Cohesion policy and the role played by structural funds in austerity

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Since the introduction of the Single European Act (1985), the cohesion policy has played a major role in the dynamic of European integration, by providing support to the least developed regions and the most disadvantaged social groups, so as to counterbalance any adverse effects of the Single Market. From 2000 onwards, as a result of the EU's enlargement to encompass the countries of Central and Eastern Europe, and of pursuing the goal of competitiveness, heavy demands have continued to be placed on its structural funds.

It was therefore entirely predictable that the Commission would call on these funds within the framework of its 2008 European Economic Recovery Plan (Jouen, 2011) to assist the countries most severely affected by the crisis. However, the Commission limited itself to simplifying procedures in order to speed up the implementation of programmes, as the budget appropriations had already been fixed by the 2007-2013 multiannual financial framework, set in 2006. The overall philosophy underlying European funds, and in particular the cohesion policy, whose main aim is to co-finance medium and long-term investment programmes, was not however called into question.

2011, which corresponded both to the fourth year of the 2007-2013 programming period (coinciding with a full expenditure implementation regime) and to the start of negotiations for the 2014-2020 programming period, on the basis of Commission proposals, marked a shift in this approach. Instead of seeing a confirmation of the signs in 2010 of Europe's impending emergence from the crisis, economic activity started to suffer the effects of national austerity plans, without any significant accompanying improvement in the situation of public finances. Moreover, local and regional authorities, which account for around two thirds of public investments and had helped to cushion the impact of the crisis over the previous three years, had to cut their own investment expenditure by 10% for the first time (Dexia, 2011).

At European level, there was growing tension between short-term demands and longer-term plans extending through to 2020. It became increasingly obvious to the Commission that a post-2013 proposal that was ambitious both in terms of its content and its budget, would be indefensible if the current structural funds were not being fully utilised due to a lack of national co-financing capacity. For governments, the many extraordinary meetings of the Council in 2011 produced a succession of conflicting messages: some placing the emphasis on national structural reforms to be implemented in the context of the European Semester; others on showing solidarity with the countries or population groups experiencing the most severe hardships.

During the summer of 2011, the crisis in the Eurozone threw plans for the new role assigned to the cohesion policy into disarray, just as Commission departments were putting the finishing touches to the draft regulations for the EU's future policies and to the proposed 2014-2020 financial framework. First of all, the crisis demonstrated the importance attached to the structural funds by all stakeholders (European institutions, Member States, regions and beneficiaries) as counter-cyclical intervention instruments (see part 1). It soon shifted the debate away from the amount and distribution of budget appropriations, towards the question of how the funds should be used (part 2). And, somewhat unexpectedly, the crisis led the social objectives to become rooted more firmly in the cohesion policy, and also in rural development policies and shipping conversion policies (part 3).

1. Importance of the structural funds as counter-cyclical instruments

1.1 Arguments over how far the cohesion policy is to blame for the crisis

Since 2008 and the bursting of speculative property bubbles in Ireland and Spain, advocates of a minimum European budget have taken delight in stirring up arguments over the extent to which the cohesion policy is responsible for the excessive levels of debt accumulated by a number of the older Member States. This debate is not new: the media regularly heap scorn on unrealistic and abortive projects, and on inordinately large investments that result in public funds being wasted or on misappropriations of funds that have already been approved[1]. The European Commission's response usually involves pointing out the scale of the financial corrections made in recent years and the new tighter supervision arrangements, accompanied by a stricter system of suspending financial appropriations, with monies sometimes having to be repaid or commitments automatically being cancelled if they are still unused after two years.

Nevertheless, in the case of the vast debts and excessive deficits accumulated by certain Member States, the defence of the cohesion policy relies more on the fact that the sums paid by the EU have never exceeded 4% of national GDP[2] – this ceiling having been reached for just a few years in the case of Greece prior to 2004 – whereas on average the contribution represented by the structural funds has been 2.5% of national GDP in the case of the least wealthy countries (Spain, Ireland and Portugal). As for the new Member States, since 2007 the ceiling has been adjusted according to how far the country had fallen behind and has fluctuated between 3.23% and 3.78% of national GDP.

