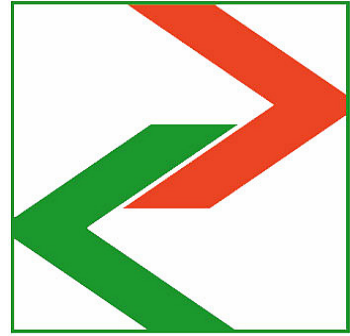


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## **AEBR Position Paper**

**ON**

### **THE FIFTH REPORT ON ECONOMIC, SOCIAL AND TERRITORIAL COHESION**

**„INVESTING IN EUROPE´S FUTURE“**

**19 January 2011**

## **1. General**

The AEBR welcomes the publication of the 5th Cohesion Report, which is based on intensive discussions and “Structured Dialogues” of the European Commission with the main European regional organisations, as well as on evaluation of the economic situation in Europe and the effects of national policies.

The 5<sup>th</sup> Cohesion Report sets standards by describing in the chapters 1-3 the economic, social and territorial situation in detail with verifiable statistics and comprehensive cartographic maps. Thus the regions can now assess their situation in a European context. A trend analysis examines the coherence of national and European policies with cohesion. Also, the macro-economic and spatial-planning dimensions are taken more into account than in former reports. It would be good getting online access to the data used as basis in order to enable own regional and European-wide analysis.

Under the impression of some statements critically dealing with the Cohesion Policy, the AEBR welcomes that the report also concentrates on explaining its effects, providing evidences of its concrete results as well as emphasising the contribution of the Cohesion Policy to global and regional growth by taking into account the macro-economic effects.

From the point of view of the AEBR it is important that the report pays special attention to the new element “Territorial Cohesion (already included in the Lisbon Treaty) and Territorial Cooperation as well as its relationship with the Europe 2020 Strategy. It would be good, however, to take also into account current data and developments as a result of the economic and financial crises (since 2008). They have also caused spatial and structural effects (particularly in the New Member States) and, in the medium term these will result in significant financial consequences for the public budgets and the political room for manoeuvre (to co-finance the cohesion Policy).

## **2. Enhancing the European added value of cohesion policy**

Because of the European-wide experience of the AEBR, it can be concluded that the cohesion policy (especially in border regions) has made up to now a significant contribution to growth and employment in the whole EU and thus reducing social and territorial imbalances.

Nevertheless, weaknesses like those observed during with the implementation of the Lisbon Strategy (with its more sectoral than strategic approach, lack of coordination) have to be avoided in the implementation of the Europe 2020 Strategy. As the AEBR already concluded in its statement on the Green Paper on Territorial Cohesion, a better linking of long-term European strategies (currently the Europe 2020 Strategy) with the cohesion policy is just as necessary as better cooperation and coordination between the different EU policies.

The AEBR explicitly supports the efforts to enhance the added value of the European cohesion policy, to improve the strategic programme planning and to encourage the thematic concentration and the institutional and administrative capacity by conditionality and stimulation. But enhancing the use of new financial instruments needs a differentiation with regard to the peculiarities of territorial cooperation, particularly cross-border cooperation.

Regarding the **added value** of the cohesion policy, the AEBR refers to the fact that cross-border cooperation has proved its European, political, institutional, economic and socio-cultural added value and is therefore an important element of cohesion policy. This is described in a differentiated way in the evaluation of INTERREG III (higher added value in experienced as in less experienced border regions). Consequently, cross-border cooperation contributes in a very practical way to implement the Lisbon Strategy and the Europe 2020 Strategy, because successful cross-border cooperation always creates an added value to national measures and European sectoral policies by:

- creating a new spatial dimension of territorial development and integration,
- additionality of cross-border programmes and projects,
- synergy effects of cross-border cooperation,
- joint research and innovation,
- networks across borders,
- exchange of best practices and experiences,
- spin-off effects by overcoming location at the border,
- efficient management of resources and environment across borders,
- mobilising all stakeholders on both sides of the border.

In an improved **strategic programme planning**, all levels – the European as well as the national and regional/local level – have to be involved in order to better link the Europe 2020 Strategy with the Cohesion Policy successfully. The intention to draft a joint strategic framework with objectives and priorities at EU level cannot focus only on the Cohesion Fund, the ERDF, the ESF, etc. Other EU and national policies have to be included as well in a coordinated way, taking into account the regional diversity (for instance, in agricultural, transport, environmental, research and development, or health care policies).

In this context it is worth mentioning the **development- and investment partnership**, which has to be applicable for other political fields of the EU as well. All of these ensure a better coordination of national and European policies and between them. With the objective of a better involvement of the regional and local level, global grant within cross-border programmes should be considered, instead of central management like up to now (the Structural Funds offer this possibility).

The **Operational Programmes** have to be maintained. These targeted multi-annual programmes, tying up also corresponding national co-financing, are the main instrument for sustainable territorial cooperation, its objectives and success.

