



**Euromontana's contribution to the public consultation
on the Vth Cohesion Report
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Name : André Marcon, President

Email : info@euromontana.org

Registered organisation n°5446623780-39

Type of organisation : European network (Others)

Country : Belgium

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Summary of key points

Euromontana:

Welcomes the broad thrust of the Cohesion Report conclusions and in particular:

- **Recognises the importance of introducing a strong focus on the EU 2020 strategy but counsels that this cannot be allowed to eclipse the broader treaty commitments of cohesion policy** to sustainable economic, social and territorial cohesion and in particular the task of addressing regional disparities - and adds that current trends of internal polarization within regions call for a greater ambition also to reduce as well infra-regional disparities.
- Considers that **mountainous territories have a major contribution to make to the European Union** and to its EU strategy of green, smart and inclusive growth. Mountains are areas of innovation and deliver many crucial services to the European society.
- Recognises the reality of continuing urban growth in Europe and the opportunities and challenges this brings but points out that **development of rural, isolated, mountain and other geographically specific territories offers a potential for sustainable growth** that can be a complement and counterbalance to continued urbanisation.
- Draws attention to the limits of the economic footprint of major urban centres and advocates greater **recognition of the strategic value of small market towns and villages** as catalysts of development and anchors of communities.
- **Welcomes the proposals for a Common Strategic Framework** approach to policy delivery and the associated Development and Investment Partnership contracts but insists that both must **maintain the commitment of the full range of EU funds** associated with the promotion of the CSF and that this coordination philosophy should permeate the entire delivery system and engage directly with the regional authorities.
- Considers that a successful future cohesion policy requires the implementation of an **efficient multi-level governance model**, allowing regional and local authorities together with stakeholders to elaborate territorial strategies at a scale that is coherent with the functionality of their area.
- Welcomes the proposal to **increase flexibility in the design of operational programmes to take into account functional territories** and recommends that multi-regional or infra-regional operational programmes be allowed for *inter alia* mountain ranges when relevant.
- Recommends that the **number of priorities chosen at EU level should not be too restricted. None of them should be compulsory at programming level**. Each programme should be able to choose the set of priorities that will meet its needs and capacity to achieve results. Thematic concentration should proceed from a bottom-up approach.
- Calls for geographically specific areas in particular to benefit from a **high level of flexibility in the choice of number and type of priorities** they retain in their programmes.
- Recommends that the delivery system must be constructed in a sequence **commencing with bottom up communication of local and regional conditions and opportunities** so that the strategy emerging is based in reality.

- Welcomes the emphasis placed by the report conclusions on the need for **better coordination of European policies** in the context of Cohesion objectives and stresses the need for this coordination to embrace at every level of delivery other European policies with a spatial impact - and recommends the **better empowerment of the Territorial Cohesion Inter-service Group** to help achieve this.
- Accepts that better measurement of outcomes and improved results-based monitoring is required but **rejects the proposal for a performance reserve** as being at best neutral in development terms and proposes instead the creation of a **flexibility fund** that can deliver positive development impact by supporting innovative initiatives and immediate practical responses to crises.
- Registers strong reservations about the potential **inequity of sanctions being applied for breaches of conditionalities applied to targets and responsibilities of Member States** but beyond the influence of regional operational programme stakeholders who would nevertheless bear the burden of those sanctions.
- Calls for the situation of the different territories across Europe to be assessed via a **set of territorial indicators** to be elaborated, reaching beyond GDP/capita and including elements relating to geography, access to services... inspired from on-going ESPON work.
- Calls for the allocation of cohesion funds between Member States and regions to **take into account their situation regarding geographic specificities** via indicators reflecting the proportion of every Member State's area facing natural constraints.
- Recommends the **strengthening of the territorial cooperation objective**, to improve coordination between different objectives and to achieve greater coherence between territorial cooperation programmes, regional or multi-regional operational programmes and macro-regional strategies.
- Calls for **denationalisation of territorial cooperation**.
- **Welcomes an intermediate category of regions** in the future cohesion policy and recommends that the evaluation of their situation takes into account the effects of recession.
- Calls for geographically specific areas to be afforded the **possibility of modulated co-funding levels in fields that are considered a priority** and for the imminent revision of the guidelines on National Regional Aid to reflect this need for flexibility.
- Recommends the **alignment of procedures and rules applying to the different funds** in order to facilitate and simplify the participation of organisations and stakeholders with limited administrative capacity.

Preamble : Mountains are well placed to deliver EU2020 goals

Euromontana considers that mountains are territories with a future that have a major contribution to make to the European Union and to its EU 2020 strategy of green, smart and inclusive growth.

Green growth

Regarding **green growth** firstly, mountains are characterised by an exceptional wealth in natural resources that communities preserve and exploit to the benefit of their region, their state and the EU at large. Consequently, economic activity in these regions is naturally oriented towards products that are highly dependent on sustainable access to these resources. Mountains therefore are - and should develop as - **laboratories of green growth** in the field of natural environment, renewable energy, agri-food, forestry, life sciences and in tourism, of course, but not only. We can mention several examples of innovative and sustainable use of natural resources such as micro hydropower plants or solar units, biomass based on agricultural or wood waste, wind fields, innovative adding-value forestry and agro-food supply chains, structuring of low carbon communities, sustainable tourism...

