

POLICY ANALYSIS

Integrating the territorial dimension into EU policy design and economic governance

In its resolution on its key priorities for its sixth term of office¹, the European Committee of the Regions emphasises that “the territorial dimension of EU legislation matters” and calls “for a stronger territorial dimension within EU policies and projects across the European Union, including as part of the revision of the Europe 2020 Strategy.” What point is being made here? And wasn’t the EU cohesion policy meant to deal with problems arising from territorial differences?

By **Andrea Forti**

Regions differ from one another with respect to their natural and cultural assets, social and environmental situation, economic potential and the institutional capability of their local and regional governments. In addition, more often than not, differences within countries – as measured by GDP per capita, for example – are larger than differences between countries, due to underlying competitiveness gaps between regions. Moreover, development gaps between regions widened during the recent economic crisis, reversing the convergence trend of the pre-crisis years.

In the past, EU policy design mostly followed a “regionally/territorially blind” approach, de facto assuming that policy objectives and related measures would have the same meaning and impact across countries and regions, while delegating the task of reducing regional disparities to cohesion policy.

However, in the last few years, there has been a growing awareness that policy measures may have large asymmetric territorial impacts. In other words, the spatial distribution of their costs and benefits may turn out to be highly uneven. With this awareness came the acknowledgement of local and regional authorities as key stakeholders in EU policymaking, not only because they can help to strengthen grassroots ownership of public policies and improve effectiveness, but also because they are the ones with the best understanding of the specific circumstances and needs of every corner

of the EU. This conclusion has been supported at the EU level by a number of developments outlined below.

In March 2010, when launching the Europe 2020 Strategy, the European Council conclusions² explicitly mentioned regions among the stakeholders that needed to be involved in order to increase ownership of the strategy. The Territorial Agenda 2020, adopted by the EU Ministers responsible on 19 May 2011 under the Hungarian Presidency, stated that the objectives of the Europe 2020 Strategy “can only be achieved if the territorial dimension of the strategy is taken into account, as the development opportunities of the different regions vary”.

Assessing territorial impact

In 2013, the European Commission complemented the existing Impact Assessment Guidelines with a document on Assessing territorial impacts: Operational guidance on how to assess regional and local impacts within the Commission Impact Assessment System³.

In 2014 and 2015, the Country-Specific Recommendations (CSRs) and their accompanying analytical documents (since 2015 called ‘Country Reports’) paid increasing attention to territorial issues that need political action and, in a number of cases, addressed recommendations directly to sub-national authorities. In 2015, as part of the

new streamlined European Semester, the Country Reports were published three months before the CSRs to allow for wider stakeholder consultation and involvement. In the previous cycles such consultation was not possible because the Country Reports were published together with the CSRs. In spite of these developments, the involvement of the local and regional authorities in the design and implementation of the National Reform Programmes and the use of partnership and multilevel governance solutions are still sporadic, as shown by the studies of the CoR’s Europe 2020 Monitoring Platform⁴.

This state of affairs is generating a series of negative consequences. In the short term, it contributes to the unsatisfactory performance of the European Semester as measured by the implementation rate of the CSRs (49% of the CSRs for 2014 made no or limited progress, while only 6% showed full or substantial progress). Basically, it leaves a wide untapped potential for synergies between policy agendas at the different levels of government. It also poses a serious obstacle to effective vertical coordination between public budgets. Moreover, it contradicts the call on public authorities to “do more with less”, which is so essential to growth-friendly fiscal consolidation.

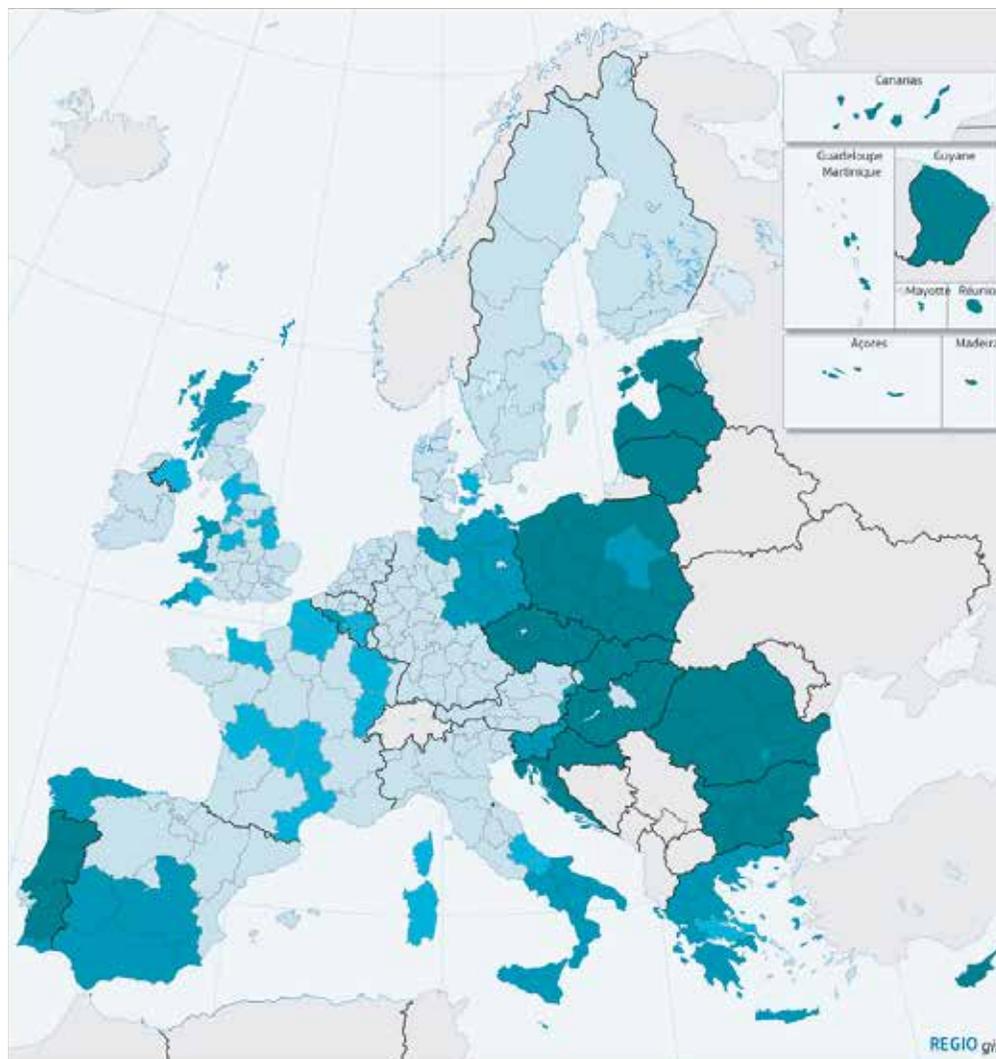
It is now time for an additional and substantial step forward. This entails the inclusion of a territorial dimension and the systematic adoption of the concepts of partnership and multilevel governance

