

EUROPEAN UNION



**Committee of the Regions**

# **A mid-term assessment of Europe 2020 from the standpoint of EU cities and regions**

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# Table of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>1 Introduction .....</b>	<b>7</b>
<b>2 Methodology .....</b>	<b>11</b>
2.1 Broad Consultation .....	11
2.2 Stakeholder Interviews .....	11
<b>3 Synthesis of Main Study Findings .....</b>	<b>13</b>
3.1 Making Europe 2020 a Reality – the Role of LRAs .....	14
3.1.1 What is the role of LRAs in the achievement of Europe 2020? .....	14
3.1.2 Why is progress not satisfactory?.....	19
3.1.3 The value-added of the strategy for LRAs .....	23
3.1.4 Conclusions .....	26
3.2 The Benefits of Bottom-up Planning and Target-setting for a Revised Europe 2020.....	27
3.2.1 Conclusions .....	37
3.3 The Scope for Regional Target-setting.....	38
3.3.1 How feasible is the allocation of Europe 2020 targets at regional level? .....	38
3.3.2 How should individual contributions to the targets be allocated? ...	40
3.3.3 Cross-border exchange and cooperation in the context of target setting .....	42
3.3.4 Conclusions .....	43
3.4 Europe 2020– Can LRAs Learn Together and from One Another? .....	44
3.4.1 The value of Europe 2020 for benchmarking and exchange of good practice.....	44
3.4.2 Why is Europe 2020 different? .....	45
3.4.3 Initiatives and tools for exchange.....	46
3.4.4 The role of the Committee of the Regions .....	47
3.4.5 Conclusions .....	47

3.5	The Territorial Approach to Governance – Moving Europe 2020	
	Forward.....	47
3.5.1	Is the current governance structure of Europe 2020 delivering? ....	47
3.5.2	“Making it Happen: the European Semester”? .....	48
3.5.3	Has Europe 2020 led to increased communication and cooperation between different levels of governance?.....	49
3.5.4	How to strengthen communication and cooperation between different levels of government for Europe 2020? .....	52
3.5.5	Conclusions .....	57
3.6	Financing Europe 2020.....	58
3.6.1	The severe impact of the economic crisis on Europe 2020 funding	58
3.6.2	Has the crisis also helped Europe 2020?.....	59
3.6.3	The impacts of fiscal consolidation on Europe 2020.....	60
3.6.4	The impact of a reformed Cohesion Policy.....	61
3.6.5	Excessive bureaucratic hurdles limit usefulness of funds.....	62
3.6.6	Has Europe 2020 helped LRAs to more effectively make use of EU funds? 63	
3.6.7	Better spending and capacity building .....	64
3.6.8	Innovative financing tools considered as very important, but lack of capacity is still a problem.....	68
3.6.9	Conclusions .....	70
3.7	Policy Recommendations .....	71
<b>4</b>	<b>Detailed Analysis of Findings from the Broad Consultation of Local and Regional Authorities .....</b>	<b>75</b>
4.1	Response Rate and Distribution of Responses .....	76
4.2	Analysis of Individual Statements.....	77
4.3	Joint Patterns.....	83
4.4	Spatial Analysis .....	84
4.5	Broader Hypotheses.....	91
4.6	Analysis of Additional Comments .....	94
4.7	Conclusions from the consultation .....	96

<b>5 Detailed Analysis of Stakeholder Interviews.....</b>	<b>98</b>
5.1 Do the Europe 2020 Strategy Objectives provide sufficient Guidance?	98
5.2 Governance and Implementation.....	105
5.3 Access to Funding is still an Issue.....	108
5.4 Exchange of Experiences as Key Aspect for LRAs .....	110
5.5 How has Europe 2020 been affected by the Crisis? .....	111
<b>References .....</b>	<b>114</b>
<b>Annex 1: Questionnaire used for the broad online Consultation.....</b>	<b>118</b>
<b>Annex 2: List of interviewed Stakeholders.....</b>	<b>124</b>
<b>Annex 3: Questionnaire used for the Stakeholder Interviews.....</b>	<b>126</b>



# Executive Summary

The Europe 2020 strategy is Europe's current agenda for growth and jobs, setting ambitious targets for smart, sustainable and inclusive growth. Although some references to territorial issues appear in 'Europe 2020', the strategy does not offer an insight into the implications of the proposed actions on regional and local development, nor does it present any concrete guidelines for the territorialisation of its priorities. The current report seeks to assess the relevance and adequacy of the design of the strategy and the value-added it has provided to local and regional authorities (LRAs). In particular, existing bottlenecks in the design, governance structure and budgetary planning of the strategy are identified, which have limited the progress of the strategy by failing to mobilize and tap into the wealth of regional competences and knowledge. Special emphasis is placed upon the key partnership role of LRAs and the need to better engage them in the context of defining priorities, and delivering and monitoring progress under the Europe 2020 strategy. The conducted study incorporates a desk analysis of existing monitoring and evaluation publications on Europe 2020, a broad online consultation with LRAs and other stakeholders, interviews with relevant stakeholders as well as input from a series of conferences and surveys on the seven Flagship Initiatives<sup>1</sup> and dedicated workshops and seminars<sup>2</sup> conducted by the Committee of the Regions (CoR) in view of the mid-term review of the strategy. This report serves as input for the process leading up to the forthcoming mid-term assessment of Europe 2020 from the standpoint of cities and regions.

## **Making Europe 2020 a reality – the role of LRAs**

Both the consultation results and the opinions expressed in the stakeholder interviews confirm the importance that LRAs play in meeting the Europe 2020 objectives and targets. LRAs recognise the value of the strategy in providing a long-term framework for action and a ground-field for benchmark and exchange of knowledge. However, there are considerable discrepancies in the uptake of the strategy between regions; while regions with already good starting points are better able to relate to the strategy's objectives and show consistent progress, others continue lagging behind. As an underlying problem for the unsatisfactory results the overall opinion expressed by the contributors to this study pointed to the coordination gaps in the design of the strategy that have hampered the actual

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<sup>1</sup> Detailed information on the surveys preceding the conferences can be found on the Europe 2020 Monitoring Platform portal, <http://portal.cor.europa.eu/europe2020/Surveys/Pages/welcome.aspx>

<sup>2</sup> The workshops and seminars organised by the CoR included: workshop on "Reviewing the Implementation of Europe 2020", 3 July 2013; workshop on "Reviewing the Governance of Europe 2020", 18 September 2013; Open Days workshop on "Europe 2020 implemented in your region/city: debate with think-tanks", 8 October 2013; Seminar on the "Future of Europe 2020", 3 December 2013.

delivery of sustainable and inclusive growth-oriented policies on the ground. More specifically, the lack of involvement of LRAs in the setting of goals and targets has undermined the adequacy and relevance of these to the local level. Targets are considered too aggregated and too abstract and disconnected from the local reality in order to provide concrete avenues for policy development and meaningful local action. It follows that a stronger vertical and a somewhat better horizontal coordination among all tiers of government offers an opportunity for addressing these obstacles and boosting the efficiency of the strategy. On the one hand, entrusting local actors with significant responsibility in the design and implementation of the strategy will not only ensure that goals and targets are realistic and adapted to local situations, but also provide an opportunity for collecting valuable regional experience and knowledge. On the other hand, strategic planning at the regional level needs to sufficiently reflect the common objectives set at EU level. Thus, the successful implementation of the strategy requires a careful balance of harnessing the potential inherent in the regions and cities of Europe while ensuring the necessary political guidance of national and EU institutions.

### **The benefits of bottom-up planning and target setting for a revised Europe 2020**

The literature review as well as the stakeholder interviews and the consultation provide important arguments in favour of a more bottom-up approach to policy design and target setting. The present top-down, uniform and abstract approach of target setting tends to disregard the strengths, weaknesses and specific development opportunities of European regions. Such a “regionally blind” approach of policy design could pose a number of challenges undermining the achievement of Europe 2020’s priorities and the balanced and harmonious development of the EU, leading to situations such as, for example, increasing regional disparities, aggravation of territorial vulnerabilities, suboptimal investment in resources, and reduced sense of “ownership” of the strategy. Combination with bottom-up planning approaches is seen as an effective way of building on the competences of the different tiers of government and strengthening the regional dimension of the strategy. Equally important, enhancing bottom-up planning will ensure that LRAs share the vision and objectives of the strategy and thus increase the level of “ownership perception” in the local context. Having said that, given the policy context and national specificities, some issues might require a more top-down solution. As it has been pointed out by some of the interviewed stakeholders, LRAs play a key role in some policy areas encompassing the Europe 2020 strategy, while other priorities tend to fall more into national competences. It follows that a mix of top-down and bottom-up planning can be very appropriate for building on the set of skills, experiences and knowledge of different levels of government. A multilevel

governance approach would ensure that national policies do not compromise on the specificities and development patterns of different regions while at the same time guaranteeing the safeguard of strategic national priorities.

### **The scope for regional target setting**

No clear-cut picture emerged from the study concerning the feasibility of the introduction and allocation of Europe 2020 targets at the regional level. There was a common understanding in the literature and among both interviewees and survey respondents that there is no “one size fits all” approach. The adoption of a universal model in the policy design of the strategy risks setting targets that do not reflect specific regional situations. Furthermore, imposing targets which are too ambitious for a certain region or suboptimal for its development places unrealistic and unnecessary burdens on the local and regional authorities tasked with their implementation. For the strategy to be successful in making Europe more competitive, sustainable and inclusive, it is necessary for all regions to identify and harness their own growth and development potentials. In this line of argument, adoption of regional targets or prioritization of headline targets would allow more flexible implementation in different policy contexts while still allowing to achieve a common set of benchmarks in all of Europe.

There was no clear answer on the model of territorial allocation of Europe 2020 targets in terms of the level of contribution of regions. However, in line with the arguments in the literature, the consultation results confirmed the importance of the starting points of regions, their specialization patterns, efficiency considerations (i.e. “highest return on investment”) as well as the policy in question when deciding on the level of regional contribution.

Even though there is an overall agreement on the relevance and benefits of a regional breakdown of the targets – given the large variation in regional circumstances – reservations remain as to how such a process could actually be applied. Nevertheless, it was made clear through the interviews and the stakeholder consultation that in case a territorial differentiation of targets is implemented, the following would need to be respected: first, such a process would need to take place between the national and the sub-national level, i.e. without involving the European Commission, and second, it should be under a certain set of conditions, namely sufficient competences, skills, administrative/institutional capacity to make a difference, full information and consultation, stakeholders' involvement and responsiveness.

Despite the lack of a clear consensus in the literature and in the stakeholder consultations on the scope for regional breakdown of targets, the need for better dialogue and closer cooperation between different levels of government for

ensuring integration of territorial diversity in the policy design of Europe 2020 is universally acknowledged.

There is a strong consensus both in the stakeholder interviews and survey consultation that due attention needs to be paid to cross-border regions and innovation clusters when it comes to the design and implementation of Europe 2020. The specificities and often strategic importance of these regions require a more holistic assessment of their dependencies and patterns of development. A uniform prescription of targets based on national commitments might fail to exploit existing synergies and tap into the potential of these regions.

### **Europe 2020 – can LRAs learn together?**

The stakeholder interviews and the consultation both showed a strong support for regional exchange of knowledge and good practice for boosting the efficiency of policy making and facilitating the implementation of the Europe 2020 objectives. It was acknowledged that the specific situations and set of competences of different LRAs would not allow for exchange between regions from different countries on Europe 2020 in general, but nevertheless national and international exchanges between regions on different thematic foci, depending on their situation, was generally seen as beneficial and fruitful. There was no agreement on whether existing tools/forums are sufficient, or whether new mechanisms would be required. Nevertheless, some concrete proposals regarding exchanges between regions included case studies, peer reviews and sharing of data, and use of the instruments of mutual learning through the Open Method of Coordination (OMC). The role of the CoR, associations and networks of LRAs and the EU itself for promoting and disseminating regional experiences was also highlighted.

### **Territorial approach to governance – taking Europe 2020 forward**

With respect to vertical cooperation and multi-level governance, implementing effective partnerships between different tiers of government is essential for the success of Europe 2020. The reviewed literature as well as the insights from the stakeholder interviews and the consultation point to the lack of comprehensive multi-level governance as a main factor constraining the value added of the Europe 2020 strategy. Criticism has been levelled in particular at the top-down process underlying the European Semester, as it tends to reinforce a focus on short term and crisis-oriented policies at the expense of the long-term priorities laid down in the Europe 2020 strategy, and as it leaves national parliaments, regional authorities and social partners largely excluded from the policy making process of Europe 2020 despite their political accountability, valuable knowledge, local expertise and closer overview of the needs of the population. A

number of approaches for encouraging active participation of regional authorities in the EU policy cycle were identified, namely: involvement of LRAs at a very early stage of the Europe 2020 governance process (i.e. in the drafting of the NRPs), introduction of multi-level governance agreements or voluntary pacts between the EU, Member States and LRAs, promotion of mutual learning and exchange of experiences between LRAs, establishment of an EC representation in the Member States, inclusion of a “governance” chapter within the National Reform Plans, or establishment of Regional Reform Programmes as supplementary documents to NRPs.

Some further salient points for consideration regarding the revision of the governance framework of Europe 2020 were also raised by the interviewed stakeholders. First, initiatives for increasing involvement and coordination of LRAs would be more realistic in the national context either in the form of consultation, voluntary or binding agreements. There might be less room for action at the EU level for initiating a more intense process of coordination with direct communication to LRAs due to the practical difficulties. Second, the revision of Europe 2020 is an opportunity to better reflect on and adapt to the different time horizon of policy making at regional level as compared to national.

We did not find a strong argument on whether voluntary or binding agreements with regional governments would be preferable. Whereas incentives, which create competitions between regions, might be helpful for more effectively achieving certain goals, this process might risk creating unwanted tensions between different regions. Therefore, the use of peer pressure and conditionalities at national level might not be the optimal solution for boosting the efficiency of territorial policies. Conditionalities might create certain incentives and increase transparency in the policy-making process, but the extent to which this would benefit all regions and directly translate into desired improvements is questionable.

### **Financing Europe 2020 or the need to tap into unused financial sources**

Funding – including the criteria for allocating funds, monitoring their spending, and evaluating project impacts – remains a topic of intense interest and a diversity of views. The multitude of obstacles faced by LRAs in accessing and using funds (such as reduced government budgets, pressure of fiscal consolidation efforts, inadequate EU financial support, conflicts of short-term crisis-management measures and fiscal sustainability against long-term priorities, excessive bureaucratic hurdles in grant application procedures) create difficulties and delays in achieving the Europe 2020 goals and can lead to suboptimal results due to either non-existing or insufficient fiscal means or

inefficient allocation of resources. LRAs and other stakeholders have expressed their expectations that the reformed Cohesion Policy will give a new momentum for achieving the Europe 2020 objectives by more closely aligning the allocation of EU funding with the strategy's agenda and effectively concentrating national and regional authorities' activities on a limited number of common strategic objectives. There is an increasing consensus that emphasis on a "place-based" approach in the allocation of funding is essential. Nevertheless, EU funds still constitute a too small fraction of overall spending in order to be able to compensate for the reduced financial resources available to implement LRAs' policies under Europe 2020.