These essential resources « hosted » in mountain areas have a value: an economic, social, cultural value. **They represent an important asset for Europe as a whole.** Their preservation and/or their sustainable exploitation are therefore a concern for European society at large and depend on mountain communities. These should be rewarded for what this sustainable management of resources delivers to society. Mountains are the water towers of Europe and its main reservoir of biomass. The contribution of the Alps to the total discharge of main rivers is for example of 34% for the Rhine, 41% for the Rhône, 53% for the Po river, 25% for the Danube¹. The impacts of climate change are likely to change the river runoff patterns. The majority of the 7,000 European dams are situated in mountains. 19% of total energy production in Europe is hydropower. 259 major river floods have been reported in Europe since 1990, with huge costs. The direct cost of damages following heavy rains in July 2008 on Carpathian Mountains for example is estimated at 1 billion€². The pressure on water resources is certain to increase in the future. All these facts demonstrate among other things that adaptation to climate change will require specific measures in mountain areas to the benefit of lowland areas. These must be anticipated by adequate policies.

Smart growth

Secondly, we would like to address the issue of **smart growth and human capital in mountain areas.**

Mountains are innovation areas.

The 7th European Mountain Convention of Lillehammer in September 2010 demonstrated how mountains, because of the constraints they face, and thanks to the dynamism of their populations, have created and will create in the **future solutions to their problems that can also be inspiration for territories downstream.** Examples include the first international park dedicated to climate "Klimapark 2469" (Oppland, Norway), the project "A nostra Ca" combining home automation and telemedicine and allowing dependent people to remain at home (Emilie-Romagna, Italy), the Centre for Health Science, centre of excellence in the field of health sciences and biotechnologies (Inverness, Scotland), the futurist vision of the Are municipality, which attracts innovative companies and excellence centres all year long (Sweden), the local use of wood for eco-energetic houses in the

¹ Europe's Ecological backbone : recognising the true value of our mountains, EEA Report, No 6/2010, p 92

² Europe's Ecological backbone : recognising the true value of our mountains, EEA Report, No 6/2010, p 101

Alpine Space (Climalp project), the mobile administrative bus services and ICT facility in Boticas (Portugal), and the creation of a sustainable energy area in the Appenines... Incremental innovation regarding processing or marketing of food products can for example offer significant opportunities, also in relation with tourism. This is true of all mountains but we can quote as examples traditional mountain orchards of Andalucia, or specific dry meat specialties in Greece which are raising significantly the attractiveness of the area for tourists.

Some of these innovations are prompted by demands from the urban areas, to which rural operators are responding. But others however are driven exclusively by the needs of populations living and working in mountain areas, in rural areas and in sparsely populated areas which are in many cases outside of the economic functional area of a city. This is the case for services, telemedicine, for alternative sources of energies, for operators of short supply chains, for centres of excellence in research on materials used for sports equipment or technologies requiring clean natural resources.

These examples show how **economic development and innovation can be generated in mountain territories as effectively as elsewhere** and even more so as there are obstacles to overcome which stimulate creativity. To embrace the wider innovation potential of Europe, we must adopt a broad approach to innovation that acknowledges the roles of social, incremental, organisational and service innovation as much as strictly technological innovation.

We must also keep on investing in **centres of excellence in research and innovation in mountain areas** such as the University of the Highlands and Islands (UHI), which produces world-leading research, provides high skilled jobs and in so doing attracts new inhabitants to the area.

Inclusive growth

The EU2020 Strategy finally promotes **inclusive growth**. The European Union confirms that it aims at a growth model the benefits of which would reach all citizens and territories: every citizen must benefit from fair and equivalent access to opportunities.

Many mountain communities across Europe are still suffering from disparities that hamper their capacity to reap full benefit of their potential. These disparities or delays **are not always visible at the regional level but appear only at infra-regional level**³. Infra-regional disparities can as such be as strong as inter-regional differences and we would have welcomed a greater attention to these disparities in the Vth Cohesion report. The ESPON TeDi project reports⁴ that "*most of the case study regions witness internal polarization of their population*" and that "*this polarizing trend impacts the capacity of 'thinning-out' localities to access basic services*". It points out the problems related to **selective out-migration in some areas**. The report also indicates that "*an inadequate labour force resulting from the territorial, gender and generational imbalances in demographic trends can prevent some labour markets from fully exploiting their development potentials*". The issue of access to services is only increasing under the current trend of deregulation and is hardly mentioned in the Vth Cohesion report. Mountain areas also face challenges regarding their accessibility in terms of transport infrastructures – more costly to build and maintain-, coherence of regional transportation systems and timely access to the most modern level of ICT. **Policies must seek to - at least partly – alleviate**

³ ESPON Handbook of Territorial Diversity, "Experiences from the ESPON territorial diversity project" Erik Gloersen and Alexandre Dubois, ESPON & NORDREGIO, 2010

⁴ ESPON Handbook of Territorial Diversity, "Experiences from the ESPON territorial diversity project" Erik Gloersen and Alexandre Dubois, ESPON & NORDREGIO, 2010

these obstacles that generate high costs and so place businesses of these territories in a weaker position to compete.

Furthermore, we are aware of the problems encountered by some populations in big agglomerations, where the cost of housing, congestion, concentration of unemployed population in small spaces lead to situations of social exclusion and insecurity that will be hard to solve.

Here **mountains and rural territories have a lot to offer to populations in search of an alternative type of life** : a quality life in territories offering space to live and to recreate, together with employment and possibilities for personal development, local quality food. We are convinced that these qualitative aspects are what people will be looking for in the future. Space in particular will be a valuable asset. Many mountain areas like the Province of Teruel (Spain), the region Dalarna (Sweden) or the region Auvergne (France) have set up **specific policies for welcoming new inhabitants which deliver positive results and lead territories which were losing population to be repopulating today**. These successes are the result of active policies that have required and still require significant commitment and funding from the territories' public authorities. In order to allow mountain development to contribute to better social cohesion, it is essential that effort be initiated and maintained and that appropriate policies be implemented. The dual aim must be to **fill the gaps that are still impairing the quality of life and competitiveness in these areas** (such as an access to services more and more degraded by the progressive deregulation and inadequate approach to competition) and to **favour the development of a positive image of these territories**.

