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SALAR's views on the EU's future Cohesion Policy

Summary

The Cohesion Policy is the EU's most important investment tool for the creation of growth and employment locally and regionally throughout Europe. Together with the internal market and the Economic and Monetary Union, the Cohesion Policy represents a vital cornerstone of the European integration process. Against the backdrop of the frictions that are being felt within the EU at present, a strong Cohesion Policy is more important than ever. It is through the Cohesion Policy that local authorities and regions are linked with the European project and provide the EU with legitimacy at local and regional level.

The Cohesion Policy is of great importance to the creation of growth and employment locally and regionally in Sweden. The work methods that characterise the Cohesion Policy - with seven year funding periods, coordination between sectors and levels of society, and not least the territorial adaptation of measures - have contributed to the creation of growth processes regionally, something that could not have been achieved with national annual appropriations. The regional influence over the funds and the regional prioritisations are central starting points and a pre-condition for successful regional development measures.

SALAR'S views

Background

The European Commission is due to submit a proposal for a new multiannual financial framework for the European Union no later than the 2nd of January 2018. Negotiations between the member states and the Commission will commence thereafter. The Swedish Association of Local Authorities and Regions (SALAR) hereby wishes to submit its views on the future Cohesion Policy in advance of the government's development of a Swedish negotiation position. This Opinion is based on consultations and discussions that SALAR has conducted with its members in various network groups and political forums. A more in-depth position will be formulated once the European Commission has submitted concrete proposals in conjunction with the 7th Report on Economic, Social and Territorial Cohesion, which is expected to be presented during 2017.

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Summary of SALAR's position

SALAR feels that:

1. The Cohesion Policy contributes to the management of many of the challenges that the EU is currently facing.
2. The Cohesion Policy should have a prominent role in the upcoming multiannual financial framework, and the Policy should cover *all* regions within the EU.
3. The territorial perspective, which is unique to the Cohesion Policy, must be retained and enhanced.
4. The Social Fund and the Regional Development Fund, as well as parts of the Rural Development Programme, should be merged to form one integrated fund, in order to better deal with complex challenges at a regional level.¹
5. A single common administrative authority should be set up for this new integrated fund.

When it comes to the added value associated with the Cohesion Policy, SALAR feels that:

6. The Cohesion Policy provides increased opportunities for the creation of growth and employment locally and regionally in Sweden.
7. The work methods that characterise the Cohesion Policy have contributed to the creation of growth processes locally and regionally, something that could not have been achieved with national annual appropriations.
8. The earmarking of funds for sustainable urban development has resulted in cohesive strategic measures that contribute to meeting the needs that exist in the EU's growing cities.
9. The work undertaken with the various funds is of value when it comes to being able to test innovative operations and activities.
10. The programmes' connection to the EU's growth and employment strategy (Europe 2020) has created incentives for working to meet common challenges and achieve common goals.

When it comes to the orientation of the funds for the upcoming period, SALAR feels that:

11. A strategic framework for the implementation of the funds is necessary, and an updated growth and employment strategy for the EU should be formulated.
12. A specific employment initiative for newly-arrived immigrants should be set up within the framework for the Social Fund, with focus on integration measures in local municipalities and regions.
13. The Social Fund's connection to the task of the bodies responsible for regional development to coordinate training/education and skills development should be enhanced.
14. The work involving smart specialisation should have a prominent role within the Regional Development Fund, since this work method has shown itself to be beneficial to the development of regional innovations.

¹ When it comes to the orientation of the new integrated fund, reference is made below to the present-day Regional Development Fund, Social Fund and Rural Development Fund in order to make a distinction regarding different types of measures. However, the aim is for these funds to be merged together.

15. The territorial cooperation programmes will continue to perform an important function when it comes to the consolidation and enhancement of territorial cooperation and the creation of solidarity between regions and member states.
16. The earmarking of funds for sustainable urban development within the Regional Development Fund should be retained and should cover more cities than is currently the case. The connection to the EU's Urban Agenda and the city-country perspective should be enhanced.
17. Specific funds should also be allocated within the Social Fund for sustainable urban development.
18. Responsibility and parts of the funding for rural development should be transferred from the regions to the bodies responsible for regional development, in order to achieve a more cohesive development based on the territory's conditions.

When it comes to implementation, SALAR feels that:

19. The Cohesion Policy is a regional tool and it should primarily be implemented via regional programmes.
20. The bodies responsible for regional development should continue to have the primary responsibility for the formulation and implementation of the programmes.
21. The bodies responsible for regional development should be given a mandate to change the prioritisation and orientation of the programmes when the need arises, in order to achieve a more flexible implementation process.
22. The share of funding allocated to national programmes should be reduced.
23. The bodies responsible for regional development should be involved in the selection of strategic measures that are planned nationally.