The use of financial conditionalities and incentives in the allocation of funds under the CSF has also been subject to controversy. Furthermore, complex systems for acquiring EU funds pose an additional burden for LRAs. It has been highlighted that during times of strict austerity measures and shrinking public expenditures it is of particular importance to optimize the quality of spending and to place emphasis on policy efficiency. Exploring supplementary sources of finance, besides Cohesion Policy, and encouraging the involvement of the private sector in securing financial support have also been proposed as important alternatives. Despite the generally strong support for the usefulness of innovative financing tools for meeting Europe 2020 objectives, the role of the strategy in this respect seems to have been limited. The lack of institutional capacity at regional level as well as difficulties or reluctance to government or other forms of borrowing were identified as main obstacles towards the more wide-spread uptake of these alternative forms of financing.

# 1 Introduction

The Europe 2020 strategy, adopted by the European Council on 17 June 2010, is the EU's agenda for growth and jobs for the current decade. It emphasizes smart, sustainable and inclusive growth as a way to overcome the structural weaknesses in Europe's economy, improve its competitiveness and productivity and underpin a sustainable social market economy. Specifically, Europe 2020 puts forward the three well-known mutually reinforcing priorities:

- **Smart growth:** developing an economy based on knowledge and innovation.
- **Sustainable growth:** promoting a more resource efficient, greener and more competitive economy.
- **Inclusive growth:** fostering a high-employment economy delivering social and territorial cohesion.

Under these priority areas, the EU adopted five ambitious headline targets on employment, research and development (R&D) and innovation, climate change and energy, education, and poverty and social exclusion. In addition, seven flagship initiatives have been defined to catalyse progress under each priority theme, namely: "Innovation Union", "Youth on the move", "A digital agenda for Europe", "Resource efficient Europe", "An industrial policy for the globalisation era", "An agenda for new skills and jobs", and "European platform against poverty".

To achieve transformational change, the Europe 2020 strategy requires a strong governance framework to ensure timely and effective implementation and depends on Member States coordinating their efforts. To ensure this, the annual cycle of EU-level policy coordination known as the European Semester has been set up by the European Commission. The main purpose of the European Semester is to strengthen economic policy coordination and ensure alliance of the budgetary and economic policies of Member States with the Stability and Growth Pact (SGP) and the Europe 2020 strategy. This intensive period of coordination and surveillance of the Member States' macroeconomic and structural policy plans starts before the first half of each year, when national economic and budgetary policies have still not been finalised, in order to detect inconsistencies and emerging imbalances and issue early warnings and recommendations in due course<sup>3</sup>.

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<sup>3</sup> [European Commission, The European Union Explained: Europe 2020: Europe's Growth Strategy, 2012, p.6.](#)

The Annual Growth Survey (AGS), normally adopted by the Commission towards the end of the year, marks the beginning of the European Semester. Its main purpose is to set out overall economic, budgetary and social priorities at European and national level, which are to guide Member States in their path to sustainable growth and job creation in the coming year. The AGS also serves as a basis for discussions for the meeting of European leaders at the European Council in March, where overall guidance for national policies regarding fiscal and macroeconomic reforms and the Europe 2020 strategy is provided as appropriate.

Based on the AGS, each Member State has to develop plans for National Reform Programmes (NRPs) and Stability Convergence Programmes (SCPs), which are submitted to the European Commission for assessment in April. NRPs include national targets related to the headline targets under the Europe 2020 strategy. They also enable identifying the strategy measures and planned implementation procedures for smart, sustainable and inclusive growth as set out by national governments<sup>4</sup>. SCPs are part of the preventative arm of the Stability and Growth Pact and aim at ensuring sound public finances through surveillance and coordination of fiscal policies. The SCPs contain governments' medium-term budgetary objectives and the policy measures aimed at achieving these objectives<sup>5</sup>.

The submission of the NRPs and the SCPs is followed by a thorough assessment by the European Commission and the European Council as part of the European Semester. Based on the assessment of each Member State's plans for sound public finances (under the SCPs) and policy measures for growth and job creation (under the NRPs), countries receive country-specific recommendations on fiscal policy planning in May. The recommendations encompass a broad variety of issues related to fiscal stability as well as to the different priorities adopted under the Annual Growth Survey.

The country-specific recommendations are formally endorsed by the Council at the end of June/July. Normally the recommendations provide a timeframe for the Member States concerned to respond accordingly and implement the policy advices. In case countries fail to act within the given timeframe or implement policies in breach of the policy recommendations, the European Commission can issue a policy warning. Stricter enforcement mechanisms such as incentives and sanctions can also be put into place in case of persistent and excessive macroeconomic and budgetary imbalances (Eurostat, 2013).

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<sup>4</sup> [European Commission, The European Union Explained: Europe 2020: Europe's Growth Strategy, 2012, p.6.](#)

<sup>5</sup> [European Commission, The European Union Explained: Europe 2020: Europe's Growth Strategy, 2012, p.6.](#)

So, for the success of the Europe 2020 strategy governance is discussed in greater detail. The Europe 2020 and SGP reporting and evaluation is done simultaneously to ensure coherence of policies, while keeping the instruments and procedures separate and maintaining their integrity<sup>6</sup>.

A recent publication from Eurostat, entitled “*Smarter, greener, more inclusive? — Indicators to support the Europe 2020 strategy*”<sup>7</sup>, provides statistical support for the Europe 2020 strategy and for monitoring its headline targets. It highlights that the EU still has to catch up and reduce the gap with regard to overall R&D intensity, energy efficiency, poverty reduction, employment rate, and high-level education.

The present report, entitled “*A mid-term assessment of Europe 2020 from the standpoint of EU cities and regions*”, assesses the evidence from both a broad consultation of Local and Regional Authorities (LRAs) and a detailed analysis of stakeholder interviews on the factors that underpin or prevent the development of the Europe 2020 strategy. Additionally, it draws on input from the series of CoR conferences, workshops and seminars on the mid-term review of the strategy and from the surveys on the seven Europe 2020 flagship initiatives carried out by the CoR in the course of 2013.

This report considers LRAs as the locus for change and innovation and active drivers in the Europe 2020 framework. However, the report reflects upon the insufficient involvement of the LRAs in the design, planning and implementation stages. The central point is that the strategy targets do not primarily address the regional and local level but are mainly relevant for the EU as a whole. In addition, their abstract nature is also due to the fact that the targets have been negotiated at the national and EU level without the involvement of LRAs; to an extent, these positions reflect also the analysis offered by the CoR.

The research findings suggest that there is strong evidence of LRAs having more confidence about their role: there is a tendency to take chances or to be innovative, with a broader and more open approach to a longer-term vision, ambition and capacity to think ‘outside the box’. In this perspective, it is also important to recognize the supporting and leading role of the Europe 2020 strategy which clearly makes the implementation of strategic approaches at the local level easier.

Overall, the report confirms the importance that LRAs play in meeting the Europe 2020 objectives and targets. LRAs recognize the value of the strategy in providing long-term framework for action and a ground-field for benchmark and

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<sup>6</sup> [http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm)

<sup>7</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_details/publication?p\\_product\\_code=KS-02-13-238](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-02-13-238)

exchange of knowledge and good practice, creating a greater sense of identity and confidence.

On the basis of the research findings, the report also provides guidelines and suggestions to better take into account the local and regional dimension and to make the targets more realistic.

## **2 Methodology**

### **2.1 Broad Consultation**

The consultation consisted of an online survey, which was translated into English and 22 additional languages. It contained 12 statements and questions (in the following called “survey items”) that covered how the Europe 2020 strategy’s approach to indicator selection and target setting, implementation, governance and funding is perceived at the local level and what could be done to improve it in the course of the mid-term review (for the English version of the questionnaire see Annex 1). The survey was distributed to local and regional authorities and other stakeholders with the help of the INTERREG IV C programme and ran from 3 September to 11 November 2013.

After excluding empty and incomplete duplicates, the final sample consisted of a total of 1,059 valid responses. Based on the LRA affiliations stated, the corresponding NUTS 2 code was determined for the LRA’s location in order to permit the spatial analysis of survey responses.

For survey items 1-10 simple frequency tables and pie charts were compiled and they form the basis of the statements contained in section 4.2. Item 11 allowed the respondents to select their two most preferred answer categories. The frequency distribution for this item was based on counting first and second preferences with equal weight.

The last survey item collected additional comments from the respondents (in the form of an open question). In the majority of cases, no comments were provided. Of the 281 non-empty comment fields, 23 consisted of “NA”, “none”, “-” and similar content, leaving 258 meaningful comment items. These comments were all translated into English and form the basis for the analysis in section 4.6.

The statistical analyses in sections 4.3 and 4.5 were performed using MS Excel and the statistical software language and environment R (version 3.0.2).

### **2.2 Stakeholder Interviews**

In order to complement the results of the LRA consultation with views from other relevant stakeholders, a series of telephone interviews was carried out between October and December 2013. The questionnaire used for the interviews

was prepared on the basis of a desk research carried out between July and October 2013<sup>8</sup> and is included in Annex 3.

In the course of the interview series, 11 stakeholders from think tanks, academia, associations of LRAs and the European Commission provided their feedback. A purpose of the interviews – carried out in a semi-structured manner – was to draw a comprehensive picture on various aspects related to Europe 2020. As a consequence, depending on the expertise of the interview partner, different questions were discussed with the different stakeholders, and for some of the questions a comprehensive picture had already emerged at a certain point in time so that these topics were not dealt with any more in subsequent interviews.

It was agreed with the interview partners to not use direct quotations in this report; therefore, the results are shown in an anonymised, aggregated form. The interviewed stakeholders are listed in Annex 2.

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<sup>8</sup> Part of the desk analysis was carried out under the CoR order form 4735 “Towards a mid-term assessment of Europe 2020 from the standpoint of EU cities and regions”.

### 3 Synthesis of Main Study Findings

The European Union's motto "United in Diversity" is a fitting one because, as a political and economic union, the EU is the 7<sup>th</sup> largest in terms of total area, its 28 Member States comprise more than 500 million residents, 24 official languages, and the World's largest combined GDP. At the local and regional level Europe is an immensely diverse cultural, social and economic union. Its integrative institutions continue to provide numerous benefits to European residents, while also generating a gravitational pull towards centralization of authority and policy development that can neglect regional and local differences. Europe 2020 and its governance mechanism aim to further Europe's advancement through greater coordination of national and European economic, social and environmental policies. The following sections present the synthesised findings of an analysis of the status of the strategy from the viewpoint of European cities and regions based on the literature, a broad consultation conducted by the Committee of the Regions and a number of stakeholder interviews. In addition, the outcomes from CoR surveys on the state of play of the seven Europe 2020 Flagship Initiatives<sup>9</sup> as well as expert opinions from conferences, workshops and seminars carried out by the CoR since mid-2013 have been used to complement the findings.

The first section begins with an overview and critical analysis of the role of LRAs in the implementation of Europe 2020; particular focus is placed on identifying the reasons for the untapped potential of LRAs in contributing to the strategy's objectives and targets. The second section discusses the multitude of benefits of introducing a bottom-up planning approach in a revised Europe 2020. This is followed by a discussion on the feasibility and desirability of regional allocation of targets in section three, highlighting in particular the mechanisms of such an approach and the peculiar situation of cross-border regions in this respect. Section four provides a review and assessment of the current state of cooperation between LRAs in implementing Europe 2020 and sets out some possible mechanisms for stimulating partnership and mutual learning between local actors. The governance structure of Europe 2020 and the possible mechanisms for streamlining the territorial approach to governance are reviewed in detail in section five. Section six provides an overview of the current state-of-play of the Europe 2020 budget debate, highlighting the need for improving the

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<sup>9</sup> The seven publications based on the CoR's broad consultation include: "Survey of the EU local and regional authorities on the Europe 2020 "Innovation Union" Flagship Initiative", "A Resource Efficient Europe", "Survey on the Digital Agenda for Europe", "European Platform against Poverty and Social Exclusion", "An Industrial Policy for the Globalisation Era", "Survey of the EU local and regional authorities on the Europe 2020 Agenda for new skills and jobs Flagship Initiative" and "Survey of the EU local and regional authorities on the Europe 2020 Agenda for new skills and jobs Flagship Initiative". The questionnaires can be accessed here: <https://portal.cor.europa.eu/europe2020/Surveys/Pages/welcome.aspx>.

efficiency of spending and tapping into alternative sources of finance. In the concluding section of this chapter, the results from the desk research, from the online consultation with LRAs, from the stakeholder interviews, from the CoR's conferences and surveys on the seven flagship initiatives and the CoR's workshops and seminars on Europe 2020 culminate in policy recommendations based on the suggestions made by LRAs and other stakeholders.

## **3.1 Making Europe 2020 a Reality – the Role of LRAs**

### ***3.1.1 What is the role of LRAs in the achievement of Europe 2020?***

There is growing recognition that the success of Europe 2020 depends crucially on the participation and a shared sense of ownership by all levels of government (SIESTA, 2013; Böhme et al., 2011). The paramount importance of local actors for the success of Europe 2020 is very well illustrated by Stahl and Spinaci:

*“Today’s union is made up of about 270 regions, 90,000 local authorities. Their aggregated budget is equivalent to 16% of EU-27 GDP – one-third of total public spending and two thirds of all public investment expenditure. Around 70% of European legislation requires implementation at local level [...] It is evident that any ambitious European level reform plan aimed at developing a new sustainable social market economy needs the support of local and regional authorities”* (European Policy Centre, 2010).

The role that LRAs can play – and the support they can provide – crucially depends on the degree of “autonomy” they have. One of the most common approaches of assessing the autonomy of LRAs is to consider the distribution of public investment carried out by LRAs, where a larger share would signify greater independence. The problem of this approach, however, is that LRAs might have little control over budgetary decisions if the central regulatory and financial powers belong to the state (European Policy Centre, 2012). Indeed, an OECD study on the institutional, regulatory and administrative control of central over subnational levels of government concludes that LRAs’ discretion over their own spending is limited (Ibid). Nevertheless, some transfers from the state level to LRAs are more general and can be freely used by subnational governments. Furthermore, even without full control over their budgets LRAs hold a number of important responsibilities, which Dexia (2008) classifies as own responsibilities (usually concerning issues of local interest and financed by local funds), delegated responsibilities (performed on behalf of the central government or other subnational authority and financed through state transfers) and responsibilities shared with other institutional level (Dexia, 2008).

In this context, having a comprehensive picture of the division of institutional, regulatory and administrative powers between Member States and subnational governments is essential for understanding the role of LRAs in the implementation of Europe 2020 strategy. An extensive CoR study with country fact sheets on the division of powers in the EU (CoR, 2012) highlights some of the main responsibilities, which fall within the realm of LRAs, and are closely related to the Europe 2020 priorities. In particular, it becomes evident that LRAs are key actors for “smart, sustainable and inclusive” growth in Europe with regard to:

- **Innovation**, through the preparation of smart specialisation and business development strategies, intensifying the link between business and research capacities on the ground and promoting innovative public procurement.