On the other hand, it appears to be true that the structural funds are responsible for bringing about a change in mentalities and creating '*nouveau riche*' behaviour. Paradoxically, these structural funds are criticised for their leverage effect on private funds (widely reckoned to be 1:3 though it may be as much as 1:45 in some cases) and their qualitative added value, which has given local people and economic stakeholders the confidence to start investing again and thus begin the process of helping the most disadvantaged regions to catch up and keep up, on a long-term basis (Jouen, 2011).

1. For example, see articles entitled 'Europe's grand vision loses focus', 'Poor take-up reflects basic flaw', 'Regional aid needs accountability', 'EU growth funds lie idle under red tape', 'Net that fails to catch EUR700m errors', *Financial Times*, 30 November 2010 and '*Des folies en Espagne*' ['Madness in Spain'], *Le Monde – El País*, 19 November 2011.

2. In 2010, Ireland's budget deficit stood at around 12% of GDP; for 2011, that of Greece looks set to exceed 8.5% of GDP and that of Spain, 8.2% of GDP.

1.2 Tighter economic governance and conditionalities

Faced with the scale of the Greek national debt, back in the spring of 2010, the instinctive reaction of the European institutions was to seek to transpose the practices of international financial organisations, such as the IMF and the World Bank, to debtor countries, with talk of 'conditionalities'. Nevertheless, it should be borne in mind that, in contrast to the loans granted by these two providers of funds, the payments made by the EU under the structural funds, common agricultural policy and common fisheries policy are not linked to the economic climate but to the application of policies benefiting all Member States and to pre-established eligibility criteria relating to development or unemployment, which are mainly used at sub-national level, and in this case regional level. In all likelihood, the Commission did not regard this fundamental difference between the types of aid granted as an insuperable obstacle.

In point of fact, in May 2010, in the wake of the debate on economic governance that followed the 'first Greek crisis', the Commission put forward the view, in a communication (European Commission, 2010b), that the idea of using the Union's budget to promote compliance with the Stability and Growth Pact should be envisaged for the future financial framework and linked to certain conditions. 'The aim should be to establish fair, timely and effective incentives for compliance with the Stability and Growth Pact rules. Conditionality could be enhanced' (European Commission, 2010b: 5). A few weeks later it went further, proposing that 'in cases of non-compliance with the rules, incentives [can therefore be] created by suspending or cancelling part of current or future financial appropriations from the EU budget' (European Commission, 2010c: 10). Two types of sanctions were envisaged: firstly, suspending commitments if an excessive deficit arose, and subsequently, cancelling the commitments of year 'n' if initial recommendations made with a view to correcting this excessive deficit were not complied with. The Commission also stated that these sanctions would relate to payments made to Member States for the purpose of co-financing programmes under shared management, and not to direct payments to beneficiaries. Nevertheless, this provision was not explicitly adopted in the Commission's 'Six Pack' legislative proposals on economic governance (see the chronology in this volume).

1.3 A lack of coherence in both responses to the crisis of summer 2011

The summer of 2011 saw two simultaneous responses to the crisis unfolding, yet their goals and justifications might appear to be at odds.

On the one hand, the Commission pursued the reasoning that prevailed in the recovery plan by attempting to speed up the implementation of the 2007-2013 cohesion policy and thus the expenditure that was already programmed. This approach led the Commission to propose (European Commission, 2011c) an increase in the European co-financing rate for programmes forming part of the cohesion, fisheries and rural development policy for the six countries most severely affected by the crisis. Three of these (Romania, Latvia and Hungary) do not belong to the Eurozone but have benefited from the balance-of-payments support mechanism, while the rest (Greece, Ireland, Portugal) have been assisted by the European financial stability mechanism. The co-financing rate is currently 50% for the wealthiest regions ('regional competitiveness and employment objective') and 75 or 85% for the least developed regions ('convergence objective'), whose GDP per capita is less than 75% of the Community average. At the country's request, the EU's contribution would be raised by 10% without exceeding the rate of 95%, for projects focused on growth and development, retraining of workers, and developing business clusters or transport infrastructure. The overall effect of this measure, which in the case of some countries is likely to have been operative since the beginning of the crisis in 2008, has been calculated at 2.88 billion euros. For 2012, the cash contribution to the six countries might amount to 2.3 billion euros, though it should be borne in mind that the appropriations for 2007-2013 remain unchanged. The Commission also announced the creation of a task force to help Greece to implement the measures provided for in the economic adjustment programme and to ensure a faster take-up of European funds from a technical point of view. The proposal was welcomed in its entirety by local and regional authorities, and by the socio-economic stakeholders concerned. It was backed by the European Council and Parliament in less than five months, and the introduction of the amending regulation on 13 December 2011 should enable it to be implemented without delay (European Parliament and Council of the European Union, 2011j).

