risks and resources to be managed. Thirteen Member States explicitly called for a single audit approach to be applied more systematically. Many also underlined the need for stronger coordination with the Commission, in order to simplify the audit process, and the need to rely on the work of national auditors. Eight Member States were not in favour of periodical clearance of accounts.

Regional and local authorities mostly called for greater simplification of procedures and were particularly interested in simplifying the audit system to reflect the size of the project or programme. Many also called for strengthening the single audit approach, greater coordination between the European Commission and Member States and clear and stable audit procedures. Few called for greater use of external auditors.

Social partners, non-governmental organisations and other stakeholders also called for greater simplification of existing procedures. There were also calls for proportionate and progressive systems, a single audit approach, stronger coordination between the Commission and authorities involved and for clear and stable procedures.

3.9 How could the application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes?

'In line with the proportionality principle, it would also be useful to examine how control measures could be made more cost-effective and risk-based to improve their effectiveness and efficiency while ensuring adequate coverage of the inherent risks at a reasonable cost, in accordance with the principle of sound financial management. [...] cohesion policy would continue to foster territorial dimensions of cooperation (cross-border, transnational and interregional). This would include a review and simplification of the current arrangements for cross-border cooperation, including IPA, ENPI and EDF cross-border cooperation at the EU's external borders, and also of current practices in transnational action supported both by the ERDF and the ESF.' *Excerpt from the conclusions of the fifth report*.

Many contributions underlined the importance of the proportionality principle which should be used to simplify procedures and reduce controls when necessary. There was a general plea to focus more on the outputs and results of projects in order to lighten the current burdens in the management and control systems. Furthermore, some contributions supported the introduction of contracts of confidence to reduce the number of audits and controls, while others generally called for greater coordination at EU level. Other suggestions included acceleration of reimbursements, minimisation of the administrative burden for small-scale projects and application of standard costs.

With regard to territorial cooperation, some specific comments were made on simplification of rules, particularly management rules such as the standardisation of administrative systems and documents required between different Member States. The current regulatory framework is perceived to be very fragmented and costly for participants, who have to deal with a variety of procedures and would like to see a reduction of reporting requirements.

Member States supported greater flexibility and simplification of administrative procedures and called for application of the proportionality principle to reduce the amount of control. Several suggested introducing a ' contract of confidence', while others mentioned standard costs for similar measures. Simplification of European territorial cooperation (ETC) projects was also highlighted as a priority.

Regional and local authorities often mentioned simplification and flexibility of procedures and called for greater application of the proportionality principle to reduce controls and procedures. Many contributors also criticised audit procedures as not being sufficiently aligned with the results and impact of the policy. Regions usually replied that national differences in management rules were a problem when it came to management of territorial cooperation projects. Some favoured greater simplification, possibly by introducing common rules to be observed across all ETC programmes, while others instead called for sets of rules to be observed by all Member States, but specific to each ETC programme (although they accepted that differences might be introduced between Member States). Several regional and local authorities would like funds to be allocated at programme rather than national level. Some would like cross-border cooperation to be opened to NUTS2 regions, to allow more flexible partnerships involving the right functional level. **Social partners, non-governmental organisations and other stakeholders** paid less attention to this question but asked for more simplification for project applicants, perhaps with a single online application procedure.

3.10 How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules?

'The general approach for 2007-2013, under which eligibility rules are set at national level, should be retained. However, common rules should be adopted on key points such as overheads covering different EU Funds. Alignment of rules on eligibility of expenditures across policy areas, financial instruments and funds would simplify use of funds by beneficiaries and management of funds by national authorities, reducing the risk of errors while providing for differentiation where needed to reflect the specificities of the policy, the instrument and the beneficiaries.' *Excerpt from the conclusions of the fifth report*.

Most contributions called for a common set of rules for all Structural Funds as a legal framework in which to establish implementing provisions on subjects such as eligibility rules for expenditure, audits, financial issues, use of standard costs, etc. Some contributors stressed the possibility, within the common set of rules, to maintain some degree of flexibility to achieve the different aims of the specific fund and/or region. Others simply called for clearer definition, application and interpretation of existing rules, mainly with regard to eligible expenditure, so that joint projects receiving support from different funds (cross-financing) would not be hampered by incompatible rules.

Member States mostly called for adoption of common rules for all funds. However, they drew a distinction between general rules on eligible costs and expenses (e.g. VAT and general expenses), preferably defined at EU level, on the one hand, and operational rules, which should be defined by Member States, on the other. Finally, two Member States called for clearer definition, application and interpretation of rules, particularly with regard to implementation of joint projects that receive support from different funds (cross-financing).

Most **regional and local authorities** also supported common rules for eligible costs and expenditure, while a significant number would like the rules related to project eligibility to be adaptable to the specific needs of each region. Some contributors called for clearer definition, application and interpretation of existing rules.

A majority of **social partners, non-governmental organisations and other stakeholders** shared the position expressed by national, regional and local authorities.