Results from the CoR’s survey on the Flagship Initiative “Innovation Union” provide further evidence in support of LRAs’ involvement in the development and implementation of innovation strategies at local level. 75% of the survey participants stated that their region has implemented a smart specialisation strategy while only 17% of respondents still do not have such a strategy in place (out of these, 7% are currently working on drawing up such a strategy). Furthermore, a large majority of the respondents (90%) have indicated investment in R&D and ICT as the most commonly implemented policy programme or action in their city/region to support the objectives of the Innovation Union. This has been followed by the action of “Providing support to potential beneficiaries to access EU funds and participate in EU initiatives in the field of research and innovation” with 83%.<sup>10</sup>

- **Employment**, through the implementation (and in some cases development) of programmes for re-employment and special labour market schemes targeting groups such as long-term unemployed and youth; governing and overseeing the activities of local Labour Centre’s branches; promoting relations between employment and education.

Results from the CoR survey on the flagship initiative “Agenda for new skills and jobs” highlight the active role that LRAs play in the policy fields related to employment and labour market issues (in 44 out of 46 cases LRAs perceive themselves as major players in this respect). The survey findings further point to the in-depth knowledge of LRAs in the employment and job challenges facing their regions, counties, cities and municipalities.<sup>11</sup>

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<sup>10</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Innovation-Union.aspx>

<sup>11</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Survey-of-the-EU-local-and-regional-authorities-on-the-Europe-2020-Agenda-for-new-skills-and-jobs-Flagship-Initiative.aspx>

- **Environment and fight against climate change**, through the control over polluting industries, quality of regional air and water and natural conservation on local level, carrying out energy efficiency policy (municipal buildings, hospitals and schools); public investment in growth enhancing green infrastructure such as renewable energies and low carbon technologies.

Outcomes from the CoR survey on the “Resource Efficient Europe” flagship initiative further confirm the proactive role of LRAs in the areas of energy and climate change. Regarding resource efficiency, about half of the participants in this survey (53%) have adopted policies in the field of low-carbon, resource efficient energy systems. 44% of the respondents have implemented policies related to sustainable consumption and production and low-carbon, resource-efficient transport. Another 35% have carried out regional policies on the efficient use of raw materials (minerals, forests and biomass), while 29% have adopted policies in the field of zero-waste economy and biodiversity, ecosystem services and land use.<sup>12</sup>

- **Skills and Training**, by providing support to business-led training initiatives and improving the match between the supply and demand of training programmes.

Findings of the CoR survey on the Flagship Initiative “An Industrial Policy for the Globalization Era” confirm the importance of LRAs in terms of forging partnership between the academic world, on one hand, and public administration and private research institutions, on the other. Almost three quarters of the survey respondents have stated that LRAs “*tend to provide direct support to firms and networks/clusters and try to find ways for encouraging stronger relationships between firms, universities, public and private research institutions*”.<sup>13</sup>

- **Education**, through the development of educational support programmes for reducing school drop-out rates as well as promotion of life-long learning initiatives.

Findings from the survey on the Flagship Initiative “Youth on the Move” provide some examples of concrete programs, initiatives and actions taken by LRAs in relation to youth and education issues. These involve: “*overhauling of existing curricula at secondary and tertiary schools to better match labour market needs; improving the usefulness of vocational training and increasing the number of youth with a vocational certificate;*

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<sup>12</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/A-Resource-Efficient-Europe.aspx>

<sup>13</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Survey-of-the-EU-local-and-regional-authorities-on-the-Europe-2020-.aspx>

*promoting mobility to increase job prospects; fostering life-long learning opportunities; providing incentives to businesses to hire young persons”*.<sup>14</sup>

- **Social inclusion**, through the implementation and support of social policy programmes and projects, establishment and management of hospitals, nursing homes and services and facilities for vulnerable groups and groups with special needs, organising social housing.

Some of the concrete actions of LRAs in relation to poverty alleviation identified through the CoR survey on the flagship initiative “European Platform against Poverty and Social Inclusion” include initiatives to alleviate housing problems, combat child poverty and its repercussions; support mechanisms for families and single parent households through the provision and subsidisation of childcare, direct financial support, housing assistance, education and job-search support for the parents; programmes for integration of young people into the labour market, etc. Overall, responsibilities of LRAs in the area of social inclusion seem to be delegated or shared with other institutional levels; a majority of the survey respondents confirmed that the accomplishment of their goals requires considerable horizontal (with national authorities) and vertical (with other local stakeholders such as non-profit organizations and businesses) partnerships.<sup>15</sup>

- **Supporting SMEs, by making financing accessible** with the help of public banks and specific public financing instruments or contributing to the general improvement in the business environment.<sup>16</sup>

In accordance to this, 42% of the respondents in the survey on the Flagship Initiative “An Industrial Policy for the Globalization Era” confirmed their involvement and work towards the improvement of the business environment, especially through administrative simplification.<sup>17</sup>

The above listed examples of LRAs’ power and responsibilities in relation to Europe 2020 show that many levers to support the development of a competitive, inclusive and green economy rest with regional governments. This view is in accordance with a CoR opinion issued in 2011, which states that

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<sup>14</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Youthonthemove%20survey.aspx>

<sup>15</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/European-Platform-against-Poverty-and-Social-Exclusion.aspx>

<sup>16</sup> Presentation of Thomas Wobben (CoR) “*The division of powers in the EU: Chance and challenge for addressing the crisis in Europe*”, November 2013 and CoR ‘s report “*Division of Powers between the European Union, the Member States and Regional and Local Authorities*”(CoR, 2012)

<sup>17</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Survey-of-the-EU-local-and-regional-authorities-on-the-Europe-2020-.aspx>

*“local and regional authorities have the potential and political commitment to address economic, social and environmental issues from a territorial perspective”*.<sup>18</sup>

The key role of LRAs has also been acknowledged by the European Council: *“The involvement of LRAs is essential because they have the tools, the competencies and the responsibilities for key aspects of the Europe 2020 targets and objectives. It cannot be done without the LRAs even if some governments are reluctant to admit it.”* (Richard Corbett, member of Cabinet of the European Council president, Mr Van Rompuy)<sup>19</sup>.

Furthermore, the changes in the institutional organization of power taking place in many European countries have also been pointed out. Federalisation, decentralisation or recentralisation processes in the EU are present at different levels – municipal (municipal mergers, inter-municipal cooperation, metropolisation) as well as intermediate (replacement of counties by unitary authorities in England, reform of provinces in Italy, etc.) and regional. However, current trends in the organization of power involve overall enhancement of regions. Decentralisation processes normally entail granting regions more responsibilities together with the instruments to fulfil them, and thus enhancing their independent decision-making. Spain, Italy and Germany have recently passed a law conferring regions more financial autonomy, in the UK “federalisation” is underway in regions, in Belgium competences have been transferred towards federated entities, only to name a few examples<sup>20</sup>. These processes in the devolution and decentralisation of power not only point to the increased scope of competences of LRAs but also to the opportunity of using these institutional changes in order to strengthen the role of LRAs as drivers of growth and increase the efficiency of local public actions.

The perception that LRAs are important and active drivers for change is confirmed by the LRA consultation carried out in late 2013. Respondents to the survey used in particular the comment section to indicate their view that LRAs are a critical part of the strategy’s success, which hinges on their active involvement and giving them a stronger, more clearly defined voice in its ongoing implementation. In addition, 88% of the respondents fully or substantially support that multi-level governance principles should be better observed in the context of the mid-term review of the strategy and setting territorially differentiated targets, and 82% arguing that multi-level governance

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<sup>18</sup> CdR 72/2011, CoR Opinion The role of local and regional authorities in achieving the objectives of the Europe 2020 Strategy”

<sup>19</sup> Statement made at the CoR Seminar on the future of Europe 2020 3 December 2013 in Brussels.

<sup>20</sup> Presentation of Thomas Wobben (CoR): *“The division of powers in the EU: Chance and challenge for addressing the crisis in Europe”*, November 2013.

agreement would further strengthen their contributions. LRAs also want to learn more from the experiences of their counterparts in other regions and countries of the EU, with 56% fully supporting the notion that improved knowledge sharing will help them achieve the strategy's objectives.

Although LRAs have expressed strong agreement on the usefulness of the strategy as a potential tool to benchmark and exchange good practices (77% of the consultation respondents fully or substantially agree), their satisfaction with the practical implementation and relevance of the strategy to their own work “on the ground” is less pronounced. This is best reflected in the moderately supportive responses to the consultation with respect to the extent to which LRAs agree that the Europe 2020 has provided impulses to prioritise the growth and development objectives emphasized by the strategy (17% fully and 40% substantially agree) and to tap into new or innovative financing tools to achieve them (25% fully and 39% substantially agree). It could be concluded that the insufficient progress in the implementation of the strategy is not primarily a question of the usefulness of Europe 2020 but rather of the role of LRAs. Indeed, according to the consultation, LRAs see themselves as a key driver of change in the Europe 2020 framework both in terms of knowing what areas are in need of action and policy reforms within their respective jurisdictions and with respect to designing and implementing effective measures. Thus, LRAs will not agree on playing a passive role in sustainable and inclusive growth-oriented policies. However, the room to manoeuvre that is necessary for them to translate the Europe 2020 objectives into visible progress seems to be considerably constrained due to at least two reasons: the financial limitations of LRAs, and their generally limited involvement in the planning and design of programs and actions under Europe 2020. The degree of autonomy of subnational governments is often restricted by the central state, which can determine not only the amount to spend but also what to spend on (through regulation or earmarked grants). Thus, the apparent capabilities and competences of LRAs with regard to Europe 2020 priorities are counteracted by the lack of control of subnational governments over essential regulatory and financial powers.

### 3.1.2 *Why is progress not satisfactory?*

- **Insufficient involvement of LRAs**

The perception of a limited value added provided by the strategy being at least partially attributed to the insufficient involvement of LRAs in the design and implementation stages has also been one of the main drawbacks highlighted by the interviewed stakeholders.

First of all, the strategy's targets – due to their aggregated nature – are seen as high-level targets that do not primarily address the regional and local level but are mainly relevant for the EU as a whole. To a certain extent this perception also applies to the targets set at national (Member State) level.

Secondly, stakeholders viewed the targets as somewhat “abstract” representations of the diverse and complex reality on the ground. Although the selected headline targets and associated indicators are seen as representative of the main priority areas that most LRAs are grappling with, they cannot reflect the multi-dimensional challenges and dependencies of poverty, urban and rural economic development potentials and environmental contexts that shape the local and regional policy space. This observation is in line with the already well-known criticism raised by the CoR and others, that the targets have been negotiated at the national and the EU level without the involvement of LRAs, as well as to the limited involvement of LRAs in the process of developing the annual NRPs. As such, when it comes to the practical implementation of Europe 2020, LRAs are the recipients of targets in a top-down process that does not necessarily help them in designing their own, effective policies in the areas of smart, sustainable and inclusive growth. In reality, the aggregated targets do not help LRAs set the level of ambition to be pursued in the targeted areas since little or no guidance is provided by the national governments on how to translate the national targets to the local level.

The call for greater involvement of LRAs is illustrated by the following comment in the consultation survey:

“The regional/local level should be asked to contribute to all national action plans. It is important to take a bottom-up approach to the issues. Initiatives at national level need to be made clearer, and there needs to be more willingness to implement them at local and regional level. A national forum is not enough. Clearer contact with the parts of the programme relating to the structural funds.” (Comment by consultation respondent).

- **Gaps in policy co-ordination between the EU and national level**

Furthermore, stakeholder interviews highlighted the existing gaps in the strategy's governance in relation to policy co-ordination between the EU and national level and the national and sub-national level. At the national level, the ministries co-ordinating national policies with EU policies (i.e., the ones “talking to Brussels”) are usually not the ones that are responsible for co-ordinating specific thematic policies between the national and the sub-national levels.

- **Gaps in policy co-ordination at EU level**

The analysis also finds room for improvement in terms of policy coordination at the EU level itself. Some of the interviewed stakeholders raised the issue of many initiatives put in place since the adoption of the strategy not being directly in line with its objectives, in particular in the area of social policies. This is also the case with the European Semester, which mainly coordinates macroeconomic policies and fiscal consolidation. Although a recent initiative by the European Commission on strengthening the social dimension of the Economic and Monetary Union (EMU)<sup>21</sup> – by proposing a scoreboard of five additional indicators<sup>22</sup> – is seen as a positive move by the interviewed stakeholders, it was acknowledged that this creates a juxtaposition of indicators and targets that may be confusing not only for EU policy makers and Member States but also for LRAs.

Moreover, Directives adopted by the different European Commission DGs are not always in line with the objectives underlying the funding streams directed to LRAs (e.g. through the ERDF). As a consequence, LRAs are sometimes facing discrepancies (e.g. national objectives not in line with EU objectives, or EU priorities in one area not in line with priorities in other areas) when it comes to the practical implementation of policies.

The situation seems to be different in relation to the so-called “20-20-20” targets in the area of climate change and energy, which seem to be well-known also to LRAs, with many networks and projects already in place at the local level. However, since these targets have already existed since 2008,<sup>23</sup> it is not clear how much of this visibility can actually be attributed to the Europe 2020 strategy.

The problems of policy coordination at EU level have also been cited in the literature on Europe 2020. Daly (2012) points to the strategy’s emphasis on economic growth at the expense of a more comprehensive approach favouring socio-economic integration. Furthermore, Mendez et al. (2011) draw the attention to the insufficient reflection on the tensions and contradictions between certain goals or within flagship initiatives, for example between social cohesion and growth or employment flexibility and security.

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<sup>21</sup> [European Commission, \*Strengthening the social dimension of the Economic and Monetary Union\*, COM\(2013\) 690 provisoire.](#)

<sup>22</sup> These indicators include: unemployment rate, youth unemployment rate & NEETs, household disposable income, poverty rate, income inequality.

<sup>23</sup> [European Council, \*Energy and climate change – Elements of the final compromise\*, 17215/08, 2008.](#)

- **Replicating the mistakes of Lisbon?**

Concerning the main points of criticism, described above, a few of the interviewed stakeholders see the mistakes that were made in setting up and implementing the Lisbon strategy being repeated in the Europe 2020 strategy's development and implementation. In particular, concerns have been raised regarding the risk of policy discussions being confined to the activity sphere of national ministries of foreign affairs and liaisons with Brussels; and hence leading to decisions being made without sufficient consultation and input from the operational actors, e.g., outside respective line ministries and, more importantly, the regions. However, other interviewed stakeholders see clear improvements in relation to the Lisbon strategy, such as fewer targets or a better integration of the strategy into the European system, thus making it more visible at the LRA level.

As one respondent to the consultation put it, "The Europe 2020 strategy can be further improved by increasing the involvement of local and regional authorities in the various phases (policy preparation, implementation) of the strategy. In comparison with the Lisbon Strategy, more emphasis is placed on the possible contribution of local and regional authorities (for example in the European Commission's guidelines on drafting the National Reform Programmes), but there is certainly still room for improvement..."