On the other hand, following the emergency meeting of the Eurozone Council held on 21 July 2011, the French President and the German Chancellor sent a letter[3] to the President of the European Council, proposing various measures to strengthen the governance of the Eurozone and to implement Paragraph 16 of the Declaration of 21 July. Seeking closer coordination of national budgetary and economic policies, they wrote as follows: 'The structural and cohesion funds should be used to support vital reforms aimed at enhancing economic growth and competitiveness in the Eurozone. The macroeconomic conditionality of the Cohesion Fund[4] should be extended to the structural funds... In countries operating under a programme, the Commission should automatically carry out checks to ensure that the structural and cohesion funds are providing optimum support for the macroeconomic adjustment programme: it should also be involved in project selection and implementation... In future, payments derived from the structural and cohesion funds should be suspended in Eurozone countries that do not comply with the recommendations of the excessive deficits procedure. These changes should be included in the new rules governing the structural and cohesion funds to be put forward for the next multiannual financial framework.'

1.4 Proposals that remain controversial

In its proposal for joint rules governing the 2014-2020 future cohesion policy (European Commission, 2011d), the Commission continues to move in both of these directions, attempting somewhat clumsily to combine them. However, it does not adopt the totality of the Merkel-Sarkozy proposal which, on the one hand, underrated the role already played by the Commission in the selection of major projects and, on the other, appears to flout the principle of subsidiarity, as the Commission cannot take the place of management authorities if they have not been negligent. For the moment, the gamble taken in Greece, and now in

3. Letter from Nicolas Sarkozy and Angela Merkel to Herman Van Rompuy dated 17 August 2011.

4. This clause has been in existence ever since the Cohesion Fund was set up in 1994, but has never been implemented until 2012. While the link between the objective set for this fund, which is intended to offset and anticipate any imbalances associated with the introduction of Economic and Monetary Union and compliance with the Stability and Growth Pact, cannot be denied, it is neither direct, nor established in law for the other funds.

Portugal with the dispatch of task forces made up of Commission staff, is being presented more as a technical support and facilitation measure, rather than as an attempt to bring these countries into line.

The Commission is assuming 'the right to suspend all or part of the payments and commitments, where, despite the enhanced use of funds, a Member State fails to take effective action in the context of the economic governance process'. It also indicates that 'the suspensions should be lifted and funds be made available again to the Member State concerned as soon as the Member State takes the necessary action' and that 'decisions on suspensions should be proportionate and effective' (European Commission, 2011d: 16), taking into account the country's economic situation and the extremely unequal impact that such a decision might have on the national budget.

Despite its length, the article devoted to 'conditionality linked to the coordination of Member States' economic policies' does not make it clear whether the decision to suspend payments will be the outcome of a procedure involving both parties, with a genuine possibility of reconciling the respective positions of the Member State and the Commission, or will be taken unilaterally.

The 'increase in payments for a Member State with budgetary difficulties' features in the same chapter devoted to macroeconomic conditions but is not linked to the foregoing provisions. This reinforces the impression of a lack of a single, clear vision within the Commission regarding the role assigned to the structural funds: are they instruments of an investment policy and a policy for mitigating the effects of the crisis, or are they a way of applying pressure to ensure that collective budgetary discipline is maintained at all costs?

For the vast majority of stakeholders the answer is not in doubt, and most of them [notably the social platform UEAPME (European Union of Craft Industries and Small and Medium-Sized Enterprises), associations of regions such as the CPMR (Conference of Peripheral Maritime Regions of Europe) and AER (Assembly of European Regions)] were quick to express their opposition to the threat of suspending financial appropriations and introducing penalties. The European Parliament and the Committee of the Regions (2011a)[5] expressed similar views.