In order to be able to measure the effects of the Cohesion Policy, SALAR proposes that:

24. Indicators should be developed that go beyond current quantitative measures to also include qualitative aspects of the projects, in order to better highlight the actual effects of the activities that have been undertaken.
25. Future indicators should have a direct connection to overall EU strategies as well as regional development strategies, in order to be able to measure the effects of activities in a better way.
26. The European Commission, in dialogue with the member states and representatives at a local and regional level, should develop reliable measures of regional development that go beyond GDP.

When it comes to financial instruments, SALAR feels that:

27. There is reason to feel doubtful about giving increased scope to financial instruments within the Structural and Investment Funds.
28. The future use of financial instruments should be designed on the basis of the various local and regional conditions that apply.
29. Financial instruments should *not* be permitted to replace existing forms of project support within the Cohesion Policy. Financial instruments should be viewed as a complementary part of the support available.

When it comes to regulations and implementation, SALAR feels that:

30. Further measures must be undertaken in order to simplify the implementation and monitoring of projects financed by the Structural and Investment Funds.
31. This should occur in accordance with the principle of proportionality, whereby the project's scope and historically good audit results lead to administrative relief.

Finally SALAR wishes to stress the importance of fully involving parties at the local and regional level in the impending process of designing the orientation and implementation of the Cohesion Policy in Sweden.

Greater transparency in the upcoming negotiations is also desirable, and SALAR therefore proposes that:

32. One or two representatives should be appointed to represent the local and regional level in the negotiations with the European Commission.

SALAR's position

The EU is currently facing major challenges. The flow of refugees from Syria, among other countries, has placed a tremendous strain, not only on many individual member states, but also on European cooperation as a whole. For the first time since the introduction of freedom of movement within the EU, a number of countries are now closing their borders. The result of the referendum in Great Britain has also contributed to frictions in European cohesiveness. Additionally the EU is faced with major global challenges such as climate change, changes in political security, demographic swings, increasing urbanisation and increased competition. These challenges will entail new expenditures and new cost items in the upcoming financial framework. SALAR wishes to stress the fact that the existing Cohesion Policy already addresses many of these challenges and contributes to mobilisation at the local and regional level, which is crucial when it comes to achieving concrete results.

SALAR therefore feels that the Cohesion Policy should also have a prominent role in the upcoming multiannual financial framework and that the Policy should cover all regions within the EU. The Cohesion Policy is the EU's most important investment instrument for the creation of growth and employment locally and regionally. Together with the internal market and the Economic and Monetary Union, the Cohesion Policy represents a vital cornerstone of the European integration process. Against the backdrop of the frictions that are being felt within the EU at present, a strong Cohesion Policy is more important than ever. It is through the Cohesion Policy that local authorities and regions are linked with the European project and provide the EU with legitimacy at local and regional level.

SALAR maintains that the bulk of the Cohesion Policy funds must continue to be allocated on the basis of the needs and the development potential that exists locally and regionally.

The Policy's primary objective of reducing regional disparities and inequality among people is fundamental. It is reasonable that the economically weakest regions, or the regions that are in other ways disadvantaged due to geographical factors e.g. sparse population or climatic factors, should receive special support. At the same time the growth perspective is extremely important, and the economically stronger regions must be given the scope to develop and enhance their role as growth engines. These two perspectives interact and together they create a stronger form of EU cooperation.

The territorial perspective is unique to the Cohesion Policy and must be retained and enhanced. SALAR feels that the strength of the Cohesion Policy lies in the fact that measures are adapted according to regional conditions and needs. It is in this way that the funds are used most effectively in locations where they do the most good. The complex societal challenges we are facing require integrated solutions. Sectoral measures run the risk of pulling a cohesive development process apart. Through the Cohesion Policy's connection to the EU's overall goals we are able to achieve territorial adaptation and a flexible implementation of policy in many areas.

The current division of the various funds within the Cohesion Policy is inefficient and inhibitory for regional development. SALAR advocates the creation of one common integrated fund for sustainable regional development, consisting of the current Regional Development Fund and Social Fund as well as parts of the Rural Development Programme. A new administrative authority should be set up for this new common fund, and the new fund should be accompanied by integrated programmes at a regional level. The new administrative authority should also continue to operate through regional offices.

