

Strategic input by the Dutch provinces in European regional policy and Structural Funds for the 2007-2013 period, as decided by the Board of the Association of the Provinces of the Netherlands (IPO), on 26 September 2002.

Introduction

The debate about the future of the European (economic) regional policy and the Structural Funds after 2006 is in full swing. The European Commission has asked the regions what the provinces' views are as regards what the future policy should be and which actions should continue to be financed in the future by the European Union. The twelve Dutch provinces gladly accepted this invitation. They published the note "Cohesion report lobbying goals" in 2001. These lobbying goals are defined in greater detail in the enclosed note "Dutch provinces, European solidarity and efficiency". It is very much in the interests of the Dutch provinces to participate in this debate because of their experience with a range of European programmes, which are co-financed by the European Union.

Summary of provincial strategy

Through the publication of its Second Cohesion Report, the European Commission has initiated the debate about future cohesion and Structural Funds policies. The Commission will submit policy proposals in 2003. At this stage of the European debate the twelve provinces have formulated an outline of their position, and this will be fleshed out in the course of 2003. The provincial input in Brussels so far has been concentrated on the target of retaining a European policy context in regard to regional economic policy. It is fair to conclude from previous debates that there is an overwhelming majority in Europe, including the European Commission itself, in favour of this. The provinces' outline position is that regional potential should be utilized in full measure to contribute to the general objectives of the social economic policy. The regional potential in the relatively better off European countries can also play an important part in the future in a balanced European policy. If the Netherlands is no longer to be eligible for European support after 2006, consideration will have to be given to the alternatives that there are to stimulate regional development.

Position of the Dutch government

In 2001 the Netherlands was the first member state to adopt an initial position with regard to this subject. The position is based on a “cohesion approach”, or in other words no further resources for rich countries after 2006. If this position does not prove to be achievable, and if the Netherlands is eligible for support from the Structural Funds after 2006 after all, as a fallback option the government wants to see the Netherlands get a fair share.

The interprovincial position is in line with the aspiration of the European Commission to have a European regional policy for all the regions of Europe, including the Dutch provinces.

Outline of the provincial position

The provincial position, as currently expressed, responds to the request of the European Commission referred to above and can, on the one hand, serve as the basis for the series of debates that the Commission is organizing in order to compile input for its policy proposals. On the other hand the position can be used to initiate a discussion with the Dutch government. It should be pointed out again that this is specifically about an initial basic position of the provinces.

The outline of the provincial position is summarized below. This outline is defined in greater detail in the enclosed appendix.

Outline of the provincial position:

- After the existing longer-lasting structural problems have been solved, the provinces welcome the proactive regional policy proposed by the European Commission as an addition to the reactive policy of the EU that has been pursued so far (§ 4.3).
- The European policy should be implemented in partnership with the vertical partners involved (EU-national-decentralized level) and the horizontal partners (social partners in the region). All partners have their own responsibilities in regard to regional development with due regard for the principle of subsidiarity (§ 4.5).
- Policy and the intensity of instruments must be better geared to the specific needs of the regions or groups of regions (§ 4.6 and § 4.7). The approach suggested by the European Commissioner for Regional Policy Barnier to use a sort of thematic menu from which elements can be selected could be readily applicable here (§ 4.8.2).
- Proposed simplifications should also result in an approach to regional development that is more integrated than has been the case so far (§ 4.2).
- The Interreg initiative (a programme for cross-border, interregional and transnational regional cooperation) offers real added value and should be retained (§ 4.9).
- The provinces would like to see a safety net and an adequate system of phasing out in order to avoid the negative impact of any far-reaching policy changes (as exist in the current period) (§ 4.10).

Interprovincial lobbying approach

Interprovincial lobbying has been coordinated so far by officials in the House of the Dutch Provinces (Brussels) and the Europe advisory group of the Association of the Provinces of the Netherlands (IPO). Administrative cover for interim lobbying goals came from Members of Provincial Executives from the Regional Policy Committee of the Committee of the Regions. Obtaining administrative commitment for the strategy to be adopted by involving the IPO Board arises out of the designation of three priority European policy areas in the IPO, including the future of the European regional policy. It is now an appropriate time for the Board to approve this position.