There was nevertheless continuing disagreement among Member States, as the Polish Presidency recently testified in its preparatory report to the December 2011 Council meeting: ‘delegations were divided on the applicability of the instruments proposed by the Commission – some of them found it necessary to ensure a stable macroeconomic environment for the CSF Funds, while others believed that macro-economic conditionalities can not be reconciled with the Cohesion Policy’s objectives [...] many MSs expressed doubts whether the principles of equal treatment and proportionality had been appropriately reflected in the Commission’s proposal [...] Several MSs proposed applying macroeconomic conditionalities to other parts of the EU budget in order to ensure a level playing field’ (Council of the European Union, 2011: 11).

2. A debate focused on the effectiveness of the cohesion policy

2.1 The budget question becomes temporarily mired

The negotiations regarding the future cohesion policy are traditionally characterised by haggling over financial matters and technical disputes over new procedures. In his report on the future cohesion policy drafted at the Commission’s request, Fabrizio Barca expressed regret that the debate surrounding the cohesion policy had been restricted to a small circle of experts, a factor that had gradually undermined it at a time when macroeconomists had taken the helm, with the adoption of the Lisbon Strategy, and subsequently the 2007-2013 Package (Barca, 2009). In his view, the handicap of the cohesion policy was aggravated by the sequence of European political decision-making, in which

5. The Committee of the Regions ‘strongly disagrees with the proposal that a Member State’s non-compliance with the stability and growth pact should result in the discontinuation of funding under cohesion policy and the common agricultural or fisheries policies, because regional authorities cannot be held responsible for the inability of national institutions to meet macro-economic criteria or implement EU rules correctly’.

negotiations over the amounts and distribution of funding among Member States preceded those deciding the political objectives and how to achieve them (Jouen, 2009).

The negotiators' extreme focus on national 'net balances' poisoned the latest negotiation to such an extent (Le Cacheux, 2005) that the Commission was mandated as early as 2006 to conduct an in-depth re-examination of the European budget (European Commission, 2010d). It also delayed the presentation of detailed proposals for 2014-2020 as long as possible (European Commission, 2011a).

In fact the 'net contributor' countries did not wait for the Commission's proposals before trying to bring pressure to bear, as five Heads of State and Government[6] sent a letter to the Commission as early as December 2010 to argue for a reasonable budget in a time of crisis, amounting to a global figure of less than 1% of Gross National Income. In September 2011, the European Affairs Ministers of eight countries[7] repeated the same message. Nevertheless, no specific policy was targeted in the effort to cut costs. In response, thirteen countries[8] declared that they attached a great deal of value to the cohesion policy.

Its growing significance within the European budget (rising from 0.28% of GNI in 1988 to 0.37% of GNI in 2013) made the cohesion policy a potential hostage to such discussions, particularly since there is no specialised Council of Ministers to defend it. Decisions are the responsibility of the General Affairs Council, which may be more sensitive to the previous decisions taken by the Ecofin Council than to the conclusions of the informal Council of Ministers in charge of the cohesion policy. However, in 2011, for the first time, this anomaly was corrected to some extent by a meeting of the General Affairs Council devoted solely to the cohesion policy, held in June 2011, under the Hungarian Presidency, and a formal joint meeting, held in December 2011, of the General Affairs Council and of Ministers responsible for the cohesion policy, under the Polish Presidency.

6. Germany, France, Finland, the Netherlands, the United Kingdom.
7. Germany, Austria, Finland, France, Italy, the Netherlands, the United Kingdom, Sweden.
8. Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Ireland, Slovakia, Latvia, Lithuania, Malta, Poland, Portugal, Romania.