3.11 How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?

'The de-commitment rule aims to ensure that projects are implemented within a reasonable timeframe and to encourage financial discipline. However, it can distort the behaviour of

Member States and regions by concentrating too much attention on quick, and less on effective, use of resources. Furthermore, application of the de-commitment rule has been complicated by a number of derogations. There is a need to strike a careful balance between ensuring the quality of investment and smooth and rapid implementation. One possibility would be to apply N+2 with the exception of the first year to all programmes and remove exemptions and derogations.' *Excerpt from the conclusions of the fifth report*.

Many contributors supported the Commission's proposal to extend the N+2 rule by introducing an exception for the first year. Some suggested extending the decommitment rule to N+3, whereas a few wished to retain the current N+2 decommitment rule. Finally, one contributor asked for an N+4 rule for programmes entailing greater administrative complexity (i.e. transnational cooperation). Many contributors asked for improvement of current procedures, calling for greater decentralisation of financial management to regional and local authorities. They would like the rules to be made more effective, flexible and stable over time and procedures to be agreed transparently in advance. Some contributors called for more flexibility in the design and implementation of operational programmes, in order to adapt to changes in the regional and national context. They also asked for specific measures for improving the administrative capacity of local and regional bodies and for a higher degree of uniformity as far as rules are concerned.

Six **Member States** agreed with the Commission's proposal on application of the N+2 rule with an exception for the first year, while eight were in favour of an extension of the decommitment rule to N+3 and one suggested an extension to N+4 for transnational cooperation. Only two Member States explicitly rejected any relaxation of the decommitment rule. Two also asked to improve the effectiveness of the audit process and the flexibility in programme design and favoured greater support for capacity-building.

Regional and local authorities supported extension of the decommitment rule to N+2 with an exception for the first year or even N+3, but asked for flexibility in other areas too, such as in the design of programmes and their adaptation to regional specifics. Several called for more effective audit processes, for financial decentralisation to sub-national authorities, for clear and stable requirements and for flexibility in the programme design. Some asked for greater support for capacity-building and a few supported uniform application of rules across the EU.

Social partners, non-governmental organisations and other stakeholders mostly supported the idea of an N+2 decommitment rule with an exception for the first year, with a few asking for an extension to N+3. Many called for greater support for capacity-building, greater financial decentralisation and, to some extent, for clear and stable requirements, improvement of audit procedures and flexibility in the design of programmes.

3.12 How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?

'Consistently with the EU Budget Review, there is a need to consider for the future architecture of cohesion policy, how the ESF could be refocused on securing the 2020 targets and objectives and how to achieve greater visibility and predictable funding volumes. It is

also important to examine how the Fund could better serve the European employment strategy and contribute to the comprehensive European employment initiative called for by the EU Budget Review.' *Excerpt from the conclusions of the fifth report*.

A significant number of respondents highlighted the major contribution made by the ESF in the current socio-economic circumstances and its direct link with the Europe 2020 objectives. At the same time, most argued that the European Social Fund is an indispensable part of an integrated cohesion policy. Contributors largely welcomed greater coordination between the ESF and ERDF, although there were mixed views on a multi-fund approach and cross-financing. Respondents were generally in favour of keeping the same budget heading for the ESF and ERDF, with financial allocations being negotiated between the European Commission and Member States (as is currently the case). A small number called for separate budget headings for the ERDF and the ESF.

Fourteen **Member States** called for maintaining the same budget line for the ESF and ERDF at EU level but for continuing to decide on how it is allocated at national level. Furthermore, five called for greater coordination between the funds and for the possibilities of cross-financing across operational programmes and of opting for multi-fund programmes. These respondents would generally prefer to have one multi-fund operational programme for their entire territory.

Regional and local authorities often called for maintaining the specific role of the ESF within cohesion policy. In particular, they called for continued funding for education and professional training, social inclusion and, especially, the inclusion of vulnerable groups. The contributors were generally in favour of better coordination between the funds, allowing cross-financing of projects, while still maintaining the current budget structure.

Social partners, non-governmental organisations and other stakeholders mostly called for greater coordination between the two funds and asked to maintain the same budget line for both. Many also shared similar views with other categories of respondents on the specific role of the ESF and requested concentration of the fund on both employment and social inclusion priorities, in line with the Europe 2020 objectives and the Integrated Guidelines.

3.13 How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

'The question could be asked as to whether a simpler system with a new intermediate category of regions could replace the current phasing-out and phasing-in system. This category would also include regions currently eligible under the 'convergence' objective but whose GDP would be higher than 75% of the Union average according to the latest statistics.' *Excerpt from the conclusions of the fifth report.*

Most contributions supported the idea of maintaining cohesion policy for all regions. Others focused on cohesion policy's primary role of supporting the less developed regions and Member States, applying the principle of proportionate funding, i.e. depending on the level of regional development.