European decision making schedule

The opportunities to exert influence precede the following dates:

January 2001	publication of the European Commission's Second Cohesion Report (policy evaluation with changes expected after enlargement of the EU)
May 2001	First Cohesion Forum (start of broad debate)
January 2002	First Progress Report (update of the Second Cohesion Report)
27-28 May 2002	thematic workshops (about Objectives 1 and 2 and Interreg)
<u>September 2002</u>	continuation of thematic workshops (about social policy and simplification of policy and policy implementation)
<u>Beginning of 2003</u>	Second Progress Report
<u>End of 2003</u>	Third Cohesion Report (first policy proposals based on previous debates and input from, among others, the European Parliament and the Committee of the Regions)
<u>Up to 2005</u>	setting of new financial contexts in Council
<u>2006</u>	negotiation of new programmes
<u>2007</u>	implementation of new programmes

Official and administrative consultations

The current draft outline has been harmonized among officials from all provinces (consultation between the House of the Dutch Provinces and the IPO Europe advisory group and consultations with Boag Economy and programme managers). In addition on 31 May the draft was discussed at length by officials in a broad expert consultative exchange in the House of the Dutch Provinces in which experts from all provinces participated.

The Europe and Economy portfolio holders have given notification in a round of written consultations that they agree with the proposal.

Appendices

1. Note by the Dutch provinces: outline of position on the EU's cohesion policy after enlargement.

Dutch provinces: outline of position on the EU's cohesion policy after enlargement

1 Introduction

1.1 The European Commission describes the EU's cohesion policy and its results in its Second Report on Economic and Social Cohesion. It also explores the impact of the accession of the twelve candidate countries on the economic and social relationships within the enlarged Union. The Commission's report makes a significant contribution to the debate on the policy that the EU is to pursue after 2006, and in particular its regional and structural policies. In its First Progress Report on Cohesion, the Commission updates much of the data used previously and describes the impact of the accession of the candidate countries, excluding Bulgaria and Romania. It also summarizes a number of contributions made to the debate prompted by the Second Cohesion Report.

1.2 This subject is one of considerable interest to the Dutch provinces. This is not only because all of them are, in one way or another, involved in programmes that are co-financed through the European Structural Funds. This experience has convinced them of the added value of the EU's cohesion policy. The decision to actually cooperate in the integration process of the expanding Community, by means of partnerships and friendly relations with regions in other Member States or candidate countries, also plays a role. In addition, membership of the Committee of the Regions enables provincial authorities to follow this debate closely and it also gives them an excellent opportunity to take part in it.

1.3 The present memorandum sets out the position of the Dutch provinces as a group. Given the stage that the discussion has reached, the position expressed here is an initial statement of principle outlining the policy that the provinces would like to see. Depending on the political context, this outline may and should be worked out in greater detail.

2 The challenge

2.1 The level of prosperity in the candidate countries is generally much lower than that in the present Member States. Their accession will therefore make regional disparities within the EU much starker than they are now. If the present criteria were to be maintained, most of the regions of the EU of 15 would no longer be eligible for aid under the Structural Funds after the twelve new member states accede, without their actual social and economic situation having improved. To prevent this from happening by modifying the criteria will require a significant long-term increase in the Structural Funds. Whichever way one looks at it, the enlargement of the EU will make far-reaching policy changes a necessity. Such changes may involve altering the system used for the Structural Funds and adjusting the budget for the cohesion policy. The fact that enlargement by ten new Member States instead of twelve will be less disastrous for the southern Member States (according to the First Progress Report) changes nothing in this respect.

2.2 The Commission has not yet expressed its views, but it has indicated a number of substantive priorities, with 0.45% of GDP – as decided in Berlin in 1999 for the current period – serving only as a

budgetary reference. It believes that the debate must first address the desired content of the policy and only then its financial aspects. Without wishing to underestimate European and national budgetary interests, the authors of the present memorandum will disregard these interests for the time being, following the example set by the Commission itself. The purpose of this memorandum is to outline a substantive position with the aim of arriving at a concept that will make it possible to meet the political needs of the European Community. Maintaining solidarity is an important aspect of this, if not the most important. Indeed, as the First Report on Economic and Social Cohesion succinctly put it, solidarity is an essential element of the European social model, which reflects the values of the social market economy.

3. Comments on the Second Report on the Cohesion Policy

3.1 Like the First Report, the European Commission's Second Cohesion Report is an impressive document. It provides a great deal of information about the policy of the EU in particular, relatively little information on the relevant policy of the Member States, and scarcely any information at all – nothing in fact - about the efforts of regional and local authorities. This is not in keeping with the partnership principle.