2.2 In search of better-quality European public expenditure

In addition to the very different economic and political context from the first half of the 2000s, the Commission's way of dealing with future programming has changed a great deal. In recent years, it has had to explain itself several times before the European Parliament and the Court of Auditors over the management of regional development programmes and the scale of the errors made by the management authorities. A series of procedural adjustments has been proposed, to make them safer and ultimately more effective, with a view to enabling regional and national authorities to complete their programmes. This laborious process highlighted the importance of implementation methods, the need for simplification and the need to ensure that the programming authorities have the institutional and administrative capacity to do their job. The 2010 strategic report on 2007-2013 implementation (European Commission, 2010a) was quite critical regarding the slowness of execution. Most of the proposed reforms outlined therein were well received by Member States, with the older-established and new members finding themselves in agreement, sometimes for different reasons, regarding the need for better-quality public expenditure.

The effectiveness and efficiency of the structural funds have therefore become major issues for the future programming period. The tone employed by both Commissioners in their joint preface to the 5th cohesion report leaves no room for doubt: 'We all share an interest in a Cohesion Policy that brings results [...] The link to the Europe 2020 strategy must be even stronger in the future. This requires putting in place good programmes, with clear conditions and strong incentives. Pre-conditions could require, for example, that investment in environmental infrastructure is preceded by a transposition of the relevant EU environmental legislation. Incentives would reward regions and countries that have performed well and reached agreed European objectives' (European Commission, 2010e: III).

This announcement immediately raised questions among Member States, which were summarised in the conclusions of the Belgian Presidency in November 2010: 'Some reserves are expressed about the new conditionalities, external to Cohesion Policy, in respect of sanctions. On the other hand, the development of more incentive-based conditionalities internal to the funds, designed to increase their efficiency, seems to be a matter for debate [...]. The reinforcement of the absorption capacity is also an element of the conditionality issue. Institutional and administrative capacity, localisation, nature of the actions, and levels of co-financing are all variables that need to be taken into account' (European Council, 2010).

During the spring of 2011, the Commission convened several meetings of an *ad hoc* group comprising representatives of Member States and of the European institutions with a view to exploring a number of avenues.

One idea that was hotly disputed and in the end rejected was that of linking European Social Fund programmes to a 'structural reform conditionality', in other words creating incentives to carry out reforms in areas subject to Council recommendations on the basis of Article 121(2) of the Treaty on the Functioning of the European Union (TFEU) and of Article 148(4) of the TFEU in the context of the European Semester. The main argument against it was that the link between implementation of the Europe 2020 strategy and of the cohesion policy, or more precisely the national reform plans and the future partnership contracts, was something that could not be guaranteed. In point of fact, although closer coordination between the two European processes is highly desirable, their time frames are out of step – by definition, a structural reform takes time to produce tangible effects, which cannot therefore be regarded as pre-conditions for a regional development programme due to start at the same time – and the stakeholders or authorities responsible for implementation or for the outcome are not necessarily the same. Undertaking reforms at national level is a task that mostly lies beyond the remit of local and regional authorities, which manage programmes at operational level.

2.3 Towards widespread adoption of a dual conditionality

The Commission therefore focused most of its attention on *ex ante* conditionality and on creating a European performance reserve.

It proposes a dual *ex ante* and *ex post* conditionality for the future 2014-2020 programming period, to be accompanied by a possible reward: 'The rationale for strengthening '*ex ante*' conditionality for these funds is to ensure that the conditions necessary for their effective support are in place. Past experience suggests that the effectiveness of investments financed by the funds have in some instances been undermined by bottlenecks in policy, regulatory and institutional frameworks [...] '*Ex post*' conditionality will strengthen the focus on performance and the attainment of the Europe 2020 objectives. It will be based on the achievement of milestones related to targets for outputs and results linked to Europe 2020 objectives set for programmes in the partnership contract. 5% of the budget of the relevant funds will be set aside and allocated, during a mid-term performance review, to the Member States whose programmes have met their milestones. In addition to the performance reserve, failure to achieve milestones may lead to the suspension of funds, and a serious underachievement in meeting targets for a programme may give rise to a cancellation of funds ' (European Commission, 2011d: 8).