To this end, Europe **must recognise that growth and development of rural, isolated, mountains, geographically specific territories offers a road to development that is as promising as continued urbanisation, to which it can be seen as a complement and indeed as a positive counter balance**. It must be seen that consolidation of chains of value added and quality of life in territories such as mountains offer long term sustainable perspectives. In regard to this, Euromontana would like to express a concern for the predominance of urban matters in the 5th cohesion report.

We ask the Commission to recognise more clearly the potential of territories with geographic specificities, to intensify its efforts to implement the territorial imperative of Article 174 of the Treaty and to invite each Member State to integrate the territorial dimension of cohesion in the implementation of future European policies and development initiatives.

We believe that accomplishing this is fundamental to achieving an **integrated and partnership approach** for the delivery of all spatial policies. Furthermore, **governance models must operate at a scale that is consonant with the territorial context**, with special attention to the massif level as regards mountain areas.

Questionnaire

1. How could the Europe 2020 strategy and cohesion policy be brought closer together at EU, national and sub-national levels?

The EU2020 strategy must serve as a *fil rouge* for the implementation of the cohesion policy if we are to provide real added value to the European project. Hence, each one of the three priorities of this strategy (green, smart and inclusive growth), should be defined or highlighted in objectives by every Member State, when making proposals to the European Commission. This would help to target the

use of EU funds to respond precisely to the relevant needs taking into account the socio-economic and environmental situations of Member States and would bring tailored performance.

However, it will be necessary to implement a **bottom-up approach** to the definition of the investment priorities, serving the defined objectives and not the contrary. This approach, starting with the needs on the ground, approved by every Member State, and then proposed in the framework of the Development and Investment Partnership Contracts, would allow the EU to obtain the commitment of every level of governance and to associate, from the beginning, social partners, private companies, public bodies... responding therefore to the concern of the 5th Cohesion report. **The Development and Investment Partnership Contracts should therefore be elaborated after the regional, inter-regional or massif strategies have been elaborated, establishing themselves their own priorities in the implementation of EU2020 goals**, under responsibility of Member States and with a critical appreciation from the European Commission. The regional cofinancing authorities must be partners to this contract which should incorporate provisions ensuring integrated local governance and sufficient flexibility for that governance system to affect programme modulations at regional level.

We are therefore in favour of a certain level of convergence between the Cohesion policy and EU2020. However, the cohesion policy must continue to fulfill its initial aim, in the interest of the implementation of EU2020, by seeking to :

- **address regional & infra-regional disparities**, thus realising the full socio-economic potential of the Union ;
- **develop further the potential of the regions and the EU** ;
- **implement a more sustainable approach to funding thus engendering a legacy from investments**. New financing tools such as venture capital and access to loan finance can constitute an opportunity that has proved useful in some cases. Here Euromontana would urge the use of local models that have a proven track record of delivery (see example of JEREMIE⁵ in Auvergne)

2. Should the scope of the development and investment partnership contract go beyond cohesion policy, and if so, what should it be?

Euromontana is in favour of a **deep coordination between the different public policies that impact on territorial development**. An integrated approach is essential for the efficient conception of development policies for all territories, and in particular for mountain territories, where economic sectors are closely interrelated.

Euromontana supports as a consequence the proposal to have a Common strategic framework (CSF) to ERDF, EARDF, ESF, EFF and moreover invites the European institutions to consider the establishment of links with community funding used for research and innovation (framework programme for research and development, CIP etc...). This common strategic framework should be translated at Member State level by a closer coordination of different policies, by a multi-fund approach and by ensuring coherence between all public actions contributing to territorial development.

Euromontana is impressed by the proposal to secure the level of coordinated response sought by the CSF by the conclusion of corresponding development and investment contracts but stresses that the

⁵ <http://www.jeremie-auvergne.eu/communique-mezzanine.html>

full CSF purpose can only be achieved effectively if each of the Funds committed to the CSF is also a participating signatory to the partnership contracts. Unfortunately this is not clear from current texts and Euromontana would welcome the opportunity to explore with the Commission proposals it has on this matter.

Moreover we submit that, in the development and investment partnership contract, **the Member States should describe how they want to respond to the different axes of EU2020**, taking into account all European policies, and especially those concerned with the common strategic framework. Member States and regions should also seek coherence between the commitments made in the partnership contract and the other public action conducted outside the field of EU competency.

In order for this approach to be efficient, we propose the following sequence for the elaboration of the partnership contract :

- Based on the objectives defined and a – not too restrictive - list of priorities adopted by the EU, each region or inter-regional area or massif would be called upon by the Member State to define their development strategy by indicating how they wish to contribute to EU2020 strategy in their territory and by indicating priority actions and the associated objectives and targets;
- On the basis of all strategies received from the programming territories, each **Member State would determine on a 'bottom up' basis its own priorities reflecting the predominant opportunities and needs of different territories** and would elaborate the content of the contract signed with the Commission. This bottom-up approach would permit definition of the quantitative targets by aggregating the targets of the different territories.

Additionally, it seems to us important that strategic planning elaborated in the framework of the contract should retain **sufficient flexibility to permit adaptation to variations in the social, economic or environmental context**. This flexibility would require among other things the definition, in the partnership contract, of the governance and decision mechanisms which would provide reactivity and possibilities of programme reorientation in exceptional situations such as the recent crisis.

The better coordination of EU policy and funding is a major challenge and addresses an issue that currently has its greatest adverse impact at the territorial level and on the efficiency and real impact of cohesion policy on the ground. By the same token, we feel that it is an opportunity that if taken can offer clear benefits that can revitalize cohesion policy.

