



# Cohesion and Growth

Is the EU system fit to face the challenges beyond 2020?

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# Stage 1 Assessing the problems and defining main policy orientations

First Objective: Decrease of wealth (GDP/P) differences

Region/ Year	Past trend			Future	Scenarios 2030	
	2000	2007	2012	2020	Pessimist	Optimist
North	121	116	116	115	110	109
South	105	102	95	90	95	93
East	45	56	65	72	78	84
EU 28	100	100	100	100	100	100



# Stage 1 Main policy orientations

## Objectives

- **Convergence** will still be very relevant so that continuation of cohesion effort is needed.
- Objective of **balanced growth**: the triad smart, sustainable and inclusive growth seems fully justified (albeit with new and realistic targets).
- Neither **deepening** (e.g. the creation of a GEMU) nor **widening** ( no accession in foreseeable future) will require major adaptations.



# Stage 2 Designing a solution oriented intervention system: Three alternatives

## 1 Adopting a split system

- Light version for small; heavy for large problems

## 2 Inter-jurisdictional fiscal equalization

- Pro: Funds to provide similar public services
- Con: Does not address competitiveness issues

## 3 Further horizons (fiscal federalism)

- Income: EU taxes (e.g. carbon, corporate)
- Expenditure: specific for stabilisation, cohesion, etc.

### ■ Assessment

- All three alternatives unlikely in foreseeable future



# Stage 3 Specifying objectives and matching these with instruments

## *Financing:*

- no strong arguments emerge to change either the total level of cohesion and growth related expenditure
- increased role for new financial instruments, in particular the use of loans from revolving funds.

## *Regulation and Coordination: Two scenarios*

- continuation of the trend towards stricter and more encompassing regulation and intense coordination.
- decrease in the strictness and complexity of regulation and the degree of constraints in coordination.



# Stage 4 Implementing actions and delivering results

- **Accountability requires complexity, but:**
- ***If areal coverage* of the present set up would be limited to the areas that are most in need and**
- ***If the choice of instruments* would be shifted from grants to loans**
- **A much less elaborate system of delivery (programming, monitoring and evaluation) would suffice.**



# Stage 4 Government quality



GEO/TIME	1996	2000	2004	2008	2012
Northern	66	68	67	65	64
Southern	40	42	38	31	26
Eastern	15	15	18	19	21
V4	27	25	24	26	29
EU28	49	50	50	47	45
CoV	.69	.66	.53	.54	.56

# Stage 5 Checking effectiveness and consistency

- ***Past record:*** EU policy reasonably effective.
- ***Dilemma:*** chances for successful ESI support are highest for those who least need it, and lowest for those who most need it.
- ***What consequences for lack of effectiveness?***
  - Cohesion
  - Balanced growth



# Conclusions

- *Challenges* to EU cohesion and growth policy between 2020 and 2030 largely similar to the present ones.
- *Alternative policy options* are unlikely to be adopted for mainly political economy reasons.
- *Dilemma* as the chances for success are highest for those who least need EU support, while those who most need EU support cannot realize success.
- *Suggestion*: introduce a conditionality check on quality governance, coupled with an increased ESI effort to improve quality government in convergence countries.



# Selected References

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