The similarities and differences between Europe 2020 and the Lisbon Strategy were also reflected during the CoR conferences. Although the discussion affirmed the positive changes in Europe 2020 in terms of greater concern for climate change and energy issues, balanced focus on measurable headline targets and the better mix of national and European governance responsibilities, important criticism was raised regarding the repeated "*example of the Lisbon strategy, which did not take into account regional and local peculiarities*":

*"Both in the Lisbon strategy and in Europe 2020 the role of the regions and the role of multilevel governance were overlooked. Such a strategy cannot be successfully implemented without a clear multilevel governance approach, giving a central role to the regional level. The regions should be involved from the outset and have an explicit role throughout the policy cycle."* (Maria João Rodrigues, ISCTE-IUL Lisbon University Institute and ULB, policy adviser to the European Union on European economic policies)<sup>24</sup>.

Indeed, one of the main criticisms of Europe 2020 raised in the literature refers to the insufficient reflection on the reasons for the shortcomings of the Lisbon

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<sup>24</sup> Statement made at the CoR Seminar on the future of Europe 2020 3 December 2013 in Brussels.

strategy, which is seen as necessary to inform the strategic approach to cohesion and the growth and inclusion objectives formulated in the Europe 2020 strategy (Budd, 2013). Nevertheless, four main positive features of Europe 2020 in comparison to the Lisbon strategy have also been cited:

- i) more comprehensive scope and clearer focus on the environmental and social dimensions of growth;
- ii) greater concentration and focus in the approach to target setting;
- iii) improved economic governance through better coordination between national budgetary policies and growth-enhancing policies; and
- iv) increased visibility of poor performance through the use of country specific reports and recommendations.<sup>25</sup>

### 3.1.3 *The value-added of the strategy for LRAs*

- **A number of regions have benefited from Europe 2020, others only to limited extent**

Despite the above discussed shortcomings of the strategy, the stakeholder interviews provided examples of some of the realized benefits of the strategy. For instance, a small number of LRAs have been able to use the Europe 2020 strategy (or some of its priorities, targets or flagship initiatives) for their own purposes. This observation was also reflected in the survey consultation, where 17% of consultation respondents fully agreed and another 40% substantially agreed that the strategy improved their priority setting.

The good practices collected by the CoR and the results from a series of Committees' surveys on the seven Flagship Initiatives<sup>26</sup> also provide strong evidence in support of the usefulness of the Europe 2020 framework for subnational governments. In particular, the CoR's monitoring activities on Europe 2020 have shown strategy has encouraged many LRAs across Europe to adopt policy programmes in line with its goals and to undertake cooperation with other levels of government and relevant stakeholders. The Flagship Initiatives were found to be especially relevant and useful by providing LRAs with a framework of specific objectives, actions and funding within which to focus their implementation efforts. Indeed, from the results of the CoR surveys it becomes evident that many LRAs have adopted policies and actions explicitly in reference to the Flagship Initiatives (see section 3.1.1).

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<sup>25</sup> See the contributions by Annette Bogardt and Francisco Torres, Phillippe Pochet, Iain Begg, Laszlo Csaba, Karel Lanno, Luc Soete and Christian Egenhofer in: *Intereconomics* (2010) Forum on Europe 2020- A promising strategy?, Volume 45, Number 3, May/June 2010, pp136-70, cited in Mendez et. al. (2011).

<sup>26</sup> See <http://portal.cor.europa.eu/europe2020/Surveys/Pages/welcome.aspx>

Outcomes of the conferences organised by the CoR further confirm the value-added of the strategy. It became clear that some LRAs are even involved in actively designing and implementing their own local/regional development strategies in line with Europe 2020. In some cases, these initiatives have adopted governance systems based on horizontal and vertical coordination between levels of government. One concrete example often referred to in this respect is the “Flanders in Action initiative”<sup>27</sup>. “Flanders in Action” is a regional strategy for growth developed by the Flanders region on the basis of its key competences related to Europe 2020. The strategy established twenty ambitious but realistic targets, adapted to its particular circumstances. Further positive features of this local Europe 2020 initiative are the use of both local and vertical multi-level governance approaches, as reflected in Flanders’ involvement in the Belgian National Reform Programme (e.g. bilateral meetings jointly with the European Commission and the Belgian Federal government) and its contribution to the Country-Specific Recommendations.

The interviewed stakeholders also emphasized the usefulness of the Europe 2020 priorities and targets for providing guidance to the regional and local level, in particular in the time of the crisis, helping LRAs to apply a more strategic approach towards longer-term objectives and targets important for the future provision of public services (such as healthcare and pensions). However, it has to be noted that this provision of guidance has been mentioned as a theoretical case only (by stakeholders not speaking on behalf of a LRA); a comparison with the online consultation with LRAs shows that this point of view is actually shared (fully or partly) by about 57% of the LRAs.

However, as pointed out by the stakeholder interviews, regions which have benefited the most from the Europe 2020 framework appear to have either been previously acquainted with the work at the EU level, or, alternatively, already established as leaders in specific fields before the adoption of Europe 2020 (such as Flanders, Brandenburg or Bavaria). In the latter case, this means that some regions were able to view Europe 2020 as an opportunity to continue what they were doing before. It is, however, unclear to what extent some of these regions may have used their “response” to the strategy, such as the creation of a regional Europe 2020 strategy, as a means for supporting their own regional agenda, which sometimes runs counter the interests of the respective national government. This concern has also been pointed out in the literature, which suggests that the broad generality of the Europe 2020 allows almost any activity to be justified by reference to one of the three priorities (Mendez et.al, 2011).

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<sup>27</sup> Based on a statement made by Joeri De Blauwer, *EU 2020 Coordinator, Flanders in Action* during the 2nd CoR Workshop on Reviewing the Governance of Europe 2020 18 September 2013.

Another general finding drawn from the stakeholder interviews is that regions that are performing well in a specific target area do so because they had an already rather good regional (or also national) starting point, whereas the majority of poorer regions are facing challenges in relation to all five targets. Also, because LRAs were not involved in the setting of the targets in the first place, many of them are only slowly becoming aware of the Europe 2020 objectives, so an increase in the relevance of the targets for LRAs can be expected in the future, also due to the fact that EU funding (through the Structural Funds and the ESF) will only in the coming period (2014-2020) be aligned with Europe 2020.

The CoR monitoring exercise on the Flagship Initiatives<sup>28</sup> also revealed that not all regions have benefited equally from the Europe 2020 framework. Those which have shown to be most excluded from the policy goals and actions under the Flagship Initiatives are the outermost regions and some rural areas (“Youth on the Move”, “Agenda for New Skills and Jobs”), which are hit hard by the economic crisis or face specific local challenges (e.g. an ageing population, lack of higher education institutions, a large influx of immigrants, or shifts in the types and availability of jobs and of labour). For instance, in the survey on the Flagship Initiative “European Platform against Poverty and Social Exclusion”, 15% of the respondents indicated that they were either only partially satisfied with their national targets or feel that these targets are not realistic in view of their local/regional situations. Overall, criticism has been levied on the strategy being too abstract and broad in scope, without sufficient reflection on the diverse regional circumstances.

- **Usefulness of the five strategy targets depends on the specific situation on the ground**

Concerning the relevance of the five Europe 2020 headline targets for LRAs, it was commonly acknowledged in the interviews that this mainly depends on the competences of the LRAs in the policy areas in question as well as the actual situation on the ground. In principle all five targets (on employment, R&D, climate change, education and poverty) were seen as having important regional aspects; however, since policy responsibilities are spread very differently across the EU (between the national and sub-national levels), the actual space for LRAs to act and drive change varies considerably from country to country.

In the interviews, out of the five targets, the one on R&D was generally considered as being the most relevant for LRAs, mainly because of the important set of actions that LRAs can undertake at regional level in order to

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<sup>28</sup> See Europe 2020 Monitoring Platform, <http://portal.cor.europa.eu/europe2020/Surveys/Pages/welcome.aspx>

promote smart specialisation and R&D. In contrast, the poverty target was seen as most distant to LRAs due to the fact that social policies tend to fall into national competences and LRAs' responsibilities in this area seem to be delegated or shared with other institutional level. This perception stands in some contrast to the results from the CoR survey on the "European Platform against Poverty and Social Exclusion" flagship initiative, which indicated that many LRAs are not only aware of problems related to poverty and its many dimensions, but are also actively working with the national government, advocacy and non-profit groups as well as other partners to tackle them. For the education target, the common sense was that it depends on the country in question; here, Belgium and Spain were mentioned as examples for countries where regions have a large influence because of their competences in this area. The picture was less consistent for the other targets. In particular for the energy targets – depending on the specific situation ("starting point") of a region – big potentials were seen for LRAs (e.g. for investments supported by the EIB).

#### 3.1.4 *Conclusions*

Overall, both the consultation results and the opinions expressed in the stakeholder interviews confirm the importance that LRAs play in meeting the Europe 2020 objectives and targets. LRAs recognise the value of the strategy in providing long-term framework for action and a ground field for benchmark and exchange of knowledge. However, according to the overall opinion the coordination gaps in the design of the strategy have hampered the actual delivery of sustainable and inclusive growth-oriented policies on the ground. More specifically, the lack of involvement of LRAs in the setting of goals and targets has undermined the adequacy and relevance of these to the local level. Targets are considered too aggregated and too abstract and disconnected from the local reality in order to provide concrete avenues for policy development and meaningful local action. It follows that a stronger vertical and a somewhat better horizontal coordination among all tiers of government offers an opportunity for addressing these obstacles and boosting the efficiency of the strategy. Entrusting local actors with significant responsibility in the design and implementation of the strategy will not only ensure that goals and targets are realistic and adapted to local situations, but also provide an opportunity for collecting valuable regional experience and knowledge.

Nevertheless, one should also take into account the possible side effects of divesting too much authority from the EU and national levels. Arguments in the literature have alluded to the possible danger of the broad generality of the Europe 2020, which allows almost any activity to be justified by reference to one of the three priorities (Mendez et. al., 2011). Bearing this in mind, the possibility of allowing any actor to define their own interpretation of smart,

sustainable and inclusive growth and set their own targets risks undermining the unified vision of Europe that we have. Stahl and Spinaci have already highlighted the complexity of power-sharing and partnership at EU level: “the single horizon of ‘Europe 2020’ needs to strike a balance between 20 or more individual horizons of the different Member States still deeply rooted in their economic traditions, political and administrative planning cycles, which are rarely aligned to the European calendar” (European Policy Centre, 2010). This concern is of even greater relevance when it comes to aligning the “individual horizons” of more than 200 European regions. In this context, the successful implementation of the strategy requires a careful balance of harnessing the potential inherent in the regions and cities of Europe while ensuring the necessary political guidance of national and EU institutions.

### 3.2 The Benefits of Bottom-up Planning and Target-setting for a Revised Europe 2020

Closely linked to the discussion and shortcomings of the Europe 2020 strategy with respect to the role and participation of the LRAs, the top-down approach in the design of the strategy does not seem well suited for promoting one of the main principles of EU policy: territorial cohesion. The current planning process, involving limited consultation with local authorities, has led to the setting of targets that LRAs view as top-down impositions on their (in many cases already strained) capacities to operate and deliver on mandated policy objectives. Furthermore, according to the Territorial Agenda 2020 – agreed by Member States’ ministers responsible for spatial planning and territorial development – the goals of Europe 2020 can only be achieved “if the territorial dimension of the strategy is taken into account, as the development opportunities of the different regions vary” (European Union, 2011a). “The key role of cities and regions in developing place-based strategies for growth and employment” has been also stressed by the CoR on many occasions. President Varcarel has recently reiterated this concern: “*If we want the Europe 2020 strategy to succeed, we need a new approach to strengthen its territorial dimension and truly ensure multi-level partnership in its planning and implementation*” (9 September 2013)<sup>29</sup>.

A number of criticisms have been levelled in the literature against the lack of an explicitly regional dimension of the strategy. As a counter to this, the multitude of benefits of the integration of territorial diversity through a more bottom-up planning approach have been highlighted by policy researchers in recent Europe

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<sup>29</sup> Open Days Workshop “Europe 2020 implemented in your region/city: debate with think-tanks” organised by the CoR on the 26 September 2013 in Brussels.

2020 studies as well as by the LRAs and other stakeholders in the conducted consultation and interviews (Böhme et al., 2011; Budd, 2013). Since the EU's regions are very heterogeneous in terms of their development potential and the socioeconomic challenges they face, the Europe 2020 objectives can be achieved effectively only if the diverse assets and starting points of the regions are utilized differentially (European Union, 2011b; BMVBS, 2012). Among the surveyed LRAs there has been an almost uniform agreement that the Europe 2020 strategy could benefit from a combination of bottom-up and top-down planning and target setting, as this would make it possible to consider specific local and regional characteristics (48% of respondents fully and 37% substantially agree). This view was largely shared by the interviewed stakeholders – an increased involvement of LRAs in planning and target setting through the combination of top-down and bottom-up processes was generally perceived as helpful for making targets more realistic and thus more likely to be reached.

- **To better tap into the potential and strengths of cities and regions**

Böhme et al. (2011) express concerns about the possible negative implications from a “territorially blind” implementation of the strategy and go further to question whether the current approach can indeed deliver increased territorial cohesion. According to their analysis, the Europe 2020 indicators correspond to a “mainstream development model” by implicitly assessing the development of all types of territories on the basis of issues mainly relevant to areas that are more urban, densely populated and central. The main shortcomings of such uniform targets and indicators are that they create a biased picture of the socio-economic performance of different types of regions, conceal complex regional differentiations and the appropriate policy mix stemming from that (Böhme et al., 2011). In this context it can be highlighted that the outermost and to a lesser extent the rural European regions are among the most vocal critics in the consultation to the strategy's approach to promote growth and development.

*“We call for greater involvement of the Outermost Regions in the Europe 2020 strategy. In certain areas, we cannot compete with the know-how that exists on the mainland and the region's remoteness and fragmentation do not make us competitive.”* (Comment by consultation respondent).

*“Greater scope for local and regional adaptation and coordination with national approaches. More focus on the differences in/levels of development between regions and areas. More focus on the problems that urbanisation creates in rural areas. The current philosophy of growth is far too focused on the needs and requirements of densely populated urban regions.”* (Comment by consultation respondent).

The view that the lack of a clearly articulated subnational dimension of the strategy, including appropriate implementation, governance and funding provisions, can constrain the achievement of its three priorities is largely shared by Budd (2013). As a major pitfall of the strategy the author emphasizes the governance architecture fails to integrate economic governance of the EU (including the Single European Market and the Eurozone) with other policy domains such as cohesion and, in particular, regional policy.

- **To prevent increase in regional disparities**

The ESPON synthesis report 2013, connecting territorial evidence to the eleven key themes for investment in the European Structural and Investment Funds (ESIF), provides some insight into the possible negative side effects of disregarding territorial differences and framework conditions. It emphasizes, in particular, the risk of increased regional disparities as a result of a territorially blind policy approach (ESPON, 2013a). Indeed, the Atlas, developed by the ESPON project and presenting the territorial dimension of the Europe 2020 strategy, confirms a growing divergence among regions in terms of meeting their Europe 2020 targets (ESPON, 2013b). Most of the Europe 2020 indicators exhibit tendencies towards territorial concentration. For example, the blind approach of strengthening key aspects of smart growth such as innovation and education are likely to reinforce territorial concentration tendencies and might fail to support region-specific growth potentials. This poses the risk of increasing regional polarization in a self-reinforcing cycle: more affluent regions will become stronger and more attractive to skilled human capital and business enterprises at the expense of more economically disadvantaged regions, which are likely to fall behind and experience exacerbated additional challenges such as an ageing population and further decline in economic resources, e.g. through a diminished tax base, for the provision of services of general public and economic interest (ESPON, 2013a).