As we state elsewhere in this response the introduction of the Common Strategic Framework approach and a Development and Investment Partnership Contract system engaging the same spectrum of Commission DG commitment is a substantial first step towards improved coordination. But that level and breadth of policy coherence must be replicated throughout the system to have practical impact at operational programme level.

One possible mechanism for securing such a depth of approach might be the **active use of the Inter- service Group on Territorial Cohesion**. The group could examine the situation in a region or a given geographical area regularly, working with the relevant regional and national authorities. The aim of this approach would be not only to assess the performance of each operational programme but also and more generally to check on the coordination and efficacy of EU policies. In the case of mountains and other 'specific' territories the Inter- service Group could, if need be and based on the provisions of Article 174, recommend the necessary adjustments.

3. How could stronger thematic concentration on the Europe 2020 priorities be achieved?

The thematic concentration should result from an analysis coming from the territories, therefore taking into account the diversity of geographical situations and needs. It should in no case proceed from the adaptation to territories of compulsory thematic priorities defined without being firmly anchored in reality, in which case the use of EU funds could not be efficient.

We propose that this analysis should build on the history of previous interventions. Prior to the definition of infra-national strategies, a review of previous programmes should be carried out. This review should describe the changes initiated during the previous programming period and identify the levers that can still be activated taking into accounts new challenges and new tools to face them. This analytical exercise must be at the same time retrospective and prospective. It should be conducted at the sub-national and then national level and put in perspective with EU2020.

For the picture to be accurate, it is essential that the analysis be carried out at the right level of governance, which can be regional, inter-regional, 'macro-regional' or in some cases even local. As regards mountain areas, mountain ranges can be, depending on cases, totally within the territory of an administrative entity, overlapping several entities of a single Member State or even having a presence in several Member States. Depending on the configuration of each mountain range, several programmes and scales of intervention can overlap. This is not necessarily a problem provided these scales are coordinated and that synergies and complementarities are defined.

It is the **aggregation of thematic priorities brought up by the territories that will allow the Member States to select the priorities to retain at national level for the partnership contract.**

4. How could conditionalities, incentives and results-based management make cohesion policy more effective?

Conditionalities

We accept that the imposition of conditions can act as a lever to get programme partners to deliver programmes to help meet EU 2020 We appreciate the need for programmes to deliver against both agreed targets and spend profiles. However, the establishment of conditionalities needs to be undertaken in partnership with the stakeholders/ applicant groups who will be expected to deliver relevant EU programmes. A top down approach can and has failed in the past to take account of the circumstances surrounding programme delivery e.g. poor alignment with regional priorities, financial structures and lack of match funding. Euromontana welcomes specific recognition of this in the Conclusions Paper. To bring an improvement, conditionalities:

1. Need to reflect the regional context as well as the national context;
2. Be agreed sufficiently in advance and reflect the financial environment in which programmes will be delivered;
3. Need to be flexible to take into account changing circumstances e.g. the economic recession arising after the 2007-13 programmes were agreed.

In addition, although we understand the need to secure some conditions to make European programmes successful, it seems to us that **regions should not be penalised if conditions that are independent of their power and performance would not be met.** In particular, it would not be acceptable that regions be penalized if their Member States do not meet the agreed targets

and conditions or are remiss in the transposing of some directives. It would be logically consistent for conditionalities also to be applied to the factors regarding the performance of the programmes themselves where, with the requisite inclusive governance arrangements in place, all programme participants could influence programme compliance and so here at least the impact of sanctions for breach of conditionality would be less likely to be inequitable. Moreover, this means cohesion policy could be made more efficient, for example by **making an allocation of EU funds conditional upon the implementation of an effective approach to development of territories with geographic specificities. Similarly funding could be conditional on establishment of an efficient model of multi-level governance**, adapted to the specific stakes encountered at the different scales, stakes linked to EU2020 and to the particular objectives of the different funds.

Incentives

We consider incentives can be effective in achieving efficient programme delivery. However **financial rewards can be of limited interest if applicants are struggling to find the match funding or if programmes are poorly aligned to regional priorities**. So, as with conditionalities, incentives require to be developed in partnership and must reflect regional and programme contexts. Regarding this, we would welcome further dialogue on appropriate intervention rates to support cohesion.

It is becoming increasingly accepted that N+2 is a blunt instrument in seeking to ensure the performance and timeous delivery of operational programmes. Past experience shows that programmes rarely start on time and the resulting hiatus compounds the challenge of meeting of N+2 targets. Incentives or conditionalities such as N+2 need to be reviewed and applied in the context of the programme environment. Specifically consideration should be given to a N+3 regime, N+3 in the first year and a financial profile which avoids front loading particularly where programme launch has been delayed.

Results

Euromontana welcomes proposals for a move to a more results orientated approach to monitoring performance. Such an approach should bring a move away from the current focus on probative financial evidence at the expense of the physical project delivery. However it is imperative that **targets and outcomes should be reliable, robust and reflective of the aims of a programme which has been developed in consultation with territories**. In addition, the requirement to provide performance information should be proportionate and not overly onerous to avoid any disincentives to programme delivery. Similarly, reporting on agreed targets needs to reflect their likely delivery in the timeframe of the activities approved. Sight ought not to be lost of the value of ex-post evaluations in demonstrating programme results nor of the experiences of applicants to previous programmes when designing the systems and processes of the future programmes. The use of impact and ongoing evaluations is to be welcomed but such tools should be used in a timeframe that will prove useful in informing programme change and re-orientation within the lifetime of the programme delivery.

Besides, it seems to us that the challenge addressed to Cohesion policy is two-fold:

- the challenge of convergence of development levels (human, economic and environmental) between regions of the European Union ;
- the challenge of joint sustainable development of the whole EU, which realisation must follow EU2020 strategy.

