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"Conditionality linked to Cohesion Policy objectives"

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Conditionality, sanctions and incentives are an important element of a policy design. Normally, they belong to the policy framework and if well designed can be efficient. This is also true for the cohesion policy whose efficiency can be further improved through wise conditionality.

Let me first comment on macroeconomic sanctions proposed with a view to link macroeconomic, Growth and Stability Pact related national policy misbehavior with structural policy interventions in the framework of cohesion policy.

Any such sanction system, if adopted, would have to be envisaged in the cohesion policy framework, most likely in the general regulation. Let me first of all say that adding to the sanctions already envisaged in relevant regulations, in force or pending, on excessive deficit procedure and excessive imbalances procedure also structural funding cuts in commitments with a view to punish economies in budgetary distress raises questions and doubts.

First, there is a legal doubt. We have to take note of the difference between the cohesion fund, where such sanction mechanism is already in place, and other structural funding. While in the case of cohesion fund established in the very concrete context of emerging economic and monetary Union, legal roots could be identified, expanding this system

to entire family of structural funds raises doubts of legal nature. This would have to be clarified.

Second, there is a political argument. With growing number of types of sanctions envisaged or already in place, as I said before, with further reforms of the internal market which in mid term might trigger numerous infringement procedures, with the need to phase out crisis related state aid schemes, political message coming from Brussels to the public in the years to come will be negative and mostly the one of sanctions.

Third, there are, as we all know only too well, substantial differences among member states with regard to the role of EU funding in public investment. There is, therefore, a high risk that the system of sanctions will not be fair in terms of equality of treatment.

In case of implementing this new cross sanction mechanism, there would be an urgent need to find the way to avoid its impact on final beneficiaries. We should not punish the wrong guy. It would be from the point of view of cohesion policy and its role in supporting national reform programs counterproductive. We would be cutting the branch on which we would be sitting. Potential final beneficiaries would suffer because of suspension or cut of commitments simply because the number of potential beneficiaries will be reduced. There is also an element of moral hazard because national budgets will not have to ensure co-financing. This would mean, however, that macroeconomic considerations will be negatively influencing structural reforms fundamental for the future improvements in budgetary discipline.

In short, rather unprecedented type of cross sanctioning, external to cohesion policy performance, can generate damage to reform capacity and damage to the perception of the cohesion policy which once again could be blamed for the sins of others, like it has been the case so far with regard to badly functioning internal market, in particular public procurement system.

On the internal, cohesion policy conditionality. Let me first of all underline that so far joint efforts of the European Commission, Council and Parliament and investment in the mechanism of conditionality related to sound financial management, to make sure that the EU budget is protected, have led to substantial progress in sound financial

management and control. Today it is indeed necessary to invest in the second leg which is the efficiency of the policy and design conditionality system hopefully based on incentives that would contribute to improving efficiency of the policy and ensuring that we get value for money invested.

In the current context of upcoming negotiations of the next multiannual financial framework, it is of utmost importance to put on the table clear ideas and commitments with regard to the conditionality system addressing the link of policy interventions with progress on institutional efficiency and adequate regulatory framework, that generate structural preconditions for efficient investment of EU structural funding.

This system must be designed in a way making it really work for structural funds investment efficiency.

I believe that efficiency of investment could be further enhanced if two institutional considerations are taken on board. First, for the conditionality linked to the commitments of member states to be truly binding and effective, adoption by the Council of the Community Strategic Framework would be an adequate choice. Additionally, the adoption of this document by the European Parliament would increase the legitimacy of this process in the context of budgetary negotiations.

And second, my understanding is that conditionalities and commitments will be present in all three strategic documents of the policy framework. In particular the link between contract and operational programs will be essential. Therefore, seeing that there are no time delays between the approval of those documents could largely enhance the coherence of commitments and objectives.

It goes without saying that any conditionality procedures must not generate additional burdens, quite the contrary they should aim at practical reduction of burdens and produce no delays in the implementation of the policy, programs and projects.

I support the proposal by Commissioner Hahn to establish a task force to further elaborate the conditionality system and offer participation of Parliament in this work.