Statistical figures affirm that European regions have achieved impressive social and economic convergence since 1988 due to strong economic growth for those with low GDP per capita. Just in the period 1995-2004 the number of regions with a GDP per head below 75% from the EU average fell from 78 to 70 and the number of those below 50% of the EU average decreased from 39 to 32 (ESPON, 2013c). However, the new social and economic conditions created by the crisis together with heightened pressure from globalization and economic polarization have challenged the sustainability of the trend from the last thirty years towards reduction of economic disparities between European regions. The *ET2050 Territorial Scenarios and Vision for Europe 2050* (ESPON, 2013c) report contributes to this debate by providing a useful insight into possible long-term development paths of European territories under different policy

assumptions/scenarios. The value of this modelling exercise lies in improving the understanding of the impact of strategic political decisions on long-term regional development trends.

The applied methodology is based on a combination of qualitative and quantitative approaches. The qualitative work includes expert interviews, surveys and workshops, whereas the quantitative part presents synthesis of trends by sectors and territories based on modelling of different demographic, macroeconomic, socio-economic, transportation and land-use scenarios<sup>30</sup>. Overall, five scenarios regarding the future development of European regions are developed: (1) the baseline scenario for 2030 and 2050 is a “*projection of current trends in the absence of neither new policies, nor unexpected events*” and assumes as a starting point a “sluggish recovery” from the economic crisis, meaning permanent loss in wealth and stagnation on lower growth path; (2) exploratory scenarios for 2030 and 2050 present three more or less extreme possibilities of the main development drivers, i.e. policies and government, social and corporative behaviour, and technology; (3) the European Territorial Vision 2050 reflects the development of an envisioned future state of the European territorial structure. The results of the scenarios are presented here with the intention to gain better understanding on the future convergence/divergence in the development of European territories (2010-2050 period) under different policy paths.

### The Baseline Scenario

Results from the baseline scenario model, which takes a more pessimistic stance about the future with regard to governments’ capacity to reform public policies, willingness of companies and citizens to change their current behaviour and potential of technological progress, point to increased disparity between European regions due to a number of divergent trends. Under the baseline assumptions growth in GDP will continue for the largest macro-regions in Europe, but regional differences will become more acute, with more developed regions (the ones with the capitals or the largest cities and more centrally located) outperforming the more rural and peripheral regions at national level. According to the forecasts for the 2010-2013 period, “*out of the 132 regions below GDP per capita average in 2010, 84 are expected to experience further regression and only 54 are expected to progress positively*”. Population projections point to population declines in many Eastern rural regions and remote peripheral areas at the expense of regions with large urban agglomerations. In terms of employment, some peripheral regions (Poland, Southern Italy, Spain) show positive employment growth rates despite

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<sup>30</sup> For a more detailed description of the applied methodology see (ESPON, 2013c).

reductions in GDP growth, meaning lower salaries(employment led growth), in comparison to some northern countries experiencing GDP growth without increase in employment (productivity led growth). Eastern European countries are expected to experience decrease in off-shoring processes due to the continuous erosion of their relative advantage in terms of low labour costs. The baseline projection forecasts concentration of technological innovation only in certain sectors and regions. Polarised territorial development is also foreseen in terms of accessibility to global transport nodes (e.g. intercontinental airports and ports), expansive land consumption (more specialized and segregated uses in metropolitan areas) and reduction of greenhouse gas emissions (occurring especially in more industrialised and populated regions).

Overall, the baseline or “business-as-usual” scenario predicts very small decrease of disparities between countries and a significant increase in disparities within countries, resulting in total growth in disparities in Europe.

### The Exploratory Scenarios

In addition to the Baseline scenario, the project develops three exploratory scenarios depicting the evolution of European regions under three distinct policy paths of regional development:

- **Scenario A (Promotion of Metropolitan Global Areas):** European territory is characterized by strong connection between cities and transport nodes, follows the Europe 2020 strategy of promoting the global competitiveness of Europe by stimulating the largest metropolitan areas of Europe with global importance.
- **Scenario B (Promotion of Cities):** economic and population growth takes place in national capitals and major regional capitals; place-based scenario that follows the “*priority of the European Spatial Development Perspective (1999) and the two Territorial Agenda (2007; 2011) for balanced polycentric urban system*”.
- **Scenario C (Promotion of Regions):** “*characterized by strong urban and rural territories that form mosaic of different regions and types of territories with strong identities*”<sup>31</sup>.

The results of the three scenario simulations entail very different implications for the territorial development of European regions.

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<sup>31</sup> For a more detailed description of the underlying assumptions behind the different exploratory scenarios see ESPON, 2013c, p.84-97.

Scenario A implies higher GDP growth compared to the baseline scenario, particularly pronounced in the most important urban poles and some urban second rank areas. However, some peripheral areas of Western European countries are likely to benefit less as they are just crossed by major corridors without being nodes. In terms of total employment, the scenario predicts regional diffusion of the gains in employment growth, even more so for the 12 newest Member States. Manufacturing employment growth is expected to be highly concentrated in core and capital regions, but service employment growth is more evenly spread.

Results of Scenario B imply spatial distribution of GDP growth mostly centred on medium large cities with a high presence of industrial districts, cooperation networks, and small- and medium enterprises. More equal distribution of GDP is expected in regions in the West due to the higher number of second rank cities (as compared to the EU-12). Similarly to GDP growth, employment growth rates follow a diffusion tendency. The high growth in this scenario (2.31% p.a. compared to 1.89% for the baseline) can be explained by the more efficient exploitation of *“territorial capital elements, of local specificities, present in both in large and second large cities that allows local economies to achieve higher competitiveness”*.

Scenario C depicts a relatively slower GDP growth rate compared to the baseline scenario, mostly attributed to slower growth in Western countries. Within each country, rural and peripheral areas tend to benefit more in terms of GDP and employment growth as compared to the baseline scenario. Productivity tends to slow down in metropolitan areas and increase starkly in rural and peripheral areas. The advantage for Eastern European countries that this scenario implies illustrates the visible effect of enhanced cohesion policy. Nevertheless, the low growth performance of this scenario compared to all others comes to show the importance of combining cohesion policies with efforts for strengthening local competitiveness.

The above described simulations and long-term forecasts illustrate the important implication of strategic policy decisions on the future territorial cohesion of European regions. As suggested by the baseline scenario findings, lack of governance action, change in behaviour and technological progress is likely to ultimately lead to increased disparities between more advanced and economic lagging regions in Europe. The three explanatory scenarios provide an insight into the potential regional impacts of three distinct orientations of the future spatial policy of the European Union. The Metropolitan Global Areas and Cities scenario A and B are shown to perform better in terms of competitiveness and economic growth, whereas the Regions scenario C performs better with regard to territorial cohesion. It can be concluded that combining the two aspects –

cohesion policies, on the one side, and local competitiveness, on the other, is essential for promoting convergence in the economic development of European regions without compromising on the growth and competitiveness of local economies. In this line of reasoning, Budd (2013) states *“The tensions inherent in the dichotomous approach of competitiveness and cohesion policy point to the need for a multilevel approach to the socio-economic governance of the EU and enabling grand strategies, for Example Europe 2020, to develop a better fit with operational effectiveness.”*

In order to further assess the impact of the three scenarios on Europe 2020 goals of competitiveness, cohesion and sustainability, the scenarios were ranked based on inputs (ranking criteria and weighting) received during participatory activities with experts. Results show that policy oriented towards nodes and cross border corridors at European level (scenario A) ranks best with respect to the “smart growth” goal, the promotion of socially inclusive large capital cities (scenario B) favours most the “inclusive growth” agenda, whereas the promotion of the potentials of small towns in self-sufficient regions is superior in terms of the “sustainable growth” objective.

- **To identify and respond to territorial vulnerabilities**

Europe is currently facing important regional and global challenges, including the continuing ramifications of the financial and economic crises, the effects of climate change, the increased energy dependence and population ageing. European regions are exposed to them to varying degrees and are likely to experience very different positive or negative impacts, depending on their geographical, economic, demographic, cultural and other specificities. An earlier study examining the regional implications of global pressures argues that the large variability of regions defined as “vulnerable” calls for differentiated policies that respond to this heterogeneity (DG Regio, 2008). The case-based approach has also been put forward as a policy recommendation in other related studies (DG Regio, 2009; Wintjes and Hollandres, 2010). In this respect, integrating territorial diversity into policy design is important for promoting territorial development. Identifying existing territorial vulnerabilities and maximizing competitive advantages of areas is an important prerequisite for reaching the Europe 2020 targets and boosting territorial cohesion. Local and regional governments are likely to play a very decisive role in this respect.

LRAs recognize the vulnerabilities that arise from local, external factors that they have little to no control over and respondents to the consultation advocate that these factors be taken more heavily into account both in terms of target setting as well as in providing funding to tackle or harness them to their advantage. It is worth pointing out, that the affected regions do not only see

these vulnerabilities as liabilities and impediments to their development as the following comments demonstrate.

*“Of the many issues which could be mentioned, I will restrict myself to pointing out that the criteria for allocating funds could be broadened to include a set of indicators with a relevant weighting. I refer in particular to the demographic and environmental criterion. This could result in more decisive support for remote rural regions, which usually have a low demographic density and ageing populations but nature-rich environments (Natura, SPAs, etc.), which can make a decisive contribution to fighting global warming, desertification, forest fires, etc.”* (Comment by consultation respondent).

*“Understand forestry's great potential to provide new products, replace fossil fuels, and create jobs and incomes in rural and sparsely populated areas in Europe.”* (Comment by consultation respondent).

As emphasized by the second interim ESPON report, promoting cohesion among the increasingly globalised and divergent European regions requires more than co-financing of infrastructural projects and provision of subsidies to local entrepreneurs (ESPO, 2013c). There is a need for a more comprehensive approach to cohesion policy with better territorial planning and governance and increased consideration of common macroeconomic policies to less developed and vulnerable regions.

- **To increase the return on investment**

In addition, the current top-down, barely differentiated approach of Europe 2020 risks not only increasing the divergence of regions but also the suboptimal investment of resources. Territorial analysis shows, for example, that there exist significant differences in the capacity of different regions to translate increased investment in R&D and education into economic growth (ESPO, 2013a). Additional investments in R&D can be most efficient in regions with already high levels of R&D investments, whereas regions with low spending on R&D are likely to benefit little from further investments due to geographical, demographic and systemic economic constraints on translating these investments into economic growth. On the other hand, the highest impact of investment on education is likely to occur in regions where the level of human capital is rather low as investment in human capital shows strong decreasing returns (ESPO, 2013a). It follows that understanding and consideration of regional development patterns is of utmost importance for making efficient investments and effectively building targeted strategies, which can contribute to achieving the Europe 2020 objectives.

- **To increase “ownership” of the strategy at regional level**

The lack of consideration given by the strategy’s targets to regional specificities and its failure to account for the potentials and challenges of different regional realities can, furthermore, lead to insufficient levels of “ownership perceptions” in the local context. This effect can be counteracted by designing integrated territorial development strategies, which strike a balance of the economic, environmental and social needs of specific regions.

Monitoring activities carried out by the CoR on the implementation of the Europe 2020 strategy have reiterated the importance of integrating a place-based approach to governance and target setting. According to Wobben (CoR), “ownership of strategies is defined by the way the stakeholders were involved in the strategy setting (input legitimacy) and its delivery (output legitimacy)”<sup>32</sup>. In this context, strengthening the territorial dimension of the strategy and promoting the participation of LRAs in decision-making processes related to Europe 2020 are seen as important preconditions for achieving a sufficient level of ownership of the strategy on the ground.

With respect to increasing awareness and a sense of ownership of the Europe 2020 strategy, the majority of respondents to the online consultation named (i) more funding for carrying out direct measures and (ii) a more clearly defined role for cities and regions in implementing the strategy.

In contrast, the interviewed stakeholders considered (i) “Assistance in aligning actions and projects under Europe 2020 headlines” as the best route for increasing awareness and ownership of the strategy at the local and regional level among the six pre-defined options<sup>33</sup>, while (ii) “A more clearly defined role for cities and regions in the implementation of the strategy” and (iii) “More funding for implementing direct actions” came second and third, respectively. The lack of clearly defined role for LRAs in implementing the strategy and the difficulties they face in aligning actions and projects under Europe 2020 could be to a large extent attributed to the aggregated, abstract and sometimes unrealistic nature of the strategy’s target. As it was discussed earlier, LRAs are the recipients of targets in a top-down process, with limited or no guidance on how these are to be translated at the local level.

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<sup>32</sup> Thomas Wobben’s (CoR) presentation on “Rethinking Europe 2020: setting the agenda of the mid-term review”, 3rd July, 2013.

<sup>33</sup> (1) More funding for implementing direct actions; (2) A more clearly defined role for cities and regions in the implementation of the strategy; (3) A better multi-level dialogue about the objectives and the design of the strategy; (4) A better and more direct communication on Europe 2020 from the EU and national governments; (5) Assistance in aligning actions and projects under Europe 2020 headlines; (6) Changing the name of the Europe 2020 strategy to increase the identification of local and regional actors with the strategy.

As compared to the other options, which were mentioned by the respondents much less frequently, the highest ranked options are more closely related to the active role of LRAs on the ground rather than increased dialogue and communication at policy level. In relation to raising awareness about the Europe 2020 strategy, it was pointed out by the interviewees that this is already quite high in regions that can identify or already work with the strategy's objectives. However, it should also be noted that, as the interviews revealed, there are also some countries or LRAs that have a rather critical view on Europe 2020 due to different political ideologies. In the consultation, "Better and more direct communication on Europe 2020 from the EU and national governments" was only the fourth most frequently selected option for increasing awareness and ownership among LRAs.

It follows that, in order to increase the awareness and hence ownership of the strategy, a clearer focus needs to be placed on the role of LRAs. As expressed by Stahl and Spinaci, "the Europe 2020 strategy should become [...] a shared master plan where the largest number of 'architects' across the European landscape can see their role clearly and make their contribution" (European Policy Centre, 2010). LRAs can see themselves as active drivers for the implementation of the strategy only if they are provided with the means to do so, both financially and operationally. In this line of reasoning, the combination of a more bottom-up approach in planning and target setting, along with the current top-down approach, will ensure that LRAs share the vision and objectives of the strategy and "feel fully responsible for the outcome vis-à-vis their population even more than with regard to the European Union or their central governments"<sup>34</sup>.