3.2 It has become evident that the cohesion policy has been most successful at the level of the Member States. However, the results at regional level are as yet unremarkable. If anything, regional disparities within a number of Member States have increased. The problem of regional disparities is evidently much more deeply rooted within the EU of 15 than is the problem of national disparities. It is obvious that the regional dimension of European policy should therefore be intensified, even without enlargement taking place.

3.3 According to the Second Cohesion Report, there are huge differences in the efforts made by the Member States with respect to regional economic and social development. A number of Member States are highly active, but several have done very little. The Dutch provinces are acutely aware of the fact that many regional and local authorities have only limited means to pursue a forceful social and economic development policy themselves and that national governments generally have more options open to them.

3.4 If we can expect that, after enlargement, there will be little left over within the present financial framework for the regions belonging to the EU of 15, even though the problems that they face will be far from solved in 2007, then this is asking a very great deal of regional solidarity. This is certainly the case for those Member States that do little to assist their regions and cities or that are unable to assist them very much in view of the restrictions imposed by Community rules. This may also be the case in the Netherlands.

3.5 It surely cannot be the Commission's intention to tack on a kind of consolation prize to the cohesion policy in the form of a proactive dimension (as important as such a dimension is) for regions that are not or no longer suffering "major development disadvantages" or "acute and serious structural problems" after enlargement.

4 Outline of a new policy

4.1 Regional policy is based on fairness and efficiency. Fairness means that wherever problems exist, they must be solved; efficiency relates to helping to achieve the general aims of social and economic policy. By not exploiting regional potential to the full, we are not making optimal progress towards these aims. We will achieve a better balance in regional policy by paying more attention to the principle of efficiency alongside that of fairness.

4.2 Following on from the foregoing, it would be advisable in terms of efficiency to expand opportunities to use the EU's sectoral policy instruments for regional development. The Commission cannot suffice by issuing directives enforcing similar priorities in regional plans. Wherever the sectoral policy is relevant to the regions, either directly or indirectly, it should in fact be "regionalized". An integrated policy of this kind will optimize the efficiency and effectiveness of regional policy and enhance regional solidarity. The result will be a much broader support base for the cohesion policy.

4.3 The present policy focuses almost exclusively on solving problems that have existed for some time. Prevention is better than cure, and we would therefore applaud the addition of a proactive dimension to the cohesion policy. Because there is a lack of Europe-wide experience at regional and local level, it would be sensible to start up a number of pilot projects as soon as possible.

4.4 It is impossible to predict, let alone prevent, everything that we consider undesirable, even with the best proactive policy. Adding a proactive dimension to the cohesion policy therefore does not eliminate the need for the Community to be able to provide effective assistance in an acute regional crisis situation. The current Structural Funds Regulation (1260/1999) does not provide for the possibility of the Commission taking action in the interim, as was the case in the previous period. Should an incident occur that threatens or actually damages the social and economic structure at regional level, the EU will be unable to offer effective assistance during the programme period, although it can at the outset of the period. This lack of flexibility and effectiveness is not worthy of an ambitious Community based on the principles of solidarity.

4.5 Europe's regional policy should function as a coherent entity in which the EU, the Member States and regional and local authorities, in partnership and while observing the principle of subsidiarity, each have their own full set of responsibilities for regional development. Combined with an adequate regional horizontal partnership with partners in the region, a vertical partnership of this kind will encourage the partners, and will also result in partners encouraging one another, to shoulder their specific responsibilities. It would be worth experimenting with this approach on a voluntary basis by means of trilateral contracts, as described in the White Paper on European Governance.

The Dutch provinces would be only too happy to explore the potential of pilot projects in this spirit, whereby experiments are also conducted with the development of a proactive policy.

4.6 Following the example set by the European Spatial Development Perspective (ESDP), the Second Cohesion Report observes that there is a dense concentration of economic activity and prosperity in a relatively small area of Europe. The impending enlargement will only amplify this. The Dutch provinces share the Commission's view that this concentration may eventually lead to deleterious consequences for both the peripheral and core areas, particularly in regard to such issues as traffic congestion and pressure on health and the environment.

The ESDP sets out the concept of polycentric development and dynamic European integration zones to achieve the overall harmonious development of the Community as stipulated by Article 158 of the EC Treaty. The principle of balanced, polycentric spatial development relates to a general objective that is concerned with an even spatial distribution of the standard of living and with the preservation of regional characteristics. Polycentric growth can take place at two levels – at regional level and at EU level. In regard to the latter case the Cohesion Report refers to growth in "dynamic growth centres that are spread throughout the European Union". This is a useful context for tackling the persistent territorial imbalances that characterize the developmental disparities within and between large areas of Europe.