A monitoring of Cohesion policy based on results should therefore **measure the progress made on these two fronts**. We fear that it could be counter-productive to allocate part of the funds (the

performance reserve) to the second challenge only (to allowing the fastest regions to progress even more rapidly). Indeed, the disparities in dynamism between regions can, if not counterbalanced by specific efforts, accumulate to the point when they produce long term development inequalities that will slow the overall progress of the EU at large.

For these reasons, **we oppose in principle the employment of a performance reserve** because by definition it must tend to reward the most successful performing regions without recognizing the effort of those regions operating as diligently but without the benefit of equally favourable territorial, economic and social conditions. We would **prefer to see the establishment of a flexibility fund** not simply recognising efficient administration in the disposition of funds but responding to real opportunities and threats that in contrast can have direct economic and social effect where it is needed. This fund should address innovative initiatives to generate knowledge based sustainable and inclusive growth or to respond to the inevitable economic, social and environmental crises such as have already been experienced in the present programming period.

The ex-ante budget allocation between Member States and programmes within Member States should be based on indicators of the situation, depicting the situation of a region compared to the others. For example, the programmes concerning islands, mountains or sparsely populated areas should be allocated sufficient funding ex-ante (see question 6) and evaluated according to objectives that take into account specific strengths and weaknesses of these areas.

Finally, it is necessary to recall that monitoring of the results is meaningful only if indicators, at every scale, include qualitative elements as well as quantitative elements, and remain limited in number. The qualitative analysis can cast light on the dynamics behind quantitative results and explain the context.

5. How could cohesion policy be made more results-oriented? Which priorities should be obligatory?

We believe that the definition of adapted and differentiated objectives, between Member States, territories and programmes, such as we propose in our response to question 1, should permit the establishment of incentive-based programmes, based on delivering results.

However, we consider that a more results-oriented approach does not need to impose compulsory priorities but rather **must allow every territory to choose, among a list of priorities that would all be coherent with the overall strategy, those on which it will be able to achieve the most significant results**, to the benefit of the territory, of the Member State and of Europe. This is even more important for geographically specific territories the development strategies of which depend closely on history, on geomorphology and on socio-economic context.

6. How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies?

This question covers three problematic issues that need to be addressed separately: the fundamental role of urban areas, the fundamental role of territories with geographical specificities, and the emerging macro-regional strategies.

Taking into account the fundamental role of geographically specific territories

We will concentrate on how to take better account of geographically specific territories, which have been recognised recently through the inclusion of article 174 of the Treaty, expressing the long-term will of Member States. This article indicates that the European Union should seek a balanced

development of the whole territory and that **particular attention should be paid to areas suffering from permanent natural handicaps such as mountains, islands and sparsely populated areas**. This 'particular attention' is totally coherent with the implementation of EU2020 strategy because, as we have demonstrated in the preamble, specific territories have much to contribute to the implementation of this strategy of green, smart and inclusive growth.

We are not seeking here 'aid or compensation *for* handicapped regions' but to develop the specific potential of these areas to the benefit of society at large by alleviating some of their constraints. We submit that to respect this requirement for 'particular attention' demands a three-fold approach:

- Ensuring a **good knowledge of these territories using indicators** that reflect the reality of trends and the infra-regional disparities (the best scale to observe trends in mountain areas seems to us to be LAU2 or 1, as acknowledged in recent correspondence from the Director General for Regional policy to the Secretary general of AEM⁶) and the wide range of aspects that qualify the situation of a given territory; in that respect the sole utilization of GDP/head is insufficient to characterize the situation of a territory and we encourage the Commission to reflect further on a **set of territorial indicators** based on the recent or on-going work of ESPON⁷; Euromontana would in that case offer its own views on relevant indicators;
- To have the **same level of ambition for these territories** as for others by allocating means that are proportional to the on-costs of investment when necessary, notably – but not only- as regards infrastructures and ICT ;
- Adopting a **flexible approach to the implementation of policies and legislation**, allowing them to adapt to the real needs of these territories and using an efficient model of multi-level governance.

As regards mountain areas, **every massif should have the possibility to define how it should organise its development, while responding not only to the strategic objectives of EU2020** but also to the specific needs that will lead to the full exploitation of its potential (cf Q1) for the longer term sustainable development of the European space. Communication with our members however indicates that, inherently, the following elements are necessary for the development of mountain territories:

- **Timely access to – and improving uptake of - high-speed broadband⁸ and new technologies** in general that would allow mountain people and businesses to be connected among themselves (cooperation, clusters) and to be connected to other regions for economic reasons (access to distant markets), or social or cultural reasons (quality of life). It is possible to succeed in this field as has been proved by areas like Massif Central (France) and Highlands and Islands (Scotland) to quote only these two.
- Sufficient and stable access to **services of general interest** that would offer a favourable environment for the development of businesses as well as for inhabitants' quality of life;

⁶ Letter from Dirk Ahner, Director general at DG REGIO to Nicolas Evrard, Secretary general of AEM, 30 juin 2010

⁷ ESPON TeDi, ESPON INTERCO, ESPON Geospecs

⁸ Even where broadband access is available in Art 174 areas the roll out of each new generation ICT is frequently years behind other regions although for Art 174 regions the technology and its distance shrinking and commercial potential is arguably more vital

- Measures for supporting investment and **innovation adapted to the needs of small businesses** (to this end, the new funding mechanisms can offer opportunities under certain conditions, although these mechanisms could be introduced for some types of beneficiaries, and should not completely replace subsidies when these are more relevant to achieve results). It is also crucial to support investment in **incremental innovation** regarding traditional sectors like processing and distribution of food products, or tourism. The exceptional situation of mountain areas regarding life sciences could also be exploited.
- **Provision of education and training and first class research infrastructure**; the interest, in mountain territories, of an institution such as the Massachusetts Institute of Technology (MIT), illustrated by the initiatives established with partners in Scotland and in the Alps testifies to the inherent potential of these areas. Elsewhere, equally innovative solutions to mountain issues, such as the development of high schools in Rhône-Alpes to providing dual qualifications addressing pluriactivity deservedly attract similar attention.