- **To make achievement of the strategy objectives more realistic**

As already mentioned, a better involvement of LRAs in planning and target setting through the combination of top-down and bottom-up processes was generally perceived by the interviewed stakeholders as helpful for making targets more realistic and thus more likely to be reached, in particular in countries with a high degree of decentralisation. By setting up regional development strategies, plans or roadmaps that are the product of a real dialogue with LRAs, the conditions and possibilities on the ground can be taken into account. These documents would consequently identify pathways towards targets that are reachable for LRAs, taking into account the situations, capacities and legal frameworks under which LRAs are working.

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<sup>34</sup> Speech at the "Seminar on the future of Europe 2020", organized by the CoR, 3 December 2013. Summary of the main comments/conclusions.

These dialogues should however not only take place between the national and the sub-national levels, but also within the regions, by involving other actors such as businesses and civil society, in order to set up arenas/structures for dialogue that are not always influenced by the political cycle, thus avoiding that the implementation of these strategies or plans is disrupted by elections. This implies that the regions themselves have to become more active and to develop their own consultation mechanisms for involving new (regional/local) actors. Apart from that, room for closer relationships between the regions and the European Commission was identified in the stakeholder interviews, as the communication between these two levels is not fully satisfactory.

Other improvements, which would make implementation of the strategy objectives more feasible, were suggested with respect to monitoring and evaluation. Concerning monitoring, it was pointed out in the interviews that more and better statistics would be needed, in particular at the regional level, in order for LRAs to better understand their situation and where they are in relation to the Europe 2020 targets. In addition, evaluations would need to be conducted on the reasons why some of the strategy targets cannot be reached, in order to see how existing policies and instruments at the EU and national levels need to be changed or designed so that they better support LRAs in designing their own policies in the respective Europe 2020 target areas. Comments by the respondents to the consultation also support improved monitoring and evaluation. In this context, it should also be mentioned that for this to be effective, additional indicators or metrics may be needed that currently do not yet exist or are not utilized.

### 3.2.1 *Conclusions*

The literature review as well as the stakeholder interviews and consultation provide important arguments in favour of a more bottom-up approach to policy design and target setting. The present top-down, uniform and abstract approach of target setting tends to disregard the strengths, weaknesses and specific development opportunities of European regions. Such a “regionally blind” approach of policy design could pose a number of challenges undermining the achievement of Europe 2020’s priorities and the balanced and harmonious development of the EU such as, for example, increase in regional disparities, aggravation of territorial vulnerabilities, suboptimal investment in resources and reduced sense of “ownership” of the strategy. Combination with bottom-up planning approaches is seen as an effective way of building on the competences of the different tiers of government and strengthening the regional dimension of the strategy. Having said that, given the policy context and national specificities some issues might require a more top-down solution. As it has been pointed out by some of the interviewed stakeholders, while LRAs play a key role in some

policy areas encompassing the Europe 2020 strategy, other priorities tend to fall more into national competences. It follows that a mix of top-down and bottom-up planning can be very appropriate for building on the set of skills, experiences and knowledge of different levels of government. A multilevel governance approach would ensure that national policies do not compromise on the specificities and development patterns of different regions while at the same time guaranteeing the safeguard of strategic national priorities.

### **3.3 The Scope for Regional Target-setting**

#### *3.3.1 How feasible is the allocation of Europe 2020 targets at regional level?*

A study on the implementation of the Europe 2020 strategy in the regions in Germany (BMVBS, 2012) revealed three main reasons why the national Europe 2020 targets cannot be applied in the same way to all regions: (i) the distance of some regions to the national target is too large; (ii) it is not desirable nor realistic for all regions to reach the same targets; and (iii) the potentials of the different regions for contributing to the different targets vary greatly. The authors therefore conclude that the Europe 2020 strategy can only be realised if it is implemented in a regionally differentiated way, taking into account the different starting points of the regions. The integration of the territorial dimension into development policy is also strongly supported by Böhme et al., who suggest the adoption of a specific EU reference document, which would increase coordination of EU territory related policies and ‘spell out the Europe 2020 goals in territorial terms’ (Böhme et al., 2013). Against this backdrop, it has been argued that defining territorial indicators and criteria and applying territorial measures based on these criteria is not sufficient for guaranteeing integration of territorial diversity into policy design. What is essential is a place-based dialogue that ensures that regions and cities can capitalize on their unique territorial characteristics instead of viewing their limitations as a liability (ESPON, 2013a).

The scope for developing a process for regional target setting seems to be largely supported by the survey respondents (the majority of respondents fully or substantially supported territorially differentiated target-setting in the relevant consultation statements). A large majority of LRAs consider the territorial differentiation as an opportunity to improve the strategy by increasing its relevance and making implementation easier. However, these results are not consistent with the opinions expressed in the stakeholder interviews. There was no strong argument from the interviewed stakeholders towards the breakdown of the Europe 2020 targets to the regional level. While the idea of having a third level (EU and national targets complemented with regional target) was generally

considered as interesting or helpful for involving LRAs in planning and target setting, for better understanding of the disparities between regions, and relevant for sharing of experiences and best practices; and for increasing the ownership of the strategy at the regional level, the practical implementation of this idea, however, raised many concerns. Generally, due to the huge variety concerning the competences, the starting points as well as the skills/capacities (technical and strategic) across the regions (and also within the regions across each of the five target areas), the actual process of setting numeric figures for each target and for each region – as well as implementing the relevant policies at the local/regional level – was seen as very difficult to achieve. As a consequence, such a process may be feasible for some countries, while it would not work for others.

A few interview partners highlighted the emerging importance of metropolitan areas, pointing out that urban areas have very different starting points in terms of available resources and infrastructure compared with rural areas, which adds to the already high complexity and variety of situations of LRAs.

In any case, it was pointed out in the interviews that the process of breaking down the national targets to the regional level would need to take place between the national and the sub-national level, i.e., without involving the European Commission, whose recommendations to the Member States are already seen as too intrusive by some. However, in addition to the perceived difficulties in deriving regionally specific targets, the capacities at the national level to carry out such a targeted and focused process with regions were also questioned. In particular, LRAs that do not yet have established any EU contacts are more or less dependent on the information received from the national level, from LRA associations or other actors and this situation was pointed to as potential weak point.

A few interviewed stakeholders pointed to the partnership agreements that are currently being prepared in view of the cohesion policy programmes in the upcoming 2014-2020 EU budget. In these agreements concrete actions to deliver the Europe 2020 objectives will be set out, and it needs to be seen whether these commitments could include targets for the regional level, not only concerning the five Europe 2020 headline targets but also in relation to the new social objectives proposed by the Commission<sup>35</sup>.

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<sup>35</sup> See [European Commission, \*Strengthening the social dimension of the Economic and Monetary Union\*, COM\(2013\) 690 provisoire.](#)

### 3.3.2 *How should individual contributions to the targets be allocated?*

- **The theoretical models**

The study on the implementation of Europe 2020 in the context of German regions (BMVBS, 2012) illustrates different needs for action at the regional level through scenarios that are applied to the five strategy targets. The aim is to identify the different levels of ambition required by the regions in order to collectively meet the German national targets. Depending on the regional specificities and the policy area in question, one of the following scenarios may seem more feasible in order to reach the respective national goal (BMVBS, 2012):

- (1) The “concentration model” is based on the assumption that the best-performing regions are the ones that are most likely to make further progress, thus contributing most towards the national target. This would however also increase the already existing disparities between the regions. 37% of consultation respondents prefer this model.
- (2) The “balancing model” – referred to as “relative growth” and “slow catch-up” in the study – would mean that all regions contribute a similar share (in % or in percentage points) towards the target. 36% of consultation respondents prefer this model.
- (3) The “catch-up model” is the counterpart of the “concentration model”, assuming that the already best performing regions are not able to further improve their performance (e.g. in the case of employment), and thus the less well-performing regions have the highest potential for contributing towards meeting the national target. 26% of consultation respondents prefer this model.

Based on these scenarios, the study concludes that some German regions deviate too strongly from the national target so that it doesn’t seem feasible for them to make a significant contribution; this is the case for the targets in the area of R&D expenditure, renewable energies and education. Thus, it can be expected to see a further concentration (and thus an increase in the disparities between regions) in these areas on the road towards meeting the respective national targets (BMVBS, 2012).

- **Which model is most appropriate?**

The consultation enquiry into the preferences for a regional contribution model by LRAs and stakeholders yielded somewhat controversial results. The survey

respondents equally favour the balancing and the concentration model (36% and 37%, respectively) and give less support to the catch-up model (26%). In short, the surveyed LRAs are largely split evenly on a “same for all” model and “according to ability” model. A smaller but still significant portion of respondents believes that the lagging regions should commit to making more rapid progress and thereby to a greater share of the contribution than their current economic performance indicates.

In contrast, the interview results showed a nuanced mix between concentration and catch-up model of target allocation, while the balancing model was seen as most unrealistic. The “same for all” model was viewed as inappropriate and problematic mainly due to the existing inequalities between regions. Some of the targets are about strengths (e.g. R&D), while others are about weaknesses (e.g. employment or GHG emissions); therefore, a nuanced decision needs to be taken for each target, also taking into account the specialisations of the regions as well as the expected highest “return on investment”. For example, regions with already very high employment rates will find it harder to contribute even more towards the national target than regions with rather low employment rates. Similarly, in the area of GHG emissions the worst performing regions may find it easier to cut emissions. In contrast, for the R&D target bigger contributions can be expected from regions that already have a special focus on this area.

Overall, in the interviews it was acknowledged that the catch-up model would contribute most to convergence and cohesion across the EU, thus addressing territorial inequalities, whereas the concentration model would better fit to the objective of competitiveness but would at the same time increase the disparities in the respective areas (e.g., R&D). This model would therefore need to be accompanied by other policies aimed at “equalisation” across Europe. One option for this would be to look into the success factors of the leading regions and share their experiences and best practices with the other, less developed regions (a process which was mentioned to have worked well for example in Poland).

A possible explanation for the clear divergence of opinions in the survey consultations and the interviews regarding the most appropriate model of target contributions by regions might be the different geographical and professional backgrounds of survey respondents as well as the different policy targets they have had in mind when answering the question. For example, while the “catch-up” model might be perceived as more appropriate by LRAs making associations with the employment target and coming from regions with tight labour market conditions, this might be quite the opposite for LRAs coming from more economically active regions with above average employment rates. As already mentioned, for some of the targets (i.e., on employment, education

and CO<sub>2</sub> emissions) there is a large possibility for improvement for regions starting at a low level and initial investment is likely to yield large marginal returns. For already well-performing regions, however, the potential for improvement as well as the return on investment is likely to be much smaller. As already emphasized in the literature (BMVBS, 2012) the decisions on the level of contribution of a region should depend on regional specificities and specialization patterns, efficiency (i.e., “highest return on investment”) as well as the policy in question.

With regard to the question whether regional targets should be binding, the interviewees questioned whether this would really help achieve the national- and EU-level targets. Since not even the national targets are binding, it would be difficult to argue why this should be the case for the regional ones. Also, the question was raised how the non-performing regions should be punished (i.e., what sanctioning mechanisms should be used), and whether the direction of change (improvement) would not be more important than reaching a fixed target value.

There was no clear agreement among the interviewed stakeholders in relation to the question on how to ensure that regional targets actually add-up to the national and further to the EU targets. Perceptions in this regard were that regional targets would not add up, mainly because regions do not necessarily share the same priorities as the EU level, and that a closer collaboration between LRAs and their national governments could help in this regard. Another suggestion was to revert the process of target-setting by starting with the level of ambition that is realistic for the regions and to then sum up these regional targets to the national and EU levels.

### ***3.3.3 Cross-border exchange and cooperation in the context of target setting***

Cross-border areas in various urban, rural, maritime settings and city-networks within macro-regions do not always coincide with established political and administrative borders. Nevertheless, they evolved and/or exist as important “clusters of economic and social exchange”, accommodating/enabling individual and business activities on a day-to-day basis. As laid down in the Lisbon Treaty, some cross-border regions also belong to the most vulnerable groups of regions – due to their specific geographic and demographic characteristics – and deserve special policy attention and support. These cross-border regions often share some environmental, topographical or historical characteristics (mountains, islands, sparsely populated areas, location of declining/legacy industries), which are then further aggravated by their border location. This makes a strong case for considering the specificities of cross-border zones (cross-border, transnational and interregional) when defining sustainable and inclusive policies and setting

targets. As elaborated in “Strategic Document on Smart Cooperation” by the Association of European Border Region (AEBR) “territorial cooperation can help regions and cities tackle cross-border and transnational challenges and tap their potential linked to internal and external borders”.

The consultation exercise as well as the stakeholder interviews highlighted the importance of integrating cross-border interdependencies and regional innovation clusters into the target-setting process. More than 8 out of 10 respondents have indicated that cross-border connections should be taken into account and express a strong preference for target-setting strategies that connect regions on the basis of proximity and interconnectedness. Thus, target-setting and benchmarking would need to be viewed in a different light and with reduced focus on national commitments and greater emphasis being placed on regional similarities and development paths.

From the stakeholder interviews it became clear that cross-border territorial cooperation is an important aspect due to the huge variation concerning situations and capacities between the regions even within national borders. In this regard, the example of the “renewable energies” target was highlighted: while it might not be optimal for each region or Member State to invest money into renewables, it would be much more feasible to take a look at the EU as a whole and work towards a coherent approach, identifying the locations where, e.g., investments in wind parks would make most sense.

### 3.3.4 *Conclusions*

All information sources considered, no clear-cut picture emerged concerning the feasibility of the introduction and allocation of Europe 2020 targets at the regional level. There was a common understanding in the literature and among the interviewees and survey respondents that there is no “one size fits all” approach. The adoption of a universal model in the policy design of the strategy risks setting targets that do not reflect specific regional situations. Furthermore, imposing targets which are too ambitious for a certain region or suboptimal for its development places unrealistic and unnecessary burdens on the local and regional authorities tasked with their implementation. For the strategy to be successful in making Europe more competitive, sustainable and inclusive it is necessary for all regions to identify and harness their own growth and development potentials. In this line of argument, adoption of regional targets or prioritization of headline targets would allow more flexible implementation in different policy contexts while still allowing to achieve a common set of benchmarks in all of Europe.

There was no clear answer on the model of territorial allocation of Europe 2020 targets in terms of the level of contribution of regions. However, in line with the arguments in the literature, the consultation results confirmed the importance of the starting points of regions, their specialization patterns, efficiency considerations (i.e., “highest return on investment”) as well as the policy in question when deciding on the level of regional contribution.

Despite the overall agreement on the relevance and benefits of regional breakdown of the targets given the large variation in regional circumstances, reservations remain as to how such a process could actually be applied. Further research in this area is needed in order to investigate the option of how a regional breakdown of targets could be implemented in practice. Nevertheless, it was made clear through the interviews that in case a territorial differentiation of targets is implemented it should be under a certain set of conditions, namely sufficient competences, skills, administrative/institutional capacity to make a difference. Large majority of the surveyed LRAs also agreed on the importance for respecting the following principles when it comes to territorial breakdown of targets- full information and consultation, stakeholders' involvement and responsiveness. Despite the lack of a clear consensus in the literature and in the stakeholder consultations on the scope for regional breakdown of targets, the need for better dialogue and closer cooperation between different levels of government for ensuring integration of territorial diversity in the policy design of Europe 2020 was universally acknowledged.