Most respondents were in favour of the conclusions of the fifth Cohesion Report on creation of an intermediate category of regions with GDP levels between 75% and 90% of the EU average to replace the current phasing-in and phasing-out system, though some supported a more flexible transition mechanism within the current architecture (i.e. gradually decreasing funding, with extra help for all regions facing specific issues or special needs). Some contributors also suggested adopting other criteria beyond GDP for identifying the intermediate regions (i.e. level of unemployment, social exclusion or even specific indexes already used in some countries, such as the 'index of multiple deprivation' in the UK). One point on which views were mixed was on the financing of the intermediate regions should be financed primarily from the 'convergence' objective allocation, others argued that the creation of the new category should not lead to any decrease in the financial allocation to the 'competitiveness' objective.

Member States generally supported a future cohesion policy for all regions. Eight called for higher funding for less developed Member States and regions. One called for a reduction of the overall budget for cohesion policy and a clear focus on 'convergence' regions only. Seven Member States supported creation of an intermediate category of region, whereas three explicitly rejected the idea and six were in favour of improving the transition mechanism.

Regional and local authorities overwhelmingly would like to maintain cohesion policy for all regions, with only a few contributors calling for priority to be given to less developed territories. Although many contributors expressed a preference for creating an intermediate category of regions, some simply called for introduction of a transition mechanism without creating an additional new category.

Social partners, non-governmental organisations and other stakeholders mostly asked to maintain cohesion policy for all regions, while some called for priority to be given to less developed regions. Respondents were often in favour of creating an intermediate category of regions, although some favoured a transition mechanism.

4 Other important messages

This section presents other suggestions made in the contributions but not directly linked to the 13 questions asked in the public consultation.

Use of financial engineering instruments

Although financial engineering instruments were not explicitly mentioned in the questions, a significant number of contributors referred to them. They widely supported use of new financing instruments as an effective tool for involving the private sector and, in particular, small and medium-sized enterprises. Many contributors requested extension of their scope and simplification of the rules to facilitate their implementation. Contributors generally supported development of these instruments, but stressed that grant-based funding should also be maintained. Some called for decentralisation of financial management and for beneficiaries to be able to apply directly for funding from new financing instruments (e.g. building on existing expertise with JESSICA, JEREMIE and JASMINE).

Use of information and communication technologies (ICTs)

Several contributors mentioned greater and better use of ICTs within the framework of cohesion policy. Suggestions included better use of ICTs for simplification of administrative procedures, transparency and better communication with institutional stakeholders, socioeconomic partners and the broader public involved in cohesion policy, more effective and efficient auditing procedures and a smarter approach to exchanges of knowledge and good practices between regions facing similar issues throughout Europe.

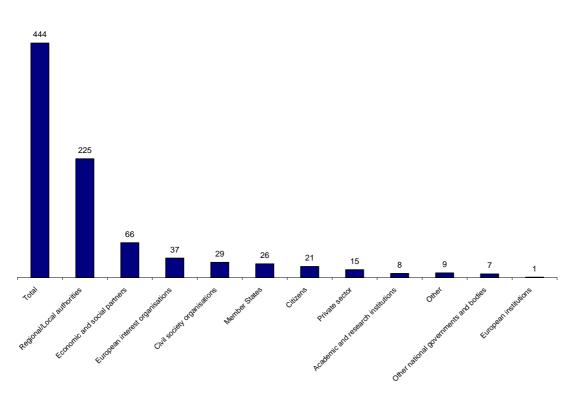
Coordination with other external programmes

In reply to question 9, some contributions also raised the issue of cross-border cooperation at the EU's external borders, currently carried out in the framework of the European Neighbourhood and Partnership Instrument (ENPI). Respondents asked for stronger coordination between territorial cooperation programmes and the European Neighbourhood and Partnership Instrument, plus closer cooperation between cohesion policy and the European neighbourhood policy. Some Member States suggested that the cross-border programmes be implemented under cohesion policy rules, as developed for the European territorial cooperation objective. They suggested that this would produce synergies between different funding instruments and, in the long run, reduce the administrative and financial burden linked to application of the funds.

5 Conclusion

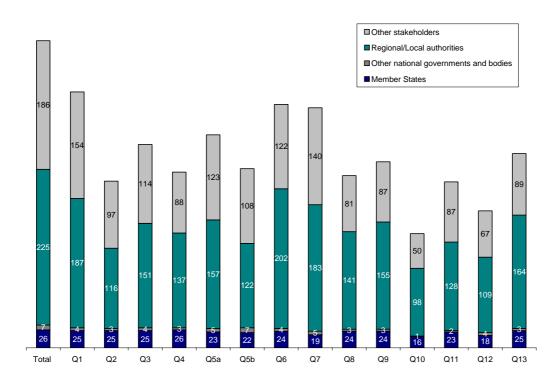
Attracting over 400 contributions, the public consultation on the conclusions of the fifth report on economic, social and territorial cohesion was a real success. The results confirm the importance of cohesion policy for a wide range of stakeholders. The Commission would like to thank all respondents for their contributions. The results of the public consultation will feed into the proposals on the post-2013 legislative framework which will be adopted by the Commission later this year.