Bottom-up approach and flexibility

Mountain areas should have the possibility to formulate strategies at a territorial scale that would be relevant to their economic, social and environmental context. In that respect **we welcome the Commission's very positive proposal to "examine whether greater flexibility could be achieved in organizing operational programmes in order to better reflect the nature and geography of development processes"**. For mountains, programmes could be designed and managed at the level of functional areas covering the mountain ranges reflecting the size of the markets and the economic area. These functional areas can be regional, infra-regional, inter-regional or associating several groups of infra-regional areas depending on the cases. Specific programmes covering territories with geographic specificities should be designed, managed and delivered by governance structures which comprise regional stakeholders. They should be able to adopt a global approach to the use of EU funds.

Considering the central importance of these governance issues, every Member State should have to indicate, in the Development and investment Partnership Contract, **how the situation of geographically specific territories will be addressed, which governance models will be applied and which funds will be allocated**. For mountain areas which overlap with several administrative units inside a Member State, it would be appropriate to envisage inter-regional or infra-regional approaches that would translate concretely to dedicated programmes. For mountain areas which are spread over several Member States, it is necessary to envisage coordination at the relevant scale, to be defined in coherence with the reality of the mountain range.

Territorial cooperation

As many mountain areas are border areas, territorial cooperation is of crucial importance to them as well as to other specific territories. Taking into account the fundamental role of mountain areas definitely requires a **strengthening of the territorial cooperation objective**. The three objectives of territorial cooperation should be maintained and be better coordinated to achieve a real complementarity. In particular, we would suggest that territorial cooperation programmes should be put in coherence with territorial strategies and other operational programmes. We would for example recommend that transnational cooperation programmes support the macro-regional strategies. We also think that allocation of funding to these programmes should be undertaken at EU level, to avoid the national concerns for budgetary return and should be strengthened.

Taking into account the role of specific territories in funding mechanisms

We submit that, to meet these challenges, the particular attention recommended by the treaty should also **translate into a dedicated budgetary allocation**. We acknowledge that in order for this to happen we need to agree on mechanisms that would properly recognize the commonality of challenges faced by the territories with specific geographical conditions as well as the diversity of situations existing at present, as a result of previous policies. We offer here some suggestions as to what these mechanisms should be and would welcome further discussion and dialogue with Commission services on these issues:

- In recognition of the value of services delivered by these specific territories, a certain percentage of cohesion funds should be allocated or “ear-marked” on the basis of criteria indicating the proportion of every Member State characterised by a geographic specificity (mountain, island, sparsely populated area). **This allocation would not necessarily feed into a specific programme but would be part of the envelope of the Member State**, the amount being transparent. It ought then to be reallocated by the Member State to the operational programmes at regional, inter-regional or massif levels with objectives clearly associated to the development of the potential of these specific territories. This would be a way to include other indicators than GDP/head in the system of allocation of EU funds, thus going beyond what GDP is able to tell of the situation and potential of a region.
- As these territories are characterized by specific opportunities and challenges that may differ from the average needs of the EU in general, **they should not be limited in the number of priorities they chose to support**.
- It should also be **possible to increase co-funding levels in fields that are considered to be a priority**, in consonance with similar provisions that could be included in the National regional aids regime;
- For territories that cover several Member States, programmes could be financed through an envelope allocated directly at EU level. Specific territorial cooperation programmes could be structured to address the specific needs for exchange of good practices between territories with geographic specificities (Islands, mountains, sparsely populated areas). Such a territorial cooperation programme could address issues related to rural-urban linkages but **should not be limited to these**.

The challenge of defining mountain areas

Euromontana is aware that concrete implementation of the above proposals requires the definition of mountain areas at a European level. Defining mountain areas is a complex task as it depends on why we want to define them (for which policy purposes: environment, transport, agriculture...) and what the local reality of these mountain areas as functional areas is concretely.

Studies carried out in 2004 by DG REGIO⁹ and 2010 by the EEA¹⁰ offer delineations based digital elevation models using slope, altitude and latitude. These maps usefully inform us on the **physical geography** of mountain areas throughout Europe, on their surface and on their population at a given moment. However, **they do not inform us on how the functional areas are articulated with these physical mountain ranges**. If we share the idea that a common delineation of mountain

⁹ « Mountain areas in Europe », DG REGIO, 2004

¹⁰ “Europe’s ecological backbone : recognising the true value of our mountains”, EEA, 6/2010

areas would facilitate the discussion on the impacts of European policies on mountain areas, we consider that **a physical delineation based on commonly decided criteria cannot be applied to policy-making directly without a thorough analysis carried out at grassroots level, by Member States, in relation with regional and local authorities and socio-economic and environmental actors.** The massif approach, associating highlands, valleys and piedmont areas, as it is used for example in France, seem to us to be quite meaningful for some policy purposes. Legislations adopted by several Member States regarding the definition of their mountains all have also their rationale. On-going work from ESPON should contribute to further reflection on i) the relevance of a unique pan-European definition of mountain areas for policy-making ii) the guiding principles of such a delineation.