There is a strong consensus both in the stakeholder interviews and survey consultation that due attention needs to be paid to cross-border regions and innovation clusters when it comes to the design and implementation of Europe 2020. The specificities and often strategic importance of these regions require a more holistic assessment of their dependencies and patterns of development. A uniform prescription of targets based on national commitments might fail to exploit existing synergies and tap into the potential of these regions.

### **3.4 Europe 2020– Can LRAs Learn Together and from One Another?**

#### ***3.4.1 The value of Europe 2020 for benchmarking and exchange of good practice***

The results from the survey consultation make a strong case for the usefulness of the Europe 2020 strategy for benchmarking and the exchange of good practice. More concretely, evidence in support of the hypothesis is found in the strong

agreement (74% agree fully or substantially) with the premise that LRAs can make use of the Europe 2020 strategy to benchmark their own progress and exchange good practices more effectively as well as in the large consensus among respondents (89% fully and substantially agree) on the benefits of mutual learning, sharing of experiences and swapping examples of best practice between regions with similar challenges for successfully meeting the Europe 2020 objectives. It should be noted, however, whereas the statements in the survey refer to the exchange of good practice theoretically or as a possibility, they convey little on the extent to which this process of benchmarking and mutual learning is actually taking place. Some more insight in this respect was provided by the stakeholder interviews.

The interview partners also considered more horizontal dialogue at the regional level, facilitating learning from each other and exchanging experiences and good practices as very important aspects for LRAs in the framework of the Europe 2020 strategy. However, while some stakeholders referred to a few already ongoing initiatives, other questioned whether the appropriate instruments that would facilitate such an exchange already exist.

Participants in the CoR survey on the Flagship Initiative “Agenda for New Skills and Jobs” also pointed to the weak presence of mechanisms for mutual learning and called for improvement in *“the flow of information on current and past projects across different levels of government and, if possible, across national borders, so that a learning process can take place.”*<sup>36</sup>

### 3.4.2 *Why is Europe 2020 different?*

The interview partners made a distinction between cohesion policy (including Structural Funds) and Europe 2020; for the former, exchange is already taking place (e.g. through the EU Open Days or the EU cross-border co-operation programmes). For Europe 2020 the situation may be more difficult because of the variety of situations and competences at the LRA level. Therefore, it may not be possible to have an exchange between regions from different countries on Europe 2020 in general; in this sense it would make sense to organise such exchanges between regions within the same country, or for specific topics (such as lifelong learning) for regions from different countries but facing similar situations (also related to the idea of “benchmarking”).

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<sup>36</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Survey-of-the-EU-local-and-regional-authorities-on-the-Europe-2020-Agenda-for-new-skills-and-jobs-Flagship-Initiative.aspx>

### 3.4.3 *Initiatives and tools for exchange*

Concrete examples of initiatives for exchange between LRAs included the INTERREG “EU2020 going local” project<sup>37</sup> and the CoR workshop on public private partnerships (PPPs). Additionally, in the area of climate change and energy a number of projects and networks would exist at the local level, trying to integrate the “20-20-20” targets into the work of cities and regions, including sharing of best practices and even organising competitions between cities in this area. In Sweden, the Swedish Association of Local Authorities and Regions (SALAR) is organising regional conferences with LRAs supported by the European Commission, the national level and the organising region in order to showcase and discuss the steps and activities carried out under the Europe 2020 strategy. The timing of these meetings is also important; as such, the next regional conference organised by SALAR will take place in February 2014, i.e. after the publication of the Annual Growth Survey (AGS), but before the EU Council meeting and the start of the discussions at the national level.

An important aspect in this exchange and learning from each other would be the creation of networks and partnership, also in view of finding research partners in order to apply for funding from the EU’s R&D budget (Horizon 2020).

“Space - and if necessary a review of the rules - for innovative regional (governance) models for regional development - remuneration for good projects in the form of incentives and guidance for partnerships towards further development and thus knowledge.” (Comment from consultation respondent).

“Local stakeholders in different EU countries should have more opportunities to cooperate on projects, and to learn together and from each other's experiences. This can help create an innovative network and develop regions.” (Comment from consultation respondent).

Concerning concrete mechanisms for exchange between regions, case studies, peer reviews and sharing of data were mentioned by the interviewed stakeholders. It was also suggested to look at the mechanisms used for the employment and social strategies, and to also use the instruments of mutual learning through the Open Method of Coordination (OMC).

Some of the participants in the survey consultation also provided additional comments on how to make the learning experience more effective. Remarks include the call to include cultural exchange, to focus transfer of practices and

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<sup>37</sup> See <http://www.eu2020goinglocal.eu>

experiences on cities and regions that are measurably similar as opposed to their indiscriminate application.

#### ***3.4.4 The role of the Committee of the Regions***

The role the CoR could play in this regard was seen quite diverse; while some interviewed stakeholders considered the CoR as an important arena for exchange in relation to Europe 2020 (and that it consequently should play a stronger role in this regard), others pointed to the LRAs and their associations as being responsible for organising such horizontal learning activities (and some pointed to both). In any case, such networks should also be supported by the supranational level (i.e., the EU), e.g., by taking up and promoting and disseminating regional experiences by the EU.

#### ***3.4.5 Conclusions***

The interview and the stakeholder consultations showed a strong support for regional exchange of knowledge and good practice for boosting the efficiency of policy making and facilitating the implementation of the Europe 2020 objectives. It was acknowledged that the specific situations and set of competences of different LRAs would not allow for exchange between regions from different countries on Europe 2020 in general, but nevertheless national and international exchanges between regions on different thematic focus, depending on their situation, was generally seen as beneficial and fruitful. There was no agreement on whether existing tools/fora are sufficient, or whether new mechanisms would be required. Nevertheless, some concrete proposals regarding exchanges between regions included case studies, peer reviews and sharing of data, use of the instruments of mutual learning through the Open Method of Coordination.

### **3.5 The Territorial Approach to Governance – Moving Europe 2020 Forward**

#### ***3.5.1 Is the current governance structure of Europe 2020 delivering?***

The current governance architecture of the strategy has received mixed reaction in the consultation and in the literature debate. Although Europe 2020 is seen as an important shift from the Lisbon strategy in terms of long-term policy vision, by achieving a better balance between economic, social and environmental objectives, it is controversial whether a substantial change in economic governance has been brought about. On the one hand, the European Semester

has initiated a policy process of much closer monitoring of national policies, going ‘beyond a simple regime of nominal rules and remote sanctions’ (Thillaye, 2013). On the other hand, concerns have been raised that the strategy might dangerously suffer from the same ‘capability-expectations gap’ as the Lisbon Strategy, by setting ambitions too high, especially when Member States do not implement them as a matter of priority (Thillaye, 2013).

### 3.5.2 “*Making it Happen: the European Semester*”?

Theoretically, the new annual cycle of EU- policy coordination, known as the European Semester, should support the EU 2020 strategy and accordingly the strategy should be the benchmark for the national recommendations issued to Member States. However, in practical terms, the complete set of Europe 2020 headline targets are not consistent with the priorities mentioned in the Annual Growth Survey (which is the starting point of the European Semester and the real benchmark). This is especially the case for the Europe 2020 headline targets on poverty and social exclusion, R&D and energy and climate action, which are seldom reflected in the Annual Growth Survey and rarely addressed in country specific recommendations (Derruine and Tiedemann, 2011).

It has been argued in the literature that the current governance structure, bringing together macroeconomic procedures (such as the Stability and Growth Pact (SGP) and the new Macroeconomic Imbalance Procedure (MIP)) and the Europe 2020 strategy within the European Semester has led to undermining long-term structural objectives at the expense of short-term macroeconomic stabilization priorities (Thillaye, 2013; Derruine and Tiedemann, 2011). Since failure to apply recommendations under the SGP and MIP is subject to financial sanctions and early warnings in contrast to Europe 2020 related objectives, priority is likely to be given to stability considerations over long-term goals. Furthermore, fiscal rules such as public expenditure constraints considerably limit the capacity for reaching certain Europe 2020 targets. Based on a legal analysis of the European Semester and insights from European practitioners, Thillaye (2013) concludes that the integration of the strategy into the European Semester poses a threat to long term objectives of Europe 2020.

The argument that the European semester, and in particular the policy responses to the crisis integrated within its process, have overshadowed Europe 2020 was also raised by some of the interviewed stakeholders. As an illustration interviewed partners pointed to the fact that the country-specific recommendations (CSRs) have predominantly been focused on fiscal stability and long-term fiscal sustainability, whereas non-labour market related issues have more or less disappeared (such as those related to the Europe 2020 targets in the areas of climate change or poverty). According to the respondents this

would lead countries with limited capabilities to focus on the short-term issues related to the European Semester rather than the long-term perspective of Europe 2020.

Concerns over the unbalanced focus on more short-term and macroeconomic policies were also expressed during the CoR conferences: *“Too much political attention is given to banking sector reform and fiscal consolidation, which are necessary but not sufficient to create growth, while other factors, decisive for growth, are disregarded.”* (Fabian Zuleeg, EPC)<sup>38</sup>.

In addition to the above mentioned shortcomings related to the contribution of the European Semester to Europe 2020 Derruine and Tiedemann (2011) raise the problem of accountability. According to the authors, national parliaments and the European parliament play only a limited role within the European semester, even though the two of them constitute the most important source of legitimacy. Other social partners are also largely excluded. Hence, the authors argue that the European Semester only enjoys a “right of information” via consultation with national parliaments and social partners without any enforcement mechanisms being in place and without possibility for thorough involvement of other stakeholders due to the tight deadlines set in the Regulations. In this context, Delebarre notes at the opening session of the CoR Seminar on the Future of Europe: *“With the upcoming European elections, it is essential to ensure a democratisation of the European economic governance system through better involvement of the Parliament, the local authorities and the social partners in the European semester.”* (Michel Delebarre, mayor of Dunkirk, CoR member (PES/FR), political coordinator of the Europe 2020 Monitoring Platform)<sup>39</sup>.

The rather limited role of national/regional parliaments in the European Semester was also mentioned in the stakeholder interviews. In relation to the question on the democratic accountability of the targets, the interviewed stakeholders were generally not aware of the extent to which national and/or regional parliaments were involved in the process of setting a country’s Europe 2020 targets.

### ***3.5.3 Has Europe 2020 led to increased communication and cooperation between different levels of governance?***

The value-added of the strategy in terms of increased communication and cooperation is also subject to debate. A main point of criticism regarding the current governance architecture of Europe 2020 – as discussed previously and

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<sup>38</sup> Statement made at the 2<sup>nd</sup> CoR Workshop on Reviewing the Governance of Europe 2020, 18 September 2013.

<sup>39</sup> Statement made at the CoR Seminar on the future of Europe 2020, 3 December 2013 in Brussels.

also evidenced by the interviewees and the respondents to the consultation – is the top-down approach in the design and implementation of the strategy (Budd, 2013). As this approach is normally associated with unidirectional flow of information it tends to be less conducive to communication and cooperation between different levels of governance. Indeed, LRAs are still largely and systematically excluded from shaping and designing Europe 2020 objectives and policies in partnership with national governments (e.g., planning of National Reform Programmes (NRPs), joint decision-making on concrete policies), while their role in implementation tends to be understated. Although the analysis of the 2011-2013 NRPs shows improvements in acknowledging and promoting the roles of LRAs in some countries, NRPs still tend to lack understanding of regional situations and existing institutional competences of LRAs and are often short-term and anti-crisis oriented.

The lack of relevance of NRPs due to the limited involvement of LRAs is also reflected in the outcome of CoR's survey on the seven Flagship Initiatives as well as in the CoR's textual analysis of the NRPs<sup>40</sup>. Only 28% of the participants in the survey on the "Platform against Poverty and Social Exclusion" agreed that NRPs adequately reflect and respond to the needs of LRAs with respect to the issues addressed by the flagship initiative. 36% of the participants stated that their NRP responds to their local/regional needs in relation to the policy areas covered by the "A resource-efficient Europe" flagship initiative. Similarly, only about one third of respondents were satisfied with the way the NRPs address the objectives set by the "Innovation Union" flagship initiative. The satisfaction with the NRPs' thematic coverage was higher for the "Agenda for New Skills and Jobs", "Digital Agenda for Europe" and "Innovation Union", where about half of the respondents expressed their contentment. The NRP sections corresponding to the "Industrial Policy for the Globalisation Era" received the highest satisfaction level (two-thirds of respondents). Still, some criticism was levelled at the lack of coherent industrial policy for some countries being set up in the NRPs, and, in particular, the limited references to those regions and technologies with the greatest development and competition potential.

Some participants in the survey on "Youth on the Move" attributed the lack of relevance of their NRP to the limited consultation and cooperation taking place between different levels of government. In particular, they pointed to the lack of strong local component of the measures prescribed under the NRPs and their abstract nature, which makes them difficult to implement in a regional context:

*"There is barely a local dimension contained in the NRP."* (Kose Council, Estonia).

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<sup>40</sup> External study "On the role of the local and regional authorities in the Europe 2020 National Reform Programmes: Analysis of the 2013 National Reform Programmes" Draft Final Note January 2014

*“[The NRP] gives theoretical answers/prescriptions, which cannot be implemented in practice.” (Kántorjános, Hungary).*

*“[...] NRP so far drafted by national government, so regional and local requirements taken into account only on limited basis.” (Prešov Autonomous Region, Slovakia)<sup>41</sup>.*

At the same time respondents in the surveys on the Flagship Initiatives showed a clear desire for being more involved in the actions and policies related to the Flagship Initiatives and contained in the NRPs.

Despite the rather limited involvement of LRAs in the drafting of the NRPs, outcomes from the CoR’s survey consultations on the seven Flagship Initiatives also suggest that the Europe 2020 framework has in some cases stimulated cooperation and communication between different levels of government. For example, 73% of the LRAs stated that actions under the flagship initiative “Innovation Union” are carried out in partnership with different tiers of government, such as the Ministry of Industry.<sup>42</sup>

Results from the stakeholder interviews also show a rather mixed picture regarding the effect of Europe 2020 on changed communication flows or cooperation between different levels of government. According to the interview partners, the process of setting the Europe 2020 targets seems to have improved communication and cooperation between LRAs and other levels of government in a few cases (because countries depend on their regions to reach their Europe 2020 targets), although the extent of this may be very different across countries (i.e. whether LRAs were really involved or just asked). Examples of cases where Europe 2020 did change something that were mentioned by interview partners include Belgium (negotiations between the three regions on how to contribute to the national target), France (dialogue between Paris and the regions), Italy (LRAs influenced the targets in the area of climate change) and Spain (Barcelona supported local actors in designing policies) as well as Northern Europe in general.