The added value of the Cohesion Policy in Swedish local authorities and regions

The Cohesion Policy is of great importance to the creation of growth and employment locally and regionally in Sweden. In total almost 20 billion Swedish crowns within the Regional Development Fund and Social Fund will be allocated to development measures throughout Sweden during the period 2014-2020. If one also includes the Rural Development Programme then we are talking about a total of 67 billion Swedish crowns in development funds. The amount of funding available is also increased by the addition of other national and regional funds, which means that the actual amount of capital available for development measures is often far greater than the amounts budgeted for in the operational programmes.

The Cohesion Policy provides benefits locally and regionally in Sweden. The Social Fund invests in, among other things, measures aimed at preventing young people from leaving school and helping young people to find employment. The Regional Development Fund also makes important investments in activities such as the establishment of environments for testing and innovation, for example in the case of advanced safety technology for vehicles. Many important environmental projects are also financed via the Cohesion Policy, for example mussel farming with the aim of reducing nitrogen and phosphorous levels in the Baltic Sea.

SALAR feels that the work methods that characterise the Cohesion Policy - with seven year funding periods, coordination between sectors and levels of society, and not least the territorial adaptation of measures - have contributed to the creation of growth processes regionally, something that could not have been achieved with national annual appropriations. The regional influence over the funds and the regional prioritisations are central starting points and a pre-condition for successful regional development measures.

It is often difficult to implement challenge-driven development measures within regular business operations. These types of development measures are more suited to working in project form, and the Structural and Investment Funds facilitate development measures and cooperation between different parties that otherwise would not have been realised. The Funds are also important when it comes to being able to test innovative activities and operations, and the financial lending instruments that are provided within the Funds contribute to the availability of risk capital. Furthermore, the programmes' connection to the EU's growth and employment strategy (Europe 2020) has created incentives for working to meet common challenges and achieve common goals.

The need for a new orientation

Important changes were made within the Cohesion Policy prior to the current programme period. The Cohesion Policy is presently the only budget item in the EU's budget that has a clear focus on results. The connection to the EU's growth and employment strategy (Europe 2020) has contributed to the focusing of prioritised measures and thus a clearer focus on results in the programmes. With common goals and resources it is possible to get all levels working in the same direction. SALAR feels that it is important to also have a framework for the programme planning process in the future and therefore calls for a successor to the Europe 2020 strategy, which is formulated based on EU-wide challenges. However, the Association wishes to stress that the focusing of priorities must not be allowed to become too one-sided and that a large degree of territorial adaptation continues to be important.

SALAR feels that the Cohesion Policy contributes to the management of many of the challenges that the EU is currently facing. During the current programme period it has been possible to use the Social Fund to help the large number of newly-arrived immigrants in many municipalities and regions. For example, measures in guidance and language training are being financed with the aim of helping newly-arrived female immigrants with professional qualifications to find employment. However, the Association feels that certain adjustments in orientation will become necessary.

SALAR advocates the establishment of a specific employment initiative for newly-arrived immigrants within the Social Fund, similar to the employment initiative for young people that the European Commission launched prior to the current programme period. Such an initiative should be aimed at the member states and regions that have received the greatest number of immigrants, and its objective should be to create conditions for integration and training/education for this target group. In this way the Social Fund would also be given a clear structure-changing orientation and a growth policy connection with the aim of meeting the need for the development of competence and skills regionally.

The bodies responsible for regional development also have a responsibility for the establishment of regional competence platforms. A strong connection between the Social Fund and the work involving the development of competence and skills regionally creates conditions for increased cooperation at a local and regional level, which in turn leads to a better matching of the selection of training and education courses available with the types of competences and skills that are needed. However, the Social Fund needs to be integrated with that which is currently the Regional Development Fund. Working with inclusion in the labour market is not a question of “social projects” but rather a prerequisite for growth in European regions and thus for the entire EU. A more in-depth discussion of the need for a new integrated fund is provided in the section entitled *Reduced administrative burden and continued simplification measures* below.

SALAR feels that the work of the regions involving smart specialisation should have a more prominent role within the Regional Development Fund in the upcoming programme period. The prioritised areas are formulated in cooperation with researchers and representatives of trade and industry, and this work method has shown itself to be beneficial to the development of regional innovations. It is important that all regions conduct their work on the basis of the specific conditions that apply and that full use is made of the competences and skills that are available. In this way it is possible for all regions to raise their achievements at the lowest level.

SALAR feels that the territorial cooperation programmes perform an important function when it comes to the consolidation and enhancement of territorial cooperation and the creation of solidarity between regions and member states. The programmes should also continue to focus on geographically relevant macro-regional strategies in the future, for example in the case of the EU’s strategy for the Baltic Sea region.