Fifteen pages of *ex ante* thematic conditions then follow in the form of an appendix, corresponding to each of the eleven priorities associated with the Europe 2020 strategy:

1) strengthening research, technological development and innovation;

2) enhancing access to and use and quality of information and communication technologies;

3) enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and fisheries and aquaculture sector (for the EMFF);

4) supporting the shift towards a low-carbon economy in all sectors;

5) promoting climate change adaptation, risk prevention and management;

6) protecting the environment and promoting resource efficiency;

7) promoting sustainable transport and removing bottlenecks in key network infrastructures;

8) promoting employment and supporting labour mobility;

9) promoting social inclusion and combating poverty;

10) investing in education, skills and lifelong learning;

11) enhancing institutional capacity and an efficient public administration (European Commission, 2011d: 7-8).

There are also five pages of *ex ante* general conditions describing efforts to deal with combating discrimination, gender equality, disability, public procurement contracts, State aid, environmental legislation governing evaluation, statistical systems and results indicators.

The exercise, which is intended to provide clarification, puts forward a series of more or less convincing criteria. For example, in the case of any operational programme to combat early school leaving (ESL), the Commission will give its agreement only if 'a system for collecting and analysing data and information on ESL at national, regional and local level is in place that provides a sufficient evidence-base to develop targeted policies; is used systematically to monitor developments at the respective level [...] and a strategy on ESL is in place that is based on evidence; is comprehensive (e.g. covering all educational sectors including early childhood development) and adequately addresses prevention, intervention and compensation measures; sets out objectives that are consistent with the Council Recommendation on policies to reduce early school leaving; cuts across-sectors, and involves and coordinates all policy sectors and stakeholders that are relevant to address ESL' (European Commission, 2011d: 145).

All of this seems very far removed from the wish expressed by the Committee of the Regions in the spring of 2011, that conditionality should be 'simple, applicable and proportional' (Committee of the Regions, 2011b).

The sophistication of the proposals and criteria put forward by the Commission raised concerns among Member States, as is apparent from the Polish Presidency's report issued on the eve of the General Affairs Council of December 2011: 'In general, MSs were in favour of *ex ante* conditionalities as they would contribute to improving Cohesion Policy performance by ensuring that a number of prerequisites laying the ground for more efficient interventions are met before funding starts. [However] MSs reiterated that the principles of proportionality and subsidiarity should be respected. Referring to proportionality, MSs' reservations were stemming from the risk that the large number of the *ex ante* conditionalities might lead to disproportionate administrative burden and making them inapplicable especially in MSs and regions with smaller allocation. As to subsidiarity, some MSs feared that the *ex ante* conditionalities go beyond the scope of Cohesion Policy and interfere too much with national competences in other policy areas' (Council of the European Union, 2011: 9).

2.4 Performance and reserves

As far as the performance reserve is concerned, the Commission appears to have taken too seriously the request formulated by some Member States, if we consider the national reactions listed by the Polish Presidency: 'a common concern of MSs was on the establishment of a performance reserve – the application of both negative and positive incentives can be counterproductive, as this may encourage less ambitious programmes with lower targets that could be achieved more easily' (Council of the European Union, 2011: 9).

Similar concerns had been expressed by the Committee of the Regions in the spring of 2011, expressing its opposition in advance to 'the proposal to establish a performance reserve based on the Europe 2020 targets, for which it would be difficult to define objective allocation criteria' and taking the view that 'establishing a performance reserve, whether at EU or national level, would not guarantee more effective investment' (Committee of the Regions, 2011b). It put forward a proposal to 'support the creation of a flexibility reserve (which would not be performance-based) established on the basis of appropriations automatically de-committed during the programming period, and aimed at funding pilot initiatives or triggering the Structural Funds in an economic, social or environmental crisis in conjunction with the Globalisation Adjustment Fund and the European Union Solidarity Fund'. However, this option was not adopted by the Commission.

3. Rooting social objectives more firmly in the cohesion policy

3.1 Return of the integration of funds

The main innovation of the future 2014-2020 programming period relates to the establishment of a Common Strategic Framework (CSF) linking the various European territorial funds: the three funds involved in the cohesion policy – the ERDF (European Regional Development Fund), the ESF (European Social Fund) and the Cohesion Fund – plus the EAFRD (European Agricultural Fund for Rural Development) and the EMFF (European Maritime and Fisheries Fund).

