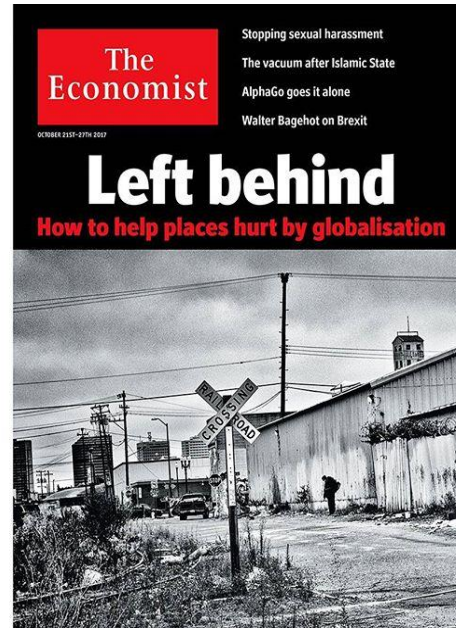


Territorial Cohesion post-2020: Integrated Territorial Development for Better Policies
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THE NEED FOR A PLACE-BASED APPROACH

*Keynote speech by Fabrizio Barca**

Prologue: territorial inequalities are back on the table of business and political elites



“Unless policymakers grapple seriously with the problem of regional inequality, the fury of voters [for Brexit and for Mr Trump] will only increase”.

MULTIDIMENSIONAL INEQUALITIES AND AUTHORITARIAN DYNAMIC

- Territorial inequalities are deepening the **divides between people** living in:
 - rural (or inner) and urban areas,
 - static or falling-behind towns and thriving cities,
 - peripheries and urban centres.
- They reduce **people's substantial freedoms** (Sen) in three general domains:
 - economic: income, labour quality and private wealth,
 - social: access to and quality of essential services and common wealth,
 - recognition: of one's values, norms, role and aspirations.
- They produce an “**authoritarian dynamic**” (Sennert): intolerance for diversity; lack of trust in institutions and experts; demand for closed communities and tough-sanctioning authorities

MULTIDIMENSIONAL INEQUALITIES AND THE FAILING TRUST IN THE EUROPEAN UNION

- The scenario is **threatening for the European Union**, which is perceived as part of the **problem** rather than the solution. And where a **widening gap exist for for places and people left behind between promises** (such as the European Pillar of Social Rights) **and results**.
- In spite of its achievement in terms of peace and freedom, **the expectations of too many Europeans are not being met**. The promise that the removal of barriers and the reduction of national sovereignty would benefit all has not been delivered to many European citizens. In the 20 years up to 2014 the **gap in productivity level** between the frontier regions of Europe and the bottom 10% ones increased by almost 60%.
- **Cohesion policy**, the tool designed for achieving “harmonious development”, has boosted growth, has been used by some Member States, Regions and territories to **increase people’s opportunity and reduce territorial inequalities, but ...**
- ... **its potential is still largely unexploited**, it has failed to bring many slow-growing places out of their trap, and it is **not** perceived by most citizens as the “**distinctive European touch removing their obstacles to a better life**”, a sign that the EU exists and acts in “their” interest. **What is to be done?**

UNDERSTANDING THE CAUSES: A CONDITION TO MOVE AHEAD. TERRITORIAL INEQUALITIES ARE LARGELY THE EFFECT OF WRONG POLICIES

- A **U-turn in macro-policies** is largely responsible for the general increase in inequalities (Rodrik): reversing the post-war keynesian compromise, abandoning the full employment target and anti-cyclical policies, weakening market regulation and anti-monopoly policies, weakening labour negotiating power.
- Within this context, territorial inequalities have been widened by **three development policies** which have dominated the last thirty years:
 - **Space-blind one-size-fits-all institutional reforms.**
 - Public investments and tax measures **passively accomodating agglomerations** led by corporate decisions (*metrofilia*)
 - And, as a way of remedying the inequalities and social tensions produced by these two approaches: “**compassionate compensations**” to lagging behind areas. With the results of **weakening and mortifying the beneficiaries** and **turning local elites into rentiers.**
- In the end '90s / early 2000s **EU cohesion policy fell pray of these approaches.**

A RADICAL POLICY REVERSAL WAS NEEDED: THE PLACE-BASED APPROACH

PB APPROACH - THE EUROPEAN UNION VALUE ADDED

We need to address territorial inequalities, not by burdening re-distribution, but by dealing with the roots of problems. Which needs dealing with **knowledge** and **power**:

➤ **Knowledge**

- **Knowledge embedded in the place**, in its inhabitants, is needed to exit traps; it can produce innovation if it comes to the fore through public and open debate, and if ...
- ... it is confronted & combined with **external knowledge** in a balanced negotiation with incoming skilled people; and/or outside competence centers (private and public).

➤ **Power (political economy)**

- **Local elites.** They are often hesitant or opposed (especially if compassionate transfers have been at work) to any innovation process, which could make them dispensable.
- **External policy-maker (elite).** Pushing places out of their traps runs against their short-term interest of exchanging with local elites transfers for votes. And it is often alien to their culture, shaped by the three dominating approaches.