Until a delineation is elaborated in all Member States concerned, and with the short term objective to offer an approach that would permit a designation or measurement of mountain areas for programming or allocating purposes, we are open to discussing approaches based on a quantification of the degree of mountainousness of administrative units. **Such an approach would have, in any case, to consider as a priority the proportion of the territory of the unit physically situated in mountains.** The combination with a criteria based on population must be handled very carefully and can only be complementary to a territorial approach and not the only indicator used. Indeed, the proximity of a big agglomeration to a mountain range is then sufficient to erase the latter from the map. We maintain that an approach at LAU2 level (municipalities) is more adequate than an approach at NUTS3 level to perform such calculations. We remain available to discuss these issues with the European Commission in order to reach the best potential compromise.

We also acknowledge that some territories have cumulative handicaps. For a complete classification of specific territories, criteria regarding insularity (building on proposals made by DG REGIO in a letter to CPMR in 2010) and sparsity of population (based on population density) could be used.

Macro-regional strategies

In the case of mountain ranges that cross many borders like the Alps or the Carpathians, macro-regional strategies constitute a relevant model and level of governance to address the issue of conception and coordination of policies adapted to a mountain territory, on some key themes that are particularly relevant to that level of governance to begin with. If they do not manage dedicated orientation instruments like programmes, they can offer a framework for wider and more coherent coordination of all programmes (operational programmes, territorial cooperation programmes) that are implemented in a given area or on a given thematic priority. Regions must of course play a central role in the elaboration of macro-regional strategies.

Urban areas, small market towns and villages

Euromontana recognises the fact that the majority of EU citizens live in urban areas and that there are many problems associated with urban life. We recognise as well the important role of urban areas in the EU as drivers of growth. Indeed subject to the limits of their functionality or economic footprint several mountain cities perform such a role for the region. We would also contend that large urban areas, by contrast to many rural areas, have a much greater potential to generate wealth in the short term, which could be available to address many of the urban problems. This potential should be taken into consideration in the allocation of cohesion funding to deliver EU2020. However recognition should also be given to the important contribution that smaller market towns and villages can and do make to the vitality and long-term viability of rural regions given the important role they play as centres of goods and services for the wider rural area.

7. How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

The lack of regional involvement has been recognised by the Union and other institutions as a factor in the weakness of the Lisbon Strategy. Therefore the partnership principle should be strengthened in the future and should underpin all aspects in the process of programme development and delivery. The mechanism must be adapted to the reality of the territory. What is important is to secure the involvement of such actors at an early stage in the development of programmes and in the definition of the parameters that will govern their evaluation and delivery: conditionalities, incentives as well as monitoring and evaluation frameworks.

The improvement of participation should impact as well on the governance models of funds management committees. The monitoring and management of funds should be ensured by multi-stakeholders structures, comprising managing authorities, representatives from territorial entities, socio-economic actors, non-profit organisations (with social, environmental or economic interest) and other relevant actors. As potential stakeholders are numerous and diverse, the involvement of stakeholders should always be relevant to the activity or sector being discussed.

Participation could also be improved by fostering communication between project leaders and managing committees.

8. How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed?

This is the subject of much debate at different levels and Euromontana does not claim to have full expertise in respect to this question. It is recognised that what may be viewed as simplification for some may not be acceptable to others. However Euromontana would offer the following elements which seem to be shared:

- **All rules and procedures should be agreed prior to programme launch** and communicated to applicants: what will be audited, how audit systems will be used, interpretation of eligible expenditure and how defrayment will have to be evidenced;
- Audit systems should be **stable for the duration of programming periods**;
- The EU could make **greater use of nationally approved auditors** to provide comfort to the EU as to the probity of financial controls within a Member State; Member States' national auditing bodies should inform the Commission of the schedule of their work. The Commission should then be able to send its own control services for control, respecting a minimum notice;
- Audit procedures should apply the principle of **proportionality**;
- **Risks should be assessed and accepted** when it comes to supporting innovative actions and community based programmes such as LEADER or other forms of sub-regional partnerships;
- **Audit procedures should adopt a more output-focused approach**, concentrating more on what activities have achieved rather than on the process of achieving them. Different organisations will be able to deliver in different ways and there should be more flexibility about how end results are met - this is particularly true for smaller and more remote organisations, which may not have access to large teams of administrative staff.

9. How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes?

First of all, there should be greater alignment across different EU programmes, so that **common principles on eligibility and process can be established and adhered to**. Again, this is particularly relevant for smaller organisations that may have a lot to offer various programmes, but cannot provide the administrative support to build up expertise in a wide range of different regulations. Greater commonality would also reduce the chance of mistakes being made. This approach would also encourage organisations to develop a cohesive and logistical approach to working across different programmes (e.g. ERDF into the Framework Programme or EARDF).

Then, **adopting differing reporting, audit procedures and levels of proof under different circumstances should be considered**. Proportionality is a core principle of EU activity but in terms of programme delivery there is a range of perspectives on proportionality such as: regional past performance, scale of programme, level of expenditure and nature of applicant organisations. Establishing a workable model of proportionality based on the regional principles of the EU will not be easy but further consultation and debate on this issue is encouraged by Euromontana.

Euromontana would in particular welcome a **review of procedures relating to territorial co-operation programmes** with a view to establishing common rules across programmes and that nationally accepted audit procedures can apply to partners, **freeing the lead partners from having to verify audits from third party Member States**.

When preparing for the start of a new programme, all the rules and audit requirements should be agreed and clearly communicated well in advance of the programme start date. This would give each Member State the time to submit its proposed procedure and implementation plans for the programme for agreement by the Commission before a programme is open for applications, thus avoiding delays in reporting.

There again, the EU should rely more on the Member States, whose obligations should be described and accepted, every Member State being then in charge of applying the rules on its own territory.

10. How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules?

The feasibility of the delivery of integrated policies at territorial level (in particular at the level of mountain ranges), depends on the capacity to reach synergy in the use of funds.