A stronger **thematic focus, taking into account a spatial perspective (though not enhancing of sectoral policies)** seems also reasonable with a view to the complementarity of national and European policies: in this way the cohesion policy can focus on the real European priorities, particularly on territorial cooperation, a main European objective and political priority. A distinction between “developed” and “less developed” member states and regions maintains the current way of funding. The priorities growth & employment, research & development and innovation, sustainable development, social integration and health care should be obligatory, especially in cross-border cooperation.

Strengthening **capacities by conditionality and incentives** should allow enough room for manoeuvre for the national and regional level (see own conclusion of the EU-Commission in the 5<sup>th</sup> Cohesion Report).

In territorial cooperation (and especially in cross-border cooperation) there should be no **allocation of funds** for particular target groups. This would anticipate the elaboration of Operational Programmes with a SWOT analysis. In due consideration of the regional diversity and the concentration of tasks, measures can only be decided after the SWOT analysis and the subsequently developed priorities (including target groups and potential experimental measures).

In this context it has to be emphasized that the territorial analyses should elaborate better than before the economic cross-border problems and development perspectives (see the evaluation of INTERREG III).

Accordingly the AEBR underlines that flagship initiatives have not turned out as very useful in cross-border cooperation. Flagship initiatives were implemented with just as little success within PHARE CBC and TACIS CBC as in INTERREG A areas along the former Iron Curtain. As far as we know, many of these flagship initiatives are not cost-effective and still have to be subsidised. In most of cases a top-down approach was used.

Thus, flagship initiatives could not be an objective in itself, but rather be the outcome of a systematic SWOT analysis, taking into account the region specific conditions in the framework of a cross-border Operational Programme. They have to prove evidence of sustainability.

**Given the limited budgetary scope of action** at regional and local level, it has to be paid more attention to the question **of co-financing**. The often limited budgetary scope endangers the ability to co-finance EU-projects and therefore also the request of the EU-Commission (and the results of the evaluation) to implement INTERREG A programmes in a more decentralised way

Improving **performance and results** in cross-border cooperation is not only closely connected to the ex-ante specification of measurable objectives and result indicators, but it also depends on the requirements that will be made on cross-border programmes and projects in the next EU-regulation, e.g. mandatory joint elaboration of programmes, obligatory implementation of all four criteria in a cross-border project, that means joint participation in terms of organisation, contents, staff and finances. Furthermore, according to the clear conclusions of the INTERREG III evaluation, the durability of cross-border projects has to be improved as well.

The suggested use of new financial instruments seems to be reasonable for the general cohesion policy. However, for territorial cooperation some reservations have to be made. In cross-border cooperation a wider range of measures applies, as in the general cohesion policy, and is essential for success. As the last INTERREG III evaluation has also shown, soft measures and the socio-cultural component are of greater importance for an effective economic cooperation, particularly also at the internal borders. Forms of financing assuring sustainability and durability are useful in cross-border cooperation through economic projects and are highly appreciated. In this respect, differentiated financial instruments have to be applicable in cross-border Operational Programmes and their financing

**3. Enhancing of governance**

**and**

**4. Tightened and simplified procedures**

Further improvement of governance is essential, especially in cross-border cooperation. The bottom-up approach has to be intensified and the participation of the private partners, social organisations and citizens has to be assured. This is consistent with the Barca-Report which emphasizes a place-based approach (and a strengthening of a Cohesion Policy focussed on results) just as the INTERREG III evaluation does.

In cross-border cooperation a minimum of two member states are involved, with their different structures, competences and legal systems. In practice every member state explains EU-regulations in a different way (see Barca Report). In cross-border cooperation this has resulted in a certain “overbid”. Therefore, many cross-border programmes are working with stricter rules (management and financing) than necessary, needlessly complicating the implementation of the INTERREG A programmes. Thus it would be important an EU definition of maximum standards (for management, reporting, monitoring and auditing) without neglecting the necessary minimum standards.

In a letter to Director General Dirk Ahner of 30 November 2010, the AEBR made concrete and practically oriented proposals to improve governance in cross-border programmes and projects. We therefore underline the need for:

- a more comprehensive and reviewable description of the programme and financial management in INTERREG A programmes (see also Barca-Report),
- an obligatory distribution of tasks and responsibilities between the partners, even within programmes along a border with sub-programmes,
- a limitation of costs (staff and financial) for monitoring and audit.
- a detailed description of the involvement of the partners on both sides of the border (programme development, project management, etc.),
- a clear definition of a cross-border project, that means that all four defined criteria have to apply, especially joint financing,
- more detailed guidelines concerning the joint bank account and joint financing,
- the submission of an INTERREG agreement for each programme regulating all these issues and being a precondition for the approval of INTERREG A programmes.

Taking into account the INTERREG evaluations, from the point of view of the AEBR it is essential for future programmes along a border to guarantee subsidiarity and a place-based approach through sub-programmes with wide competences to take own decisions.

As the EU-Commission has already stated, a **stronger flexibility** in territorial cooperation does not need to lead to more Operational Programmes. For this reason it can be assumed that in cross-border cooperation Operational Programmes on regional level will be kept (that means no special Programme for a group of cities or along a river).