In the spring of 2010, questions had appeared to be raised over whether the ESF should remain as part of the cohesion policy: in late summer 2010 a joint letter to the President of the Commission from the four Commissioners concerned[9] attempted to resolve the issue. It made explicit reference to the Europe 2020 strategy and to the need to integrate policies financed by the five funds in order to ensure a more sustainable and inclusive development of the European Union.

This return to favour of multi-sectoral integration, which had gradually been abandoned when the second pillar of the CAP (devoted to rural development) was created in 1999 and was confirmed when the EAFRD and the EFF (European Fisheries Fund) ceased to be part of the structural funds in 2007, also provided a practical application for the territorial cohesion recognised by the Treaty of Lisbon. In a context of economic austerity, the desire to shift the Union's commitments towards inclusion, which is the third dimension of growth promoted by the Europe 2020 strategy (it also aims to achieve smart and sustainable growth) in all likelihood prevailed, without however leading to an outcome as ambitious as 'the Territorialised Social Agenda' proposed by Barca (Marlier and Natali, 2010).

The CSF is supposed to translate 'the objectives and targets of the Union strategy for smart, sustainable and inclusive growth into key

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9. Letter from Commissioners Damanaki, Andor, Ciolos and Hahn to President Barroso dated 30 August 2010.

actions for the CSF Funds, establishing for each thematic objective the key actions to be supported by each CSF Fund and the mechanisms for ensuring the coherence and consistency of the programming of the CSF Funds with the economic and employment policies of the Member States and of the Union' (European Commission, 2011d: 29).

It is expressed at national level in the form of a partnership contract grouping together all operational programmes linked to these funds and is drawn up following consultation of the main partners, and in particular local and regional authorities, social partners and organisations drawn from civil society. The expectation is that this contract will incorporate several documents, including 'an integrated approach to address the specific needs of geographical areas most affected by poverty or of target groups at highest risk of discrimination or exclusion, with special regard to marginalised communities, where appropriate, including the indicative financial allocation for the relevant CSF Funds' (European Commission, 2011d: 38).

3.2 Greater visibility for social priorities in the new architecture

Of the 11 thematic objectives[10] associated with the Europe 2020 strategy, which are applicable to all of the funds, three have a social vocation: promoting employment and supporting labour mobility; promoting social inclusion and combating poverty; and investing in education, skills and lifelong learning (European Commission, 2011d).

As for the cohesion policy in itself, jointly funded by the ERDF and the ESF, replacing the two categories of regions – 'convergence objective' and 'regional competitiveness and employment objective' – with a single objective of 'investment for growth and employment' could herald substantive changes. In point of fact, the Commission is proposing to classify regions in three categories, according to the level of their wealth (European Commission, 2011e and 2011f):

— the least developed regions, whose GDP per capita is less than 75% of the EU's average GDP, which will receive 50.13% of the

10. See above.

cohesion policy budget; they will benefit from a European co-financing rate of 75 to 85% and enjoy almost total freedom of choice within the menu of 11 thematic objectives;

— regions in transition, whose GDP per capita lies between 75% and 90% of the EU's average GDP, which will receive 12.01% of the cohesion policy budget; they will benefit from a European co-financing rate of 60% and enjoy an intermediate level of freedom of thematic choice;

— the most developed regions, whose GDP per capita exceeds 90% of the EU's average GDP, which will receive 16.39% of funds with a European co-financing rate of 50% and enjoy very little freedom of thematic choice, as 80% of ERDF funds will have to be focused on strengthening research, technological development and innovation, enhancing the competitiveness of small and medium-sized enterprises and supporting the shift towards a low-carbon economy[11].

Nevertheless, via the ESF, which can be utilised jointly with the ERDF if appropriate, the three thematic social objectives also feature in the 'menu' applicable to all regions. The least developed regions are the only ones that can opt for theme no. 11, i.e. enhancing institutional capacity and an efficient public administration.

For the EAFRD (European Agricultural Fund for Rural Development) (European Commission, 2011g), alignment with the Europe 2020 strategy translates into a list of six priorities for rural development; these include promoting social inclusion, economic development and reducing poverty. In particular, measures are envisaged to facilitate job creation for young rural workers both inside and outside the agricultural sector, as well as developing infrastructure and local basic services to encourage social inclusion and reverse the trend towards economic and social decline and rural depopulation. Previously, within the framework of its axis No. 3, the EAFRD supported economic diversification towards non-agricultural activities and enhancing the quality of life, but the explicit emphasis placed on social issues is something new.