6 Graphs and charts



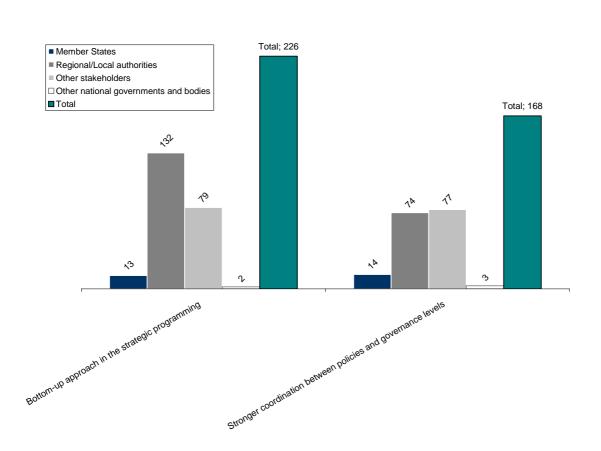
Breakdown of the contributions received by type of stakeholder

Overview of the number and type of respondents by question



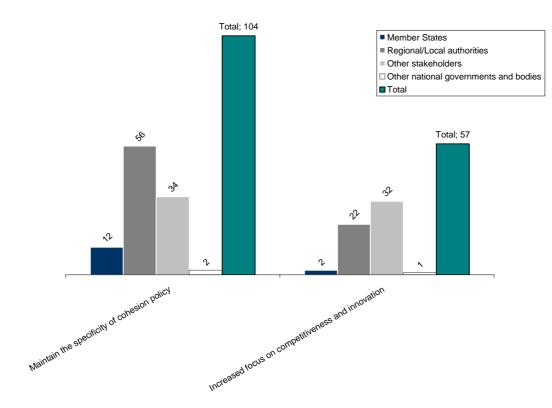
6.1 How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels?

This question was answered by 370 respondents out of a total of 444, namely 25 Member States, 4 other national governments and bodies, 187 regional and local authorities and 154 other stakeholders.



Solutions for better linking cohesion policy with Europe 2020

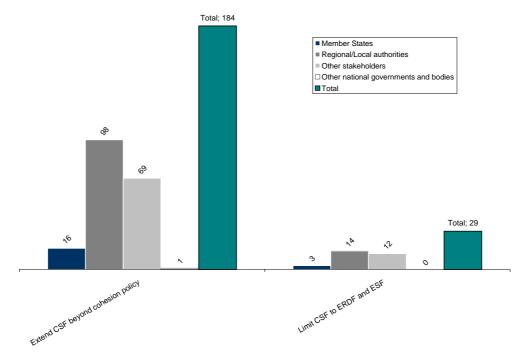
Focus of cohesion policy and its alignment with Europe 2020



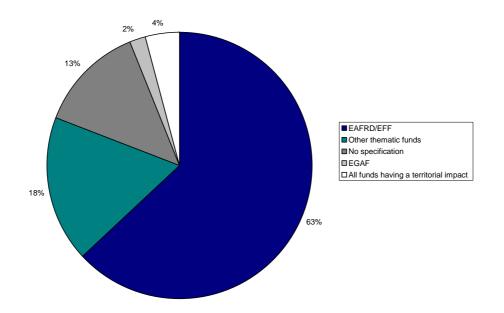
6.2 Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?

This question was answered by 241 respondents out of a total of 444, namely 25 Member States, 3 other national government and body, 116 regional and local authorities and 97 other stakeholders.

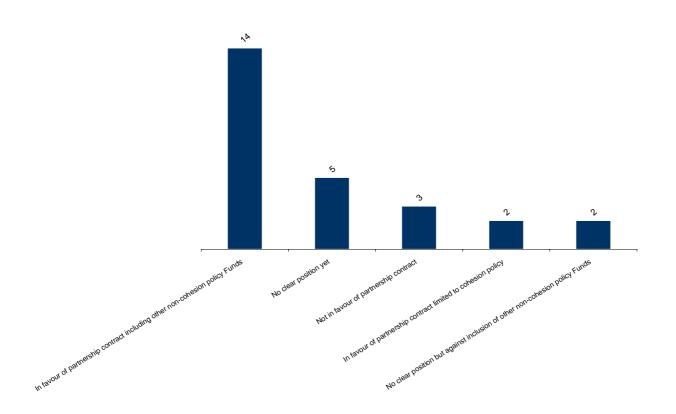




Types of funds suggested by respondents in favour of extension of the common strategic framework (CSF) to different funds beyond cohesion policy



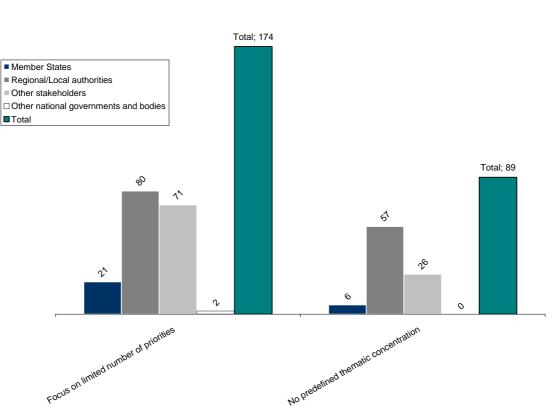
Positions of EU Member States on extension of the partnership contract to different funds beyond cohesion policy