¹ Resolution on the European Committee of the Regions’ priorities for the sixth term of office 2015-2020 (COR-2015-02565-00-00), 3-4 June 2015)

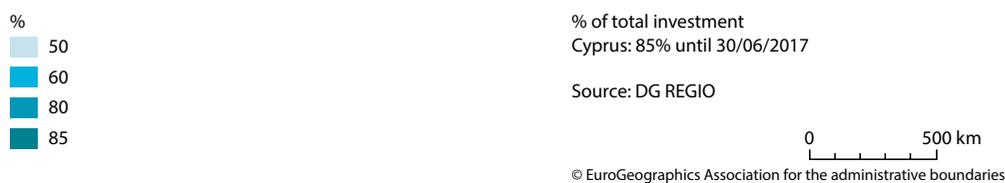
² <http://www.consilium.europa.eu>

³ This tool is now part of the European Commission’s Better Regulation Toolbox (http://ec.europa.eu/smart-regulation/guidelines/tool_29_en.htm)

⁴ <http://portal.cor.europa.eu/europe2020/Pages/welcome.aspx>



Investment for growth and jobs goal: maximum co-financing rate for Structural Funds support, 2014-2020



in the European Semester and in the forthcoming revision of the Europe 2020 Strategy. In March 2014, the CoR's Athens Declaration recommended (inter alia):

- Allowing regions and cities to set their own territorially differentiated contribution to the Europe 2020 targets in a mixed top-down and bottom-up target-setting process;
- Giving the European Semester a territorial dimension, to be regularly included in its main documents and in dedicated meetings of the Council and the European Parliament; and
- Making multilevel governance the standard approach to Europe 2020, based on a "code of conduct" on the involvement of the relevant stakeholders in the revised strategy.

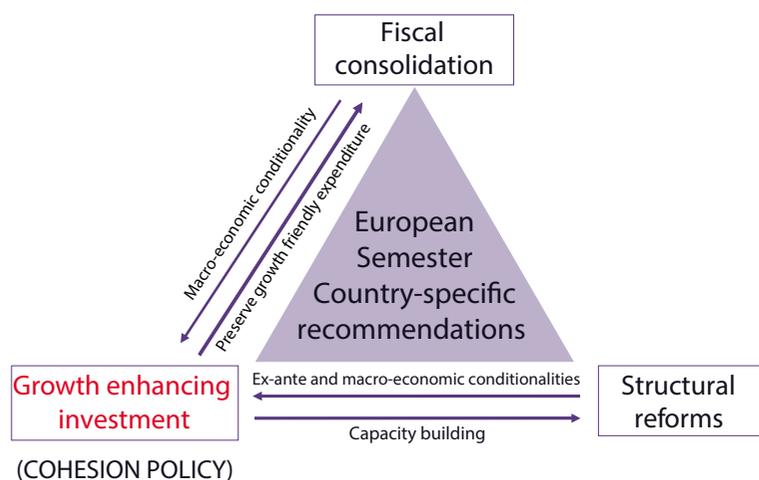
Territorial differentiations

In March 2015, the European Parliament took a clear step in this direction. In its Resolution on the Employment and Social Aspects in the Annual Growth Survey 2015⁵, it states that "insufficient involvement in the EU Semester Process at EU and national level on the part of national parliaments, the European Parliament, local and regional authorities, civil society organisations and social partners has limited the ownership of reforms by the Member States, and the development of inclusive, social and sustainable solutions, and has reduced citizens' confidence in the EU project".

In the same resolution, the European Parliament also "stresses that growth and jobs policies have differentiated territorial impacts, depending on the specific situation in each EU region, and that regional disparities have been widening since the beginning of the crisis; stresses that the CSRs should take into account territorial differentiations within Member States to boost growth and jobs while preserving territorial cohesion" and "calls for the involvement of subnational parliaments and local and regional authorities in the design and implementation of the National Reform Programmes, including through multi-level governance arrangements".

The time is ripe for the ongoing discussions on the Semester and the forthcoming revision of the Europe 2020 Strategy to translate into further substantial step forwards. ■

Cohesion Policy in the EU economic policy mix



Source: 6th Cohesion Report, European Commission

⁵ European Parliament resolution of 11 March 2015 on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2015 (2014/2222(INI)), Rapporteur: Sergio Gutiérrez Prieto, PES/ES