11. The remaining 23.8% of the cohesion policy budget is intended for the Cohesion Fund and for territorial cooperation.

Likewise, the first of the new thematic objectives to be declared for the EMFF (European Maritime and Fisheries Fund) is ‘increasing employment and territorial cohesion through the following objectives: promotion of economic growth, social inclusion, creation of jobs and supporting labour mobility in coastal and inland communities depending on fishing and aquaculture’ (European Commission, 2011h: 31).

3.3 Starting to restore equilibrium to the funds

Over and above the general framework establishing the eligibility of expenditure for each fund, the question of their respective significance within programmes is also a significant one. Here, the Commission’s preparatory work is instructive (European Commission, 2011b). It confirmed the ESF’s visibility deficit resulting from the complex nature of its management at regional level. It also emphasised the growing tension that had arisen over time between programme managers and beneficiaries, notably the smallest project initiators, who end up turning their backs on the ESF.

Among the Commission’s proposals, it is interesting to note the attempt to make a regional adjustment to ERDF and ESF appropriations. Setting a threshold represents an attempt to address needs that supposedly differ from one region to another, depending on their level of development, and to guarantee an effect of mass for the ESF’s interventions: at least 25% of resources in the least developed regions, 40% for regions in transition and at least 52% for the most developed regions will be earmarked for them (European Commission, 2011d).

Lastly, for the ESF, the heightened concentration on the priorities of the Europe 2020 strategy translates into stronger support for efforts to combat social exclusion and poverty by assigning at least 20% of financial appropriations to ‘Active inclusion; Integration of marginalised communities such as the Roma; Combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation; Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest; Promoting the social economy and social enterprises; Community-led local development strategies’ (European Commission, 2011f).

Conclusions

Ultimately, during the course of 2011, the attention paid to the cohesion policy was ambivalent, in a context of proliferating national austerity plans and tighter supervision of the public finances of Eurozone Member States.

The structural funds, seen as potential instruments for delivering stabilisation or recovery, have aroused envy among those who receive little or no allocation of them, and condemnation from those who, managing them parsimoniously, regard them as a source of waste.

Highlighting the social dimension of future European interventions has not brought about a fundamental change in methods of implementing current programmes. Even though the Commission, in its 2012 Annual Growth Survey, expresses the view that there is 'still considerable room for using or re-programming available funds' (European Commission, 2011i: 9), regions and Member States are still the only parties that can judge whether priorities should be adapted to match the situations existing at local level.

Doubts must also be expressed regarding the ability of the structural funds to provide an urgent response to challenges facing the Union. Managing the cohesion policy more effectively to serve the three dimensions of the Europe 2020 strategy, and in particular the goals of social inclusion and employment, will not relieve the Union of the duty to mobilise further and much more heavyweight financial or regulatory instruments.

In the current state of affairs, it is difficult to reach any conclusions regarding the structural nature of the changes outlined by the Commission in the many proposals it issued in 2011. Only the arguments exchanged between the Commission, Member States and the Parliament during the negotiations in 2012 and 2013 will allow us to make an assessment of their real nature.

We cannot rule out the idea that the misunderstanding – which the Commission has not helped to resolve by proposing that emergency measures (taking the form of both incentives and penalties) be perpetuated in the future – is based on a misapprehension of the nature of the cohesion policy and of the type of conditionality required by the European Union. Here, the Commission should bear in mind that the cohesion policy remains primarily a development policy whose effects can only be assessed in the medium and long term. Its inertia – in the form of multiannual programming and partnership-based co-financing – is also its strength. Designed as an instrument to accompany the Single Market, it cannot really deliver results unless this market is working properly.

This is precisely one of Europe's current black holes. Consequently, the Commission would be well advised to encourage Europe's leaders to fully explore all the components of European competitiveness, based on the assumption that these are all destined to be reconfigured in a world undergoing drastic changes driven by the never-ending progress of the knowledge economy, yet subject in addition to ever-tighter environmental constraints.

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