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<sup>41</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Youthonthemove%20survey.aspx>

<sup>42</sup> <https://portal.cor.europa.eu/europe2020/Surveys/Pages/Innovation-Union.aspx>

### 3.5.4 *How to strengthen communication and cooperation between different levels of government for Europe 2020?*

- **Multi-level governance and involvement of LRAs**

The recent literature on Europe 2020 highlights the importance of multi-level governance strategies towards improved communication across different levels of government and the involvement of the LRAs. Integrating a territorial dimension into the governance structure of the Europe 2020 strategy is often seen as an important precondition for achieving territorial cohesion and delivering the results of the Europe 2020 objectives. As it has been already recognized in the Territorial Agenda 2020 (TA 2020), adopting a place-based approach to policy making and developing geographically tailored interventions, can help ‘unleash territorial potential through development strategies based on local and regional knowledge of needs, and building on the specific assets and factors which contribute to the competitiveness of places’ (European Union, 2011a). As noted in TA 2020, using multi-level governance instruments to coordinate the actions of different levels of governance involved can allow regions to ‘realize optimal solution for long-term development, and contribute in this way to the achievement of the Europe 2020 strategy objectives’ (European Union, 2011a).

The ESPON report points to the five main particular dimensions of territorial governance that can serve to achieve the objectives of smart, sustainable and inclusive growth: (i) integrating relevant policy sectors; (ii) co-ordinating the actions of relevant actors and institutions, particularly considering multi-level interplay; (iii) mobilising stakeholder participation; (iv) being adaptive to changing contexts; and (v) addressing the place-based/territorial specificities and characteristics (ESPON, 2013a). The study emphasizes that a territorial approach to governance requires a new institutional capacity since successful territorial development cannot be achieved by a top-down public sector, but would require the skills and resources of private and voluntary sectors. This implies that a more inclusive and less hierarchical approach to governance and regional planning can be more conducive to promote cooperative networks and partnerships.

Strong support for multi-level governance mechanisms and improved information flow among LRAs and other stakeholders was also evident in the survey consultation. The third-most frequently selected option for improving awareness and ownership of the strategy was to promote more multi-level dialogue about the objective and design of the strategy, while 82% of survey respondents fully or substantially agreed that the LRAs’ contribution to

achieving the strategy's objectives could be strengthened through multi-level governance agreements.

The majority of respondents also expressed their confidence that the Europe 2020 approach and implementation processes should combine top-down and bottom-up mechanisms with local regions being recognized as a critical element. Decision-making in Brussels is seen as too removed from local needs and instead co-responsibility of EU and local level policy-makers and a true participatory model should be applied, which requires a more clearly defined role for cities and other local authorities.

- **Signing of multinational government agreements**

In line with the literature debate, the survey consultation revealed a strong case for the introduction of regional participation and more bottom-up governance approaches. Apart from the increased funding, survey respondents placed considerable importance on the need of a clearer definition of the role of LRAs (second most frequently selected option to increase awareness and ownership of the strategy at local and regional levels). They also favoured an increase in multi-level dialogue and assistance in coordinating the measures and projects under the umbrella of the Europe 2020 strategy. In addition, the preferences for enhanced coordination measures and strengthened regional participation were also reflected in the strong support for multi-level governance agreements. Large majority of the participants expressed their agreement that such policy mechanisms can better enable and enhance the potential contribution of LRAs to the Europe 2020 strategy's goals of smart, sustainable and inclusive growth.

- **Strengthening dialogue between national and regional governance levels**

The suggestions from the interviewed stakeholders in relation to the changes to be made during the upcoming revision of the Europe 2020 strategy concerning the strengthening of communication and cooperation between different levels of government generally referred to strengthening the dialogue between the national and the regional levels. In particular the involvement of the national level in multi-level governance (MLG) processes was seen as a weak point. The already mentioned gaps in policy coordination between the national and the EU level as well as within the EU level itself were pointed to as area of improvement, as regions are facing difficulties in making commitments to help implement EU policies coherent with national policies and regulations. As such, the discussions on how to better involve LRAs in the Europe 2020 strategy in the course of its revision should not only take place at the EU level in Brussels

(between DG Regio, the CoR, LRA associations and others) but also in each Member State, involving the relevant stakeholders at the national level.

- **Involvement of LRAs at an early stage of the strategy's implementation**

Other suggestions by the interviewed stakeholders included an earlier communication from the department producing the National Reform Programme (although the question is whether this “communication” merely means providing LRAs with information or actually collecting ideas), establishing supporting structures for the local level to help them design policies, draw action plans or identify the financial support they can call on, and providing statistical support to the LRAs.

Survey respondents made similar suggestions in regard to the timing of LRAs involvement in the implementation process of the strategy. Implementation of Europe 2020 is seen by respondents to be a more long-term development goal that is sensible and visible at local level. Important herein is the participation of LRAs from an early planning stage onwards such that both input and a sense of ownership can be secured. If the EU-wide targets of the strategy are to be achieved, LRAs also need to have a strengthened power to monitor, implement and enforce actions. A decentralized governance approach is favoured.

“Implementation of the Europe 2020 strategy is based on respect for the subsidiarity principle, which ensures that policies are defined and implemented at the most appropriate level, so that decisions are not concentrated at a single level of power. Respect for the subsidiarity principle and multilevel governance are, in fact, two inseparable aspects. It is no longer possible to ensure the effectiveness of EU policies without greater involvement of all in the definition, application and implementation of these policies. In line with this approach, the intermediate subnational dimension needs to be used to full advantage, as it is becoming essential. The local dimension therefore becomes key for national and regional policies, clearly demonstrating the importance of this subnational representation, in that it meets the need to develop and preserve conditions of economic and social wellbeing in the area. This happens in both regions whose economic development is lagging behind and in developed regions, revealing marked economic and social disparities and different levels of development.”  
(Comment by consultation respondent)

- **Exchanges of experiences**

Additionally, exchanges of experiences (e.g. through case studies) between LRAs in order to foster mutual learning was highlighted as area for better

communication among the regions in the online consultation (also see section 3.4 on “Europe 2020- Can LRAs learn together”” above). Using the strategy to learn and exchanging information and good practices in the process of implementing Europe 2020 measures was favoured by 77% and 89% of respondents, respectively (statements 7 and 8). This “horizontal learning” could also be supported at the EU level and/or be advocated by the CoR.

“In order to promote the continued effect of the EU 2020, it is important that there be more exchange of knowledge and experience at policy level in regions and towns, and that the results thereof also be more applied in cooperation in practice, via cohesion and structural funds. A good example is the use of old dumping grounds for industrial areas, city parks, recreation and wind and solar energy facilities. In two successive cooperation projects, a strategy was set up and action plans drawn up for about 30 locations. The Europe 2020 strategy gains strength as initiatives resulting from European cooperation between regions are also actually able to be implemented.” (Comment by consultation respondent).

- **More activities at the national level needed for better involving LRAs**

The important role of the national level also became clear in relation to the question on how to better involve LRAs in the Europe 2020 strategy process, for which there was a clear call for much more initiatives being taken at the national level (i.e., by the Member States). The role of the EU level in general and the European Commission in particular was seen as much less prominent in this regard (the EC is already recommending – but cannot force – Member States to better involve LRAs, for instance in the preparation of the NRPs; and a direct communication between the EU level and the regions is hard to imagine). One suggestion in this regard was to make use of the EC representations in the Member States and organise “going local” events together with LRAs.

“Implementation of community policies currently depends on the development of cooperation projects and exchanges in know-how which are complex to plan and get off the ground. By giving constant and exclusive priority to multiple, large-scale partnerships, more simple exchanges of knowledge and good practices have been side-lined, because players who could make an essential contribution to innovation are unable to contend with the technical complexity of European programmes. It is important in future to introduce European programmes which are more accessible to everyone, including smaller-scale cooperation and exchange projects which could be run in a decentralised way by the regions, in line with the subsidiarity principle.” (Comment by consultation respondent).

Generally, it was pointed out that the forms of communication and cooperation in place vary not only from country to country but also between the target areas (according to one study referred to by a stakeholder, multi-level governance (MLG) settings are very different in the area of social inclusion compared with energy). As such, a generic discussion about how to improve MLG arrangements may be too abstract.

- **More consideration of the policy horizon at EU and regional level**

Additionally, differences in the time-horizons of policy making at EU and regional level need to be taken into account. A short policy time-horizon at the regional level, combined with administrative weaknesses that put LRAs behind in “translating” EU initiatives for their local circumstances, may make some LRAs feel as “victims” of a lot of EC initiatives. The Europe 2020 mid-term review should therefore look into how the implementation of the strategy is working at the regional level, and include some “buffer” for the LRAs to adapt their strategies. For example, in relation to the upcoming financial instruments, some additional 1-2 years would be necessary for the regions to make full use of them.

- **Other concrete recommendations**

The greater involvement of LRAs in the formulation of development policy should allow them to define their goals for Europe 2020 in an integrated process that is realistic and reflective of their individual economic situation. A number of ideas have been proposed for achieving a more integrated approach of European governance at a stakeholder workshop organised by the CoR<sup>43</sup>: (i) inclusion of a ‘governance’ chapter within the National Reform Plans; (ii) increasing the visibility and participation of LRAs within the EU policy cycle, in particular in setting targets, drafting NRPs and reviewing the strategy; (iii) establishing Regional Reform Programmes as supplementary documents to NRPs; (iv) raising awareness of Europe 2020 and increasing involvement of LRAs in the policy cycle through the new European Semester officers in MS; and (v) establishing voluntary pacts between the EU, Member States and regional governance levels, which could set up specific benchmarks and targets at a regional level.

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<sup>43</sup> The list reflects proposals made at the 2nd CoR Workshop on ‘Reviewing the Governance of Europe 2020’ held on 18 September 2013 in Brussels.

### 3.5.5 *Conclusions*

With respect to vertical cooperation and multi-level governance, implementing effective partnerships between different tiers of government is essential for the success of the Europe 2020 strategy. The reviewed literature as well as insights from the stakeholder interviews and consultation point to the lack of comprehensive multi-level governance as a main factor constraining the value added of the Europe 2020 strategy. A number of criticisms has been levelled in particular at the top-down process underlying the European Semester – it tends to reinforce a focus on short term and crisis-oriented policies at the expense of the long-term priorities laid down in the Europe 2020 strategy; it leaves national parliaments, regional authorities and social partners largely excluded from the policy making process of Europe 2020 despite their political accountability, valuable knowledge, local expertise and closer overview of the needs of the population.

A number of approaches for encouraging active participation of regional authorities in the EU policy cycle were identified through relevant research, the stakeholder interviews and the 2<sup>nd</sup> CoR workshop on ‘Reviewing the Governance of Europe 2020’ – namely involvement of LRAs at a very early stage of the Europe 2020 governance process (i.e., in the drafting of NRPs), introduction of multi-level governance agreements or voluntary pact between the EU, Member States and LRAs, promotion of mutual learning and exchange of experiences between LRAs, establishment of EC representation in the Member States, inclusion of a ‘governance’ chapter within the National Reform Plans or establishment of Regional Reform Programmes as supplementary documents to NRPs. It was also made clear through the stakeholder interviews that initiatives for increasing involvement and coordination of LRAs would be more realistic in the national context either in the form of consultation, voluntary or binding agreements.

There might be less room for action at the EU level for initiating a more intense process of coordination with direct communication to LRAs due to the practical difficulties. A further point raised by the interviewed stakeholders was that the revision of Europe 2020 is an opportunity to better reflect on and adapt to the different time horizon of policy making at regional level as compared to national. We did not find a strong argument on whether voluntary or binding agreements with regional governments would be preferable. Some of the interviewed stakeholders suggested that incentives, which create competitions between regions, might be helpful for more effectively achieving certain goals, but this argument was not left without doubts. In particular, concerns were raised that this process might risk creating unwanted tensions between different regions. In this line of reasoning, the use of peer pressure and conditionalities at

national level might not be the best way for boosting the efficiency of territorial policies. Although conditionalities might create certain incentives and increase transparency in the policy-making process, the extent to which this would benefit all regions and directly translate into desired improvements is questionable.

## 3.6 Financing Europe 2020

### 3.6.1 *The severe impact of the economic crisis on Europe 2020 funding*

The main financial obstacles affecting the implementation of the Europe 2020 strategy at local and regional level are the public expenditure constraints and low levels of business investment and activity in the regions hit hardest by the dual economic and financial crises, along with the limitations stemming from the fiscal austerity measures that have been stipulated in their wake. According to the OECD, “*since 2009 direct investment in subnational public sector in the EU27 fell by 21%, with highest reductions being in PIGS countries*”<sup>44,45</sup>. Given the challenging budgetary climate, the Europe 2020 targets are seen by many cities and regions as overly ambitious and unrealistic due to the impacts of the crises and the lack of adequate funding. In the Fifth report on Economic, Social and Territorial Cohesion (European Commission, 2010) it was suggested that EU funding plays a key role in maintaining stability in public investment and overcoming implementation challenges at national level. Yet, the size of the EU budget remains very limited and rather symbolic; the 2007-2013 EU budgetary commitments represented only 1.12% of the EU’s Gross National Income, whereas national public spending varied from 35% to 57% of Member States’ GDPs in 2011.

Furthermore, two thirds of the budget is disbursed as a direct aid to farmers and structural funds (Thillaye, 2013). In addition, Budd (2013) points out that cohesion funds are so small that they can hardly compensate for the current strain on public budgets. In light of the significant financial resources expended by the EU and its Member States to support the financial and banking sector, the funds for regional development remain comparatively small and, as the author emphasizes, the need for greater integration between macroeconomic governance and cohesion policy remains a pressing one.<sup>46</sup> The paper furthermore argues that the commitment to industrial policy, effectively present

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<sup>44</sup> Refers to Portugal, Italy, Greece and Spain.

<sup>45</sup> Statement from Claire Charbit, *Deputy Head of the Division for Regional Development Policy, OECD* expressed during 2nd CoR Workshop on Reviewing the Governance of Europe 2020 on 18 September 2013.

<sup>46</sup> According to Winslade (2010) ‘in just five months, Member States committed more to ad-hoc interventions in banks (EUR 400 billion) than what is allocated to EU Cohesion policy for seven years (EUR 347 billion)’.

in five of the seven flagship initiatives, ‘holds the promise of achieving greater integration between macroeconomic governance and cohesion policy’.

The interviews and consultation confirmed the severe impacts of the crisis on LRAs’ efforts to meet the Europe 2020 objectives. According to the interviewed stakeholders, the crisis has had some major impacts on LRAs. Many pointed to the dramatic cuts in sub-national budgets and consequently investment at the local and regional level. Also, the volume of public private partnerships (PPPs) has declined over the past few years, not only because of the lack of capacities at the LRA level, but also because banks are funding less PPPs. However, it seems that not all regions and even countries have been affected equally; Greece, Italy and Spain were pointed to as being among those hit hardest, whereas in Sweden the crisis did not deflect the regions much from their “business as usual”.

The majority of respondents to the consultation request more funds for carrying out direct measures under Europe 2020 but only 11% fully agree that Europe 2020 has prompted LRAs to make more use of innovative financing tools.

The interviewees generally acknowledged that the crisis has made the achievements of the Europe 2020 targets much more difficult (also see the recent publications from Eurostat<sup>47</sup>), a sentiment, which is also fully reflected in the 2011-2013 NRPs. In this regard, some interview partners agreed that the crisis and also the responses within the European Semester have overshadowed Europe 2020, for example in the sense that the country-specific recommendations (CSRs) have