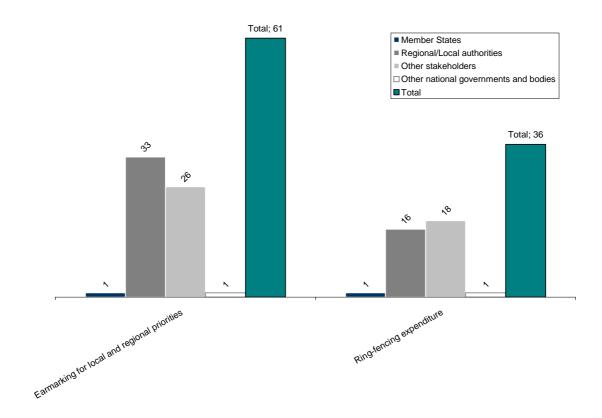
6.3 How could stronger thematic concentration on the Europe 2020 priorities be achieved?

This question was answered by 294 respondents out of a total of 444, namely 25 Member States, 4 other national governments and bodies, 151 regional and local authorities and 114 other stakeholders.



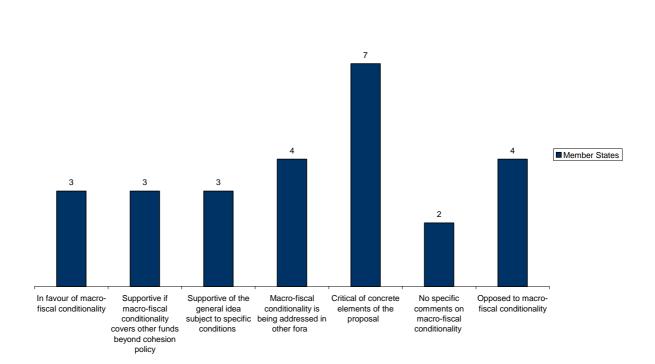
Positions on thematic concentration

Tools to ensure thematic concentration on EU 2020 priorities policy



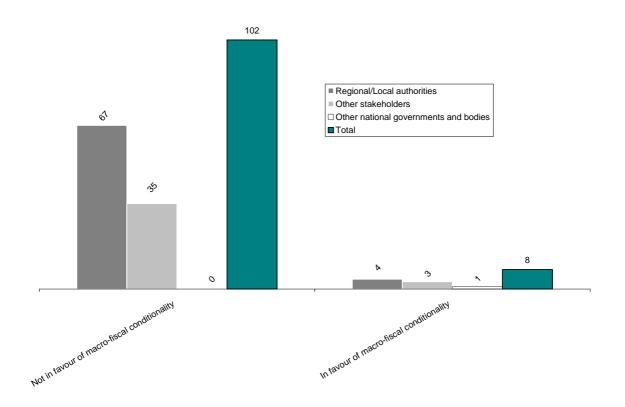
6.4 How could conditionalities, incentives and results-based management make cohesion policy more effective?

This question was answered by 254 respondents out of a total of 444, namely 26 Member States, 3 other national governments and bodies, 137 regional and local authorities and 88 other stakeholders.

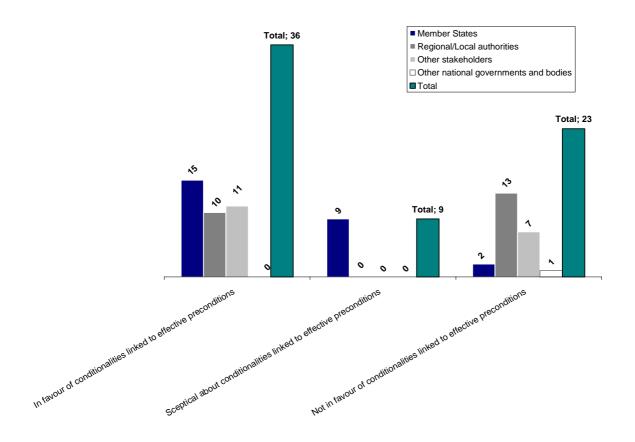


Member States' positions on macro-fiscal conditionality

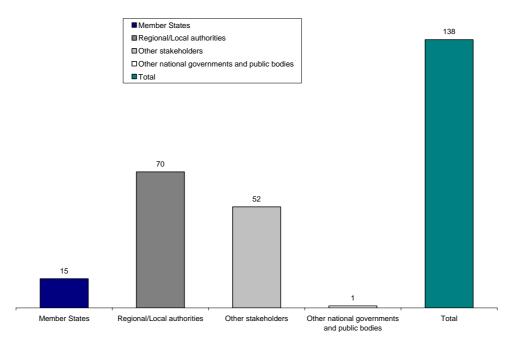
Positions of other stakeholders on macro-fiscal conditionality



Positions on the introduction of financial sanctions and incentives for cohesion policy linked to the establishment of effective preconditions