The analyses performed for the ESDP and the Second Cohesion Report, as well as research into the territorial dimension of cohesion conducted on the instructions of the Committee of the Regions, offer many different contexts for forming the integration zones referred to here. Ultimately, it is up to the politicians to decide how these zones are to be demarcated.

The purpose of the cohesion policy is and will of course continue to be to eliminate unacceptable disparities between the economic and social situation and development of the regions, but then at two levels - between and within the integration zones.

4.7 It is obvious that the intensity with which regional policy instruments are deployed by the various administrative levels has to be commensurate with the situational and developmental differences between and within the integration zones. For example, the EU's involvement in strong zones in northwestern Europe can be small, while the scope for the Member States and regional and local authorities to take responsibility can be greater than elsewhere. In the new Member States, in which governments have far fewer options open to them, the EU's effort should naturally be the greatest. Positive involvement of this kind by the EU in regional and local development throughout Europe supports solidarity.

4.8.1 Like the Commission, the Dutch provinces prefer to see direct zoning maintained for least-favoured regions (as is now the case for Objective 1). The concept set out above will make it possible to maintain the criterion of 75% per zone. The level of aid awarded to the different zones may be varied by relating the amount per capita to zone-specific prosperity and in so doing in inverse proportion to co-financing.

4.8.2 The Dutch provinces advocate indirect zoning with national envelopes for Objective 2, or whatever equivalent replaces the support granted for urban development, rural development and industrial – or more generally, regional and local economic and social – restructuring. It would be desirable for the EU

to sketch the general context for the criteria, which would then be fleshed out by the Member States in line with their own situations, in consultation with their regional and local authorities. The approach suggested by Commissioner Barnier to use a sort of thematic menu could be readily applicable here. Here too the intensity of aid can be tailored to the prosperity situation by means of the contributions per capita and a maximum percentage for co-financing per zone.

4.8.3 The present Objective 3 is horizontal. There is the obligation in the programme to state how the Objective 2 areas are to be given priority. There is no truly regional dimension, yet it is precisely the regional and local authorities who are most likely to face the problems, which are usually highly concentrated in nature. A truly regional dimension should be added to what is now Objective 3, with a view to enabling coordination with or, better still, integration into restructuring programmes.

4.8.4 If the system of objectives is to be reviewed, then the changes must be more than cosmetic ones. They should lead to genuine simplification, and make it possible to take an integrated approach to regional development.

4.9 Three of the current four Community Initiatives, i.e. Leader+, Urban II and Equal, represent an interesting broadening of parts of the current objectives under the Structural Funds for a number of regions and local authorities. However, these initiatives provide more of an institutional than a substantive policy contribution to the present objectives. Interreg III, on the other hand, provides support for actions that the current objectives do not provide for. Interreg is therefore a real addition. The European importance of Interreg is deemed to be sufficiently great that the development of a separate, independent line of policy should be considered.

The Commission has noted that the border regions generally no longer lag behind, or barely so, in terms of level of development. The suggestion that it makes in this regard, to mainstream the cross-border element of Interreg-A, or in other words to put it under one of the objectives for regional development, is rejected by the Dutch provinces. Cross-border collaboration is not firmly enough embedded in the policy of the Member States and regional and local authorities on either side of national borders to allow them to eliminate the enduring obstacles to integration – integration that the EU itself has set as a compulsory priority – at a satisfactory pace without European aid. And it is precisely in regions that lie along Europe's internal borders where local people are confronted with the floundering European integration every single day. Nevertheless, because of the tremendous disparities in development, greater priority should be given to tackling the cross-border problems in the new Member States and along the new external borders.

The wish to retain parts B and C of Interreg has the full support of the Dutch provinces because of their importance for European integration, the specific expression of solidarity they represent and the manner in which they contribute to a more balanced spatial development of Europe.

4.10 It would be desirable to maintain a safety net and an adequate system of phasing out in the new policy period in order to avoid the negative impact on regional development of any far-reaching changes in the structural policy.

Wherever aid provided through the Structural Funds is completely cancelled or is drastically reduced as a consequence of the enlargement of the EU, the national, regional and local authorities affected should, at the very least, be permitted to use the financial resources that they would have invested in their regional and local development, had sufficient monies been available through the Structural Funds, entirely for the purpose they had intended. This does not contradict competition policy because the cause is budgetary in nature and not policy-related.