Against the backdrop of increasing urbanisation and increasing migration it is more important than ever to support and ensure the success of sustainable development in our cities. SALAR therefore feels that the cities should have a prominent role in the Cohesion Policy and the Association welcomes continued focus on sustainable urban development, although one that covers more cities than is currently the case.

At the same time it is SALAR’s opinion that the relationship between city and country must be enhanced. It is important that the parts of the Rural Development Programme that concern general rural development also become part of the regional policy measures. The division of measures into rural policy and regional policy is not beneficial to the development process in Sweden. Rural development is part of the regional development and the associated responsibility and funding must also be transferred to the bodies responsible for regional development in order to achieve a more cohesive development process based on the territory’s conditions. Locally-led development through the Leader method is an important tool for parties at the local level and often represents a first step for smaller municipalities to work with EU-financed projects.

Implementation of the Cohesion Policy in Sweden

SALAR feels that the Cohesion Policy is a regional tool and that the Regional Development Fund should only be implemented via regional programmes. The bodies responsible for regional development should continue to have the primary responsibility for the formulation and implementation of the programmes in the future. Furthermore, the bodies responsible for regional development should be given a clear mandate to change the prioritisation and orientation of the programmes when extraordinary regional situations such as industrial lay-offs or the influx of immigrants arise, in order to facilitate a greater degree of flexibility. The bodies responsible for regional development should continue to be the starting point when it comes to the design of programmes in the future.

In relation to the Social Fund it could be relevant to consider allocating a certain share of the funding to a national programme with focus on multilevel-managed measures. However, the bodies responsible for regional development should be involved in the selection of strategic measures that are planned nationally. The High Level Group for the Social Fund, which has been an initiative of the ESF Council during the current programme period, can serve as a good example of how the regions can participate as a reference group for the selection of strategic measures. However, the share of funding allocated to national programmes should be reduced.

Measuring the effects of the Cohesion Policy

A constant challenge in the work with the Structural and Investment Funds is the issue of how to measure the results and effects of the activities that are undertaken. SALAR feels that the set of indicators currently being used within the Structural and Investment Funds does not always measure that which is relevant from a development perspective. At present a large amount of focus is placed on quantitative indicators due to their reliability. At the same time there is a risk that being too one-sidedly focused on quantitative values will mean that other important effects of the activities undertaken will be missed. A primarily quantitative approach also runs the risk of inhibiting innovative thinking and development on the part of project owners by forcing them to focus on ensuring that a certain number of participants take part, rather than concentrating on the quality of the participation. For the upcoming programme period a set of indicators should be developed that goes beyond the current quantitative measures to also include qualitative aspects of the projects, so as to better highlight the actual effects of the activities undertaken.

SALAR also feels that the indicators that are developed for the Structural and Investment Funds should be able to be translated and used in the monitoring of common European strategies. At present the Europe 2020 strategy has a different set of indicators than the Structural and Investment Funds, which is problematic from a monitoring perspective. In the same way there should also exist a complementarity between indicators in regional development strategies and the Structural and Investment Funds, in order to be able to better measure the overall effects of regional growth activities in a more effective manner.

SALAR also welcomes the work that has been done at a European level when it comes to finding common indicators that go beyond gross domestic product (GDP) as a measure of regional development. Even if GDP is a well-defined method and a good starting point for the allocation of funds within the Cohesion Policy, as a measure it is not all-encompassing. GDP is not a reliable measure when it comes to measuring society's ability to manage issues such as climate change, resource efficiency, regional competitiveness or varying geographical conditions. It is therefore proposed that the European Commission, in dialogue with the member states and representatives at a local and regional level, should develop reliable measures of regional development that go beyond GDP. One example of a similar task can be found in the Reglab project *BRP+*, which has been developed and tested throughout Sweden on a joint basis by regions and the Swedish Agency for Economic and Regional Growth.²

Financial instruments and their future scope within the Structural and Investment Funds

During the current programme period financial instruments are being used in the form of risk capital within the framework for the Regional Development Fund. The target group is primarily small and medium-sized businesses with high growth potential. During the upcoming programme period it is anticipated that various forms of financial instrument will be given increased scope within the Structural and Investment Funds, and SALAR wishes to express its doubts about such a development.

Evaluations of the previous programme period (2007-2013)³ have shown that the use of risk capital within regional programmes has had varying results. This is due in part to a lack of clear goals for the activities in question, but it is also due to the nature of regional conditions such as the structure of local trade and industry and the capital supply systems that exist. The future use of financial instruments should be designed on the basis of the various local and regional conditions that apply.