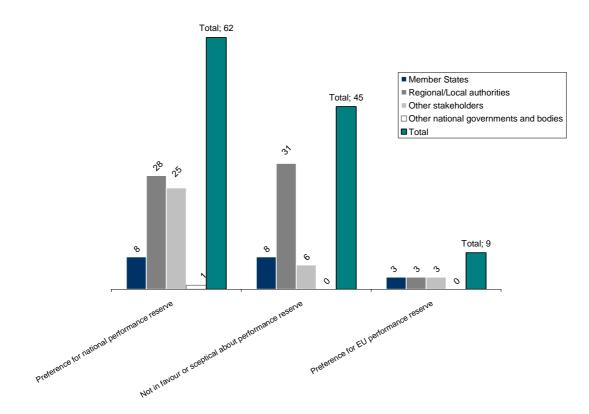


Positions in favour of incentives related to the implementation of cohesion policy



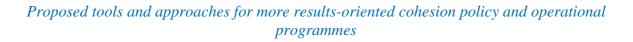
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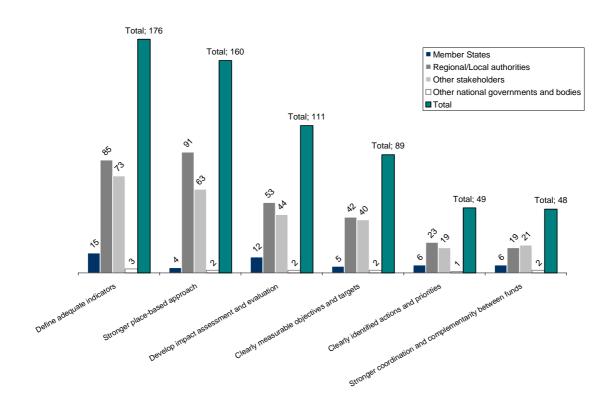
Positions on the introduction of a performance reserve established at EU or national level



6.5 A) How could cohesion policy be made more results-oriented?

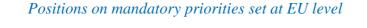
This question was answered by 308 respondents out of a total of 444, namely 23 Member States, 5 other national governments and bodies, 157 regional and local authorities and 123 other stakeholders.

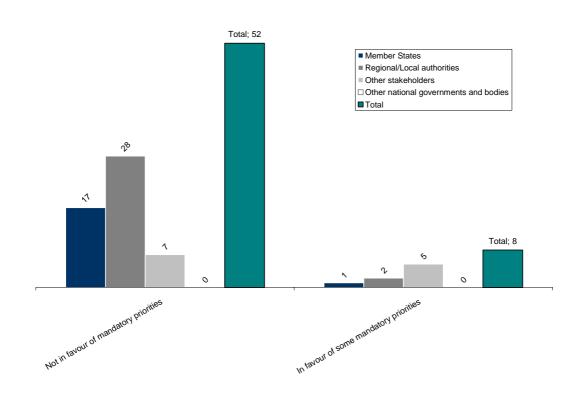




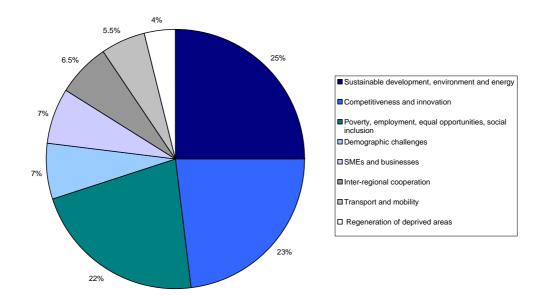
6.5. B) Which priorities should be obligatory?

This question was answered by 259 respondents out of a total of 444, namely 22 Member States, 7 other national governments and bodies, 122 regional and local authorities and 108 other stakeholders.



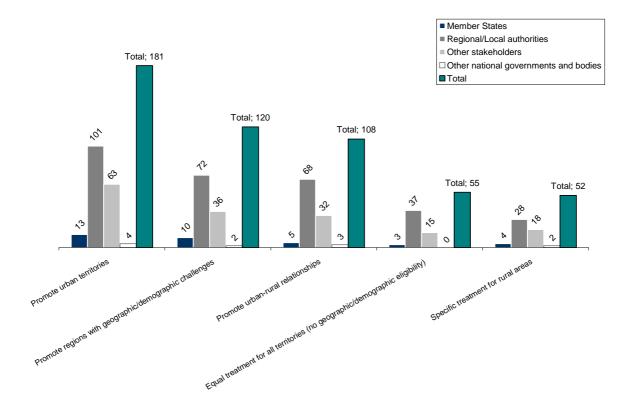


Positions on priority areas to be considered in implementation of cohesion policy



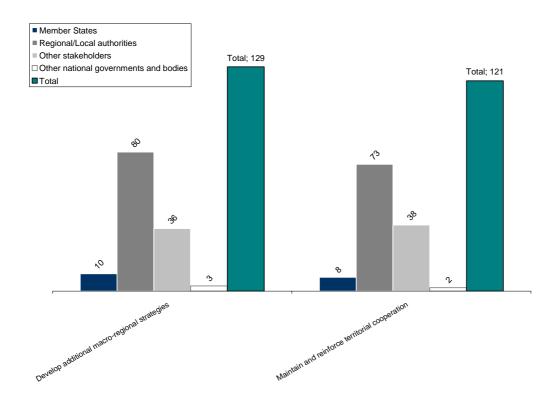
6.6 How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies?