The AEBR underlines the conclusion of the 5<sup>th</sup> Cohesion Report that, according to the Lisbon Treaty, **regions with specific geographic and demographic characteristics** deserve particular attention and support. This certainly applies primarily to border regions, having many of these characteristics which are intensified by the border situation.

The AEBR welcomes that the report highlights the importance of urban areas for the cohesion policy. Not only metropolitan centres, but also small and medium-sized cities in rural areas close to the border have their catchment areas, as regional centres. Their impact over the borders is yet to be fully displayed. To sustain public and private services, it seems reasonable with a view to the effects of the demographic change, to supply the citizens in rural areas on the other side of the border as well. This implies active cross-border cooperation on regional/local level which has to be supported by suitable projects.

The AEBR points out that urban and metropolitan areas should not be unilaterally favoured in the cohesion policy. Like the Territorial Agenda clearly reveals, a well-balanced cooperation and partnership between rural and urban areas has to be further developed and is inevitable. Without appropriate small-, medium- and large-sized centres the rural areas in Europe cannot develop. On the other hand urban areas cannot exist without their coined hinterlands. Future Operational Programmes have to offer region-specific balanced solutions for a useful urban-rural partnership in their SWOT analyses.

To make full use of the **possibilities of cross-border cooperation** in the EU, as the last INTERREG III evaluation revealed, the quality of cross-border measures has to fit in the actual common problems and development potentials of border regions (therefore investments as well as soft measures could contribute to it). On the other hand, the amount of allocated funds has to be adapted to the political objectives and expectations.

Macro-regional strategies could be reasonable in suitable areas and in single cases, but the whole European territory should not be covered with macro-regional strategies. Otherwise the European Commission had to explain thoroughly the differences between macro-regional strategies and INTERREG B programmes. The AEBR shares the view that no new funds are needed to implement macro-regional strategies, because funds for national strategies are

already provided by the cohesion policy. Thus, these macro-regional strategies should be mainly used to improve the coordination and complementarity between the different European and national financial instruments and programmes.

**Partnership, combined with subsidiarity**, is a substantial characteristic for successful cross-border cooperation. For this purpose, European, national and regional/local administrative levels have to be involved and tied together.

For an even greater success of cross-border cooperation it is necessary to **intensify the “place-based approach”**. In practice, existing local and regional development concepts have to be taken into account to elaborate cross-border programmes and all stakeholders from both sides of the border have to be mobilised. These stakeholders are essential for political discussions about programme development as well as formulation and implementation of projects. Their participation in decision-making bodies is not necessary, as this does not add any value and can suppose a financial liability for them. In its statement on the Green Paper on Territorial Cohesion the AEBR has described in detail, how such a wide participation of all stakeholders can be successfully implemented in practice.

It is welcomed to use the **level of economic development as general criterion to grant regions**. In doing so, additional criteria (social and demographic development) have to be considered, as well as multipliers for areas which are affected by special difficulties according to the Lisbon Treaty. Geographic-based funding is not recommended.

**Territorial cohesion as a new objective of the Lisbon Treaty** has to be also taken more into consideration in the cohesion policy and has to be covered by the new programmes. In this regard we refer explicitly to our statement on the Green Paper on Territorial Cohesion. Integration and deeper cooperation can only succeed, if **all** regions are included in the cohesion policy, especially in the framework of territorial cooperation. Here, the objective of territorial cohesion needs however a stronger differentiation, complementarity and cooperation between different types of cooperation (particularly between cross-border and transnational cooperation).

In case of an **exclusion of “wealthy regions”** from the cohesion and regional policy, cross-border cooperation would be impossible in some borders, as one region would get EU-funds and the other not. But also in large areas this would not be reasonable, because the contribution of well developed economic centres is essential for a useful large-scale regional development.

Also the exchange of know-how and the transfer of best practice could become seldom. It could be hard to explain politicians in the own region that the relatively small EU-funds are not any more allocated to “wealthy” regions, while they have to spend their own resources to fund an exchange of know-how requested by the EU in a very tense budgetary situation.

In fact, wealthy regions only get a small part of the EU-funds, particularly for cross-border cooperation. Nevertheless, with these small funds they have achieved the best results. In cross-border cooperation they actually lead the way to solve border problems and to cooperate in very difficult fields like health care, research & development and innovation, emergencies, new legal types of cooperation, labour market, involvement of social partners, decentralised cross-border development strategies, etc.

Moreover, it has to be taken into consideration in territorial cooperation that the Lisbon Treaty define border regions as disadvantaged areas to which a **special attention** has to be paid. There are political, economic and legal reasons not to exclude “wealthy” regions.

Finally, the AEBR states that the 5<sup>th</sup> Cohesion Report **rightly pays a special attention to territorial cooperation (stressing cross-border cooperation)**, and underlines once again that, given the special difficulties because of the minimum participation of regions from at least two states, and the particular contents of cross-border cooperation, special regulations for this type of cooperation are also needed in order to achieve the targeted objectives at the internal and external borders in due consideration of the Europe 2020 strategy.