To this end, the operating rules of the funds must be practically identical for project applicants. This requires a common understanding of eligible expenditures, of indicators to communicate, of control and management provisions. The Commission should be able to re-focus its role on the contribution of programmes to **the achievement of the EU2020 goals**, to **the monitoring of the progress made on the convergence process** (reduction of disparities regarding access to a certain level of income, economic opportunities and environmental quality of life), to **the achievement of the objectives defined for the Common agricultural and rural development policy**, and to a more sustainable fisheries sectors. Focusing on goals would entail the Commission shifting towards greater commonality in the use of funds.

Euromontana fully recognizes the complexity of a transversal approach to the use of the different EU funds. **The CSF and DIPC processes involving the Commission, Member States and actors at programming level provide a vehicle for dialogue**. However this needs to be underpinned by a mutual desire to deliver simplification at programme and project levels, and for the identification of

common ground which will facilitate the agreement of as many common rules as possible and broad sectors of interest that are well defined in the context of EU 2020.

Saying that operating rules must be as identical as possible for project applicants means in particular that these rules must be adapted to the conduct of integrated projects. By this we propose that the eligibility of the beneficiary should be less crucial in the allocation of funding than the relevance of the project submitted.

The requirements of a future package of funding programmes will need to be applied across the EU. However the regional specificity necessary to meet local needs can be achieved through maintaining regionally sub-programmes with priorities that reflect the particular areas of need and interest in those regions.

The specificity of each fund can however be maintained. First, it would be each Member State's responsibility to allocate different types of expenses to different funds, and to compile execution reports on each fund. These separate reports would allow the authorities to examine how programmes contribute to common objectives (UE2020, convergence, territorial cohesion, sustainable agriculture and fisheries) and how each specific fund contributes to its own objectives.

The key elements are therefore:

- the capacity of the Commission to **delegate to Member States and managing authorities the responsibility of distribution of different funds**, in respect of budgets allocated
- A **common will** of Member States and EU institutions to choose, when different eligibility rules apply, which rule is the most suited to the achievement of common objectives.

11. How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?

The envisaged renewal of forms of public support requires a review of how financial discipline will be achieved. Two aspects must be taken into account:

- **Support for innovation requires to take account of the incapacity of the banking sector to efficiently support a multitude of small innovative projects.** In that respect, it is important to increase the capacity of funds to act at various levels of businesses financial balance through financial tools (shareholding for a limited period of time, convertible obligations, loans at 5 or 10 years etc...) The experience of JEREMIE¹¹ in Auvergne shows that it is possible to activate these new levers especially for SMEs in mountain areas. However it requires revision of the concepts of certified expenditure and decommitment rule.

- **Severe economic cycles (like the recent crises) demand the freeing of capacity to mobilise very quickly significant amounts to offer useful coordinated responses at European level** (see proposal for a flexibility fund at Q2). The possibility to launch counter-cyclic funding must be anticipated, with the related questions this poses to the annual community budgetary programming.

- **Time lines for particularly complex but innovative projects are difficult to predict with accuracy** (delays in execution, sensitivity to economic and environmental contexts).

¹¹ <http://www.jeremie-auvergne.eu/communique-mezzanine.html>

One proposal could be that expenditures of each Member State would be measured at **3-4 years intervals, so 2 to 3 times in the programming period depending on its duration (7 or 10 years)**. Rules also have to be defined in advance regarding the financial implications of instruments like loans, shares in businesses and other types of finance mechanisms that might **generate expenditures after the end of the programming period**.

From the point of view of applicants, current regulation and interpretation and implementation of financial management of Programmes are complex, un-equal and cumbersome. This has led to reluctance by potential applicants to become involved with programmes and to their viewing the programmes as unwieldy. This problem is particularly acute for smaller and more remote organisations, where large teams of finance and support staff are not available.

12. How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?

Euromontana does not see the value in having a specific focus for the ESF alone in achieving the 2020 objectives. Separating ESF within cohesion policy would greatly weaken its coherence with ERDF. On the contrary we feel that Member States should be encouraged to coordinate fund delivery as closely as possible by for instance taking advantage of the provision in the General Regulation 1083/2006 permitting the adoption of a single Monitoring Committee for several operational programmes and extending this to incorporate EAFRD and EFF programmes.

Fund visibility should be delivered via integrated programming of separate Funds (ERDF, ESF, EFF & EAFRD) and a greater territorial approach.

The European social fund delivers at grassroots level, to final beneficiaries, solutions that collectively answer the challenges that EU 2020 and the cohesion policy aim to tackle. This very decentralized delivery of ESF action can seem to be an obstacle to its visibility but, at the same time, it is potentially a vehicle for communication with every citizen of the EU. We wish here to highlight the fundamental role of ESF as a lever to reach the goals of EU 2020. The development of a green economy requires the development and transmission of organizational and technical skills. The increased use of ESF to assist citizens to respond in a rapidly changing economy, in coherence with territorial strategies will foster its visibility.

13. How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

As proposed in the Fifth Cohesion Report, a new intermediate category of regions should be established. What is important is that aid intensity is fair to all regions in such a category. In addition a clear explanation of which years are being used to measure regional GDP is required and how the calculations are made. This is particularly important as much of the impact of the recession is too recent to be reflected in the GDP statistics currently available at regional level of disaggregation. The recession is likely to impact more severely areas which depend highly on public resources of Member States facing the greatest difficulties and within all Members States on those regions such as territories with geographic specificities that tend to rely most heavily on the public sector for services and employment. Euromontana views this as a key topic for future discussion, particularly post publication of the financial perspective as the budgetary allocation will determine the upper ceiling of any transitional funding category.