This question was answered by 352 respondents out of a total of 444, namely 24 Member States, 4 other national governments and bodies, 202 regional and local authorities and 122 other stakeholders.



Positions on territorial cohesion

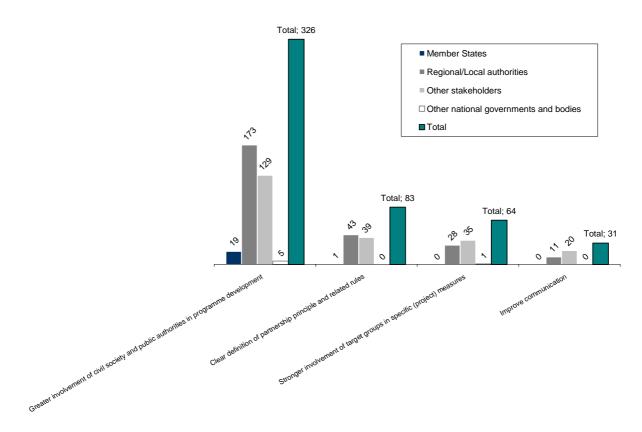
Instruments for promoting regions with specific geographical features



6.7 How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

This question was answered by 347 respondents out of a total of 444, namely 19 Member States, 5 other national governments and bodies, 183 regional and local authorities and 140 other stakeholders.

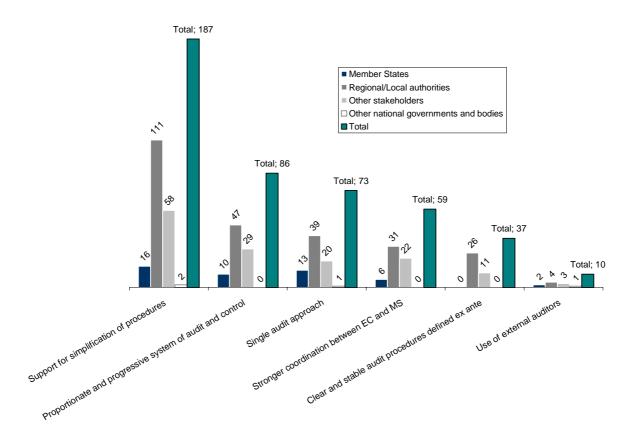
Proposals for improving the partnership principle and involvement of regional and local stakeholders, social partners and civil society



6.8 How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed?

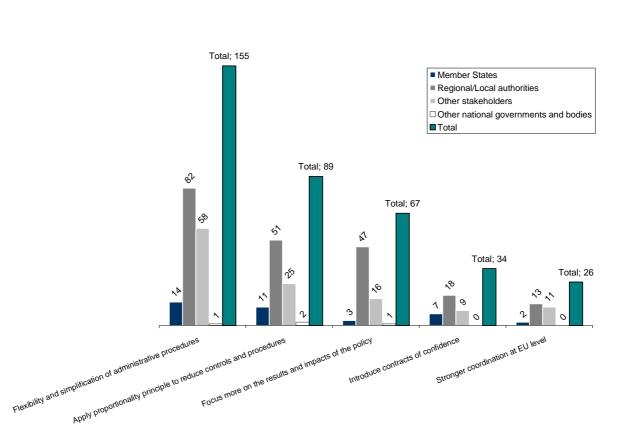
This question was answered by 249 respondents out of a total of 444, namely 24 Member States, 3 other national governments and bodies, 141 regional and local authorities and 81 other stakeholders.





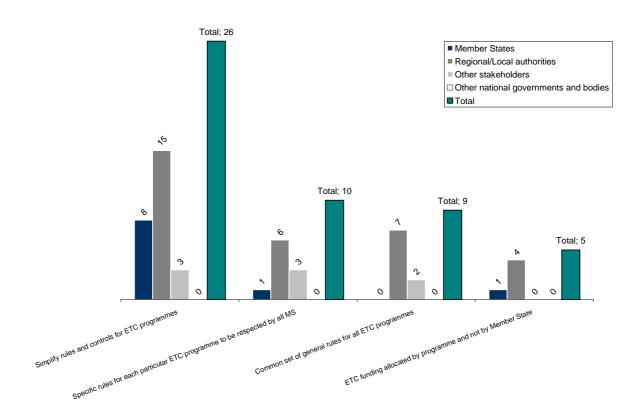
6.9 How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes?

This question was answered by 269 respondents out of a total of 444, namely 24 Member States, 3 other national governments and bodies, 155 regional and local authorities and 87 other stakeholders.