There is an obvious risk associated with a situation where a one-sided focus on investment policy displaces the current regional policy instruments within the Cohesion Policy. SALAR is opposed to the idea that financial instruments should replace the existing forms of project support within the Cohesion Policy. Financial instruments are of limited benefit within certain parts of the growth policy and should therefore only be viewed as a complementary part of the support available.

SALAR also feels that the use of financial instruments should be limited in its thematic objectives in relation to the Cohesion Policy. SALAR has doubts about the use of financial instruments within the Social Fund, since the Social Fund's target group is primarily individuals.

² http://www.reglab.se/BRP+/wp-content/uploads/Reglab_BRP.pdf

³ Growth Analysis (2016). Effects and experiences – Final evaluation of the Swedish regional co-investments funds 2009–2015. The Swedish Agency for Economic and Regional Growth (2016). Regional risk capital funds 2015.

Reduced administrative burden and continued simplification measures

SALAR feels that further measures must be undertaken in order to simplify the implementation of the Structural and Investment Funds. The administrative burden for project owners must be reduced if the programmes are to be perceived as attractive and relevant in the future. Above all else it is the administrative burden associated with reporting and control that must be reduced and simplified by both the European Commission and the administrative authorities. This should occur in accordance with the principle of proportionality, whereby the project's scope determines the administrative burden. Simplification of the implementation process is crucial for above all else smaller local organisations, not least when it comes to the programmes for locally-led development through the Leader method.

SALAR also advocates a form of experience-based review whereby member states with good results during audit and monitoring processes are also given certain forms of administrative relief.

Regional conditions are the starting point for the prioritisations that are determined within the Cohesion Policy. These regional conditions should to an even greater extent be allowed to influence the actual implementation process by giving the regional structural fund partnerships the flexibility to redistribute funds between the prioritised areas when the need arises.

There are still challenges to solve when it comes to fund coordination. The separate regulations for the Structural and Investment Funds have made a real coordination of the funds an administrative impossibility. Society's challenges are often complex in nature and require integrated solutions, while at the same time there is a need to harmonise the regulations for the Structural and Investment Funds.

SALAR proposes that the Regional Development Fund, the Social Fund and parts of the Rural Development Programme should be merged together to form one integrated fund. Such an initiative would harmonise the current regulations for the Funds and would create conditions for emphatic integrated measures at a regional level. The establishment of a common integrated fund within the Cohesion Policy should also be applied at European level.

SALAR also feels that a major step in the simplification process can be taken by establishing a single common administrative authority for the Structural and Investment Funds. Such an initiative would give potential project owners a "way in" to the Structural and Investment Funds and would also facilitate the harmonisation of rules and regulations at a national level.

The experiences gained during the current programme period show that Swedish legislation limits the opportunity to utilise all tools within the Structural and Investment Funds. This applies to, among other things, the opportunity to utilise ITI solutions as well as financial instruments such as JESSICA, both of which have been adjudged to conflict with Swedish legislation. A situation where the opportunities for organisations at a local and regional level to operate development activities are

being limited by contradictory legislation at a national and European level is problematic. At an early stage prior to the upcoming programme period the Swedish government should identify the existence of any potentially contradictory legislation in order to ensure that initiatives from the European Commission are compatible with Swedish legislation.

SALAR sees no future for the proposal regarding performance-based funding, which the European Commission presented in conjunction with the mid-term review. The model with funding based on performance runs the risk of leading to an inhibited development climate where the focus of project owners is placed exclusively on indicators rather than on innovation and new ways of thinking.

The importance of real multi-level governance

SALAR wishes to stress the importance of the need for the government to immediately begin planning how parties at the local and regional level are to be involved in the process prior to the upcoming programme period. The responsibility that regions and cooperative bodies have for regional development should be considered, as should the purely legal aspects of the regulation regarding the partnership principle and territorial starting points.

The forum that the government has established for dialogue on the implementation of the regional growth policy should also be used for regular discussions about the Cohesion Policy in the future. Furthermore, SALAR proposes that the more operational group of 8 regional politicians, which SALAR maintains, should be used for dialogue on the content and implementation of the Funds prior to the upcoming programme period. SALAR would also very much like to see that the government has an active dialogue with SALAR and the bodies responsible for regional development regarding various initiatives within the Cohesion Policy prior to such initiatives having been formally decided upon by various authorities.

Finally, SALAR proposes that one or two representatives should be appointed to represent the local and regional level in the negotiations with the European Commission.

Swedish Association of Local Authorities and Regions (SALAR)



Lena Micko
President

Verbal reservation has been submitted by SD (Sverigedemokraterna).