Incentives must exist for the external policy-maker to trigger innovation. The European Union (namely the European Commission) is well placed to trigger this process (**EU value added**):

➤ **A strong long-term interest to survive as a necessary institution.**

➤ **At arms length from territories:** capable to promote innovation, without short-term interests to collude with local elites (a reminiscence of the US Federalist Papers)

THE PLACE-BASED APPROACH AT THE ROOT OF THE 2013 CP-REGULATION REFORM

- **DEFINITION.** The **place-based** approach aims at giving people in places stuck in an under-development trap the access and quality of essential services and the opportunity to innovate, i.e. to increase their “**sustainable substantial freedom**” by triggering the change that endogenous forces could not trigger.
- The European Union (in a coalition with Member States and/or Regions) should act in each place as an active “**fair and impartial spectator**”:
 - I. Building a **permanent space for a heated, informed, open and reasonable debate** (Sen, Haidt) to build a **shared vision of the future** and on **how to get there** (actions).
 - II. **Entrusting local elected elites with responsibility** for decision making, while **destabilizing** any attempt to curb Sen-like debate.
 - III. Drawing the **boundaries of inter-municipality cooperation, i.e. the “place”** through the policy process (not as a top-down ex-ante decision).
 - IV. Building with citizens and using **outcome indicators**, capturing the desired impact on people’s well being and making the vision&policy **clear-cut and accountable**.
 - V. Acknowledging its own “ignorance” and therefore writing the policy rules as “**incomplete contracts**” (less procedures, more monitored discretionality).
 - VI. Committing to make **sectoral actions space-aware**, by taking into account what it is learnt on the ground.
 - VII. Deploying on the ground **multidisciplinary, outreaching teams**.

HOW CLOSE IS THE CP REGULATION TO THE PLACE-BASED APPROACH WE NEED?

- **Analysis** of the rules and the information available on the first years of implementation shows:
 - Strategic thinking and outcome orientation: a significant transition from output-based to outcome-based approach + evaluation, but public focus is still on spending.
 - Place-level ownership with EU pro-activism: tools and incentives have been increased for places to play a role, but only 9% of funds is allocated to integrated approach: a) a very strong drive exist to proceed along sectoral silos; b) and to distribute funds by means of call for tenders, which bent demand of funds to their supply rather than supply to demand; c) plus, the EC lacks the human resources to be pro-active on the ground.
 - Public/open debate at place level: the Code of Conduct Partnership sets the ground for truly involving citizens in policy-decision, but no major move is happening in this direction.
 - Space-aware innovation of institution and sectoral policies: *ex-ante* conditionalities and the link with the European Semester are the new tool to bent reforms on the needs and features of places, but they are only scatterly being used for this purpose.
 - Social inclusion as well as innovation: a shift of the Social Fund towards social inclusion has taken place, but no adequate move has been made to make CP the driver of a Social Europe whereby people's obstacles to opportunity are tackled.
- As confirmed by several examples of p-b approach in Europe using CP (like Italy's Strategy for rural/inner areas), the **CP Regulation provides the tools needed to implement a p-b approach ... but the implementation of the 2013 Reform has so far lacked the political support and the human resources needed for a radical, visible and mobilizing U-turn.**

“EU GREAT OPPORTUNITY” ... WHAT NOT TO DO, AND ...

- The European Union urgently needs (before the post-2020 budget is drawn) a **widespread and convinced implementation of the place-based approach embodied in the 2013 CP Regulation**. It is a way for the EU:
 - To **prove on the ground** its capacity to be a “fair and impartial spectator”, **pursuing the rise in opportunities and life-conditions for all people**, especially those who have not yet benefited from or are damaged by the EU itself
 - To **reconnect to people, place by place, through integrated projects, shading away the image of far-away eurocracy**.
- In order to do so, **the last thing to do** is start a negotiation on the post-2020 budget where:
 - An underlying **narrative** about CP as a “policy of the past” that should be preserved because people are suffering (“we do not really believe that CP is about change, but we can’t abolish it”): **a menacing reversal to “compassionate compensations”**.
 - **Simplification is promised ... by once again rewriting rules** – a promise for greater complexity and for a period of uncertainties for all the users of funds – instead of addressing redundant controls and increasing discretionality (as opposed to procedures)
 - **Treating the urban and rural integrated approach as the n+1 sector or a niche**, not as a horizontal feature of the whole strategy.

... AND WHAT SHOULD BE DONE

An alternative exists:

- **Relaunching now CP** with a political strategy and an investment in human resources.
- Using the negotiation to adjust a few/relevant things and to **give certainties** to EU beneficiaries&citizens that **the bulk of the 2013 U-turn will be finally exploited by:**

- 1) Connecting a revised European Semester to people. First, the Semester must be centered around a Strategic Development Long-Term Plan (build on the 2030 Agenda targets). Then, CP is politically conceived, backed and communicated as the policy tool through which EU-wide objectives and institutional changes get translated into place-by-place space-aware objectives built through people's participation
- 2) Experimenting through CP some prototypes of a EU-wide social model: gradually loosening the tensions with national social contracts (a long-term but fundamental process for the EU).
- 3) Entrusting the EU responsibility for audit and control to a European System of Control: articulated in National Agencies, as the European System of Central Banks.
- 4) Turning the current five CP Funds in sub-funds of a unique Fund: while retaining the rules and fund-reserves of the different domains, it would unify&strengthen the EC's governance and would overcome the obstacles that places encounter in designing integrated projects.
- 5) Investing in 500 new human resources, facilitators of developments on behalf of the EC, to be deployed on the field: a necessary condition for the EU to be a "fair&impartial spectator".

FINAL MESSAGE

WE ARE STILL IN TIME TO AVOID
WASTING THIS OPPORTUNITY

THE THREATS OF AUTHORITARIAN DYNAMIC IS STRONG
IN ALL OUR COUNTRIES

THIS IS NOT THE TIME FOR “BUSINESS AS USUAL”