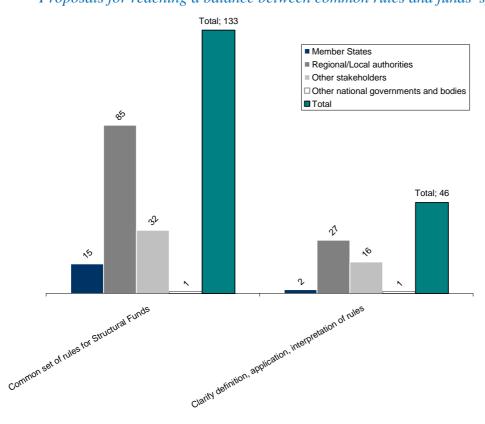
Proposals on how the application of the proportionality principle could alleviate administrative burdens

Positions on simplification measures to be applied specifically to European territorial cooperation (ETC)



6.10 How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules?

This question was answered by 165 respondents out of a total of 444, namely 16 Member States, 1 other national government or body, 98 regional and local authorities and 50 other stakeholders.

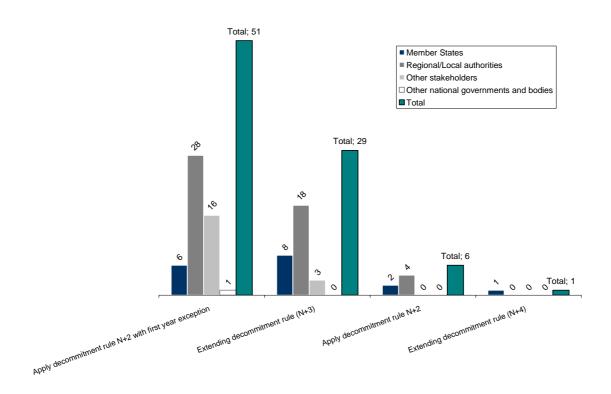


Proposals for reaching a balance between common rules and funds' specificities

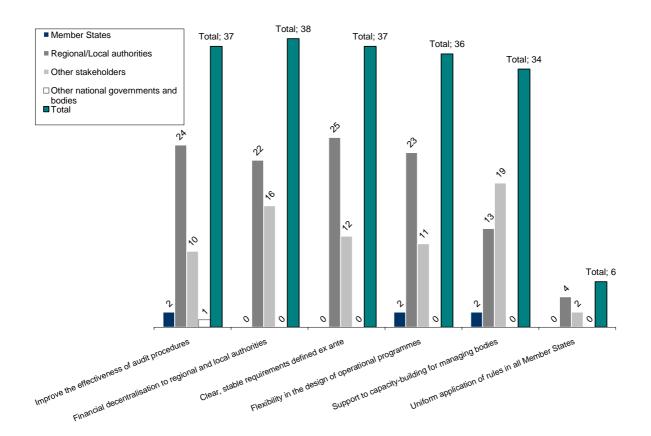
6.11 How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?

This question was answered by 240 respondents out of a total of 444, namely 23 Member States, 2 other national governments and bodies, 128 regional and local authorities and 87 other stakeholders.





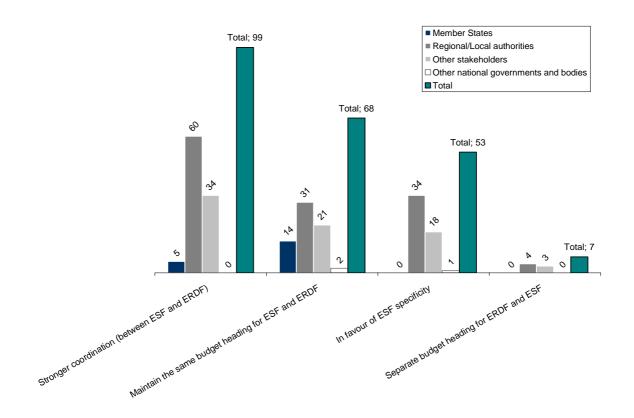
Proposals for improving the efficiency and reliability of current procedures aimed at ensuring financial discipline



6.12 How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?

This question was answered by 198 respondents out of a total of 444, namely 18 Member States, 4 other national governments and bodies, 109 regional and local authorities and 67 other stakeholders.

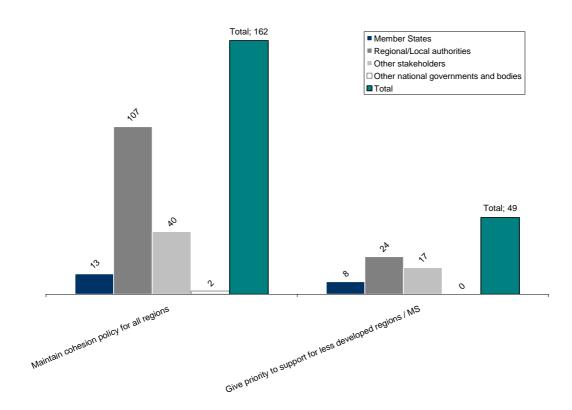
Proposals on how to ensure that the specific nature of the European Social Fund (ESF) is taken into account in the future cohesion policy architecture



6.13 How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

This question was answered by 281 respondents out of a total of 444, namely 25 Member States, 3 other national governments and bodies, 164 regional and local authorities and 89 other stakeholders.





Positions on the introduction of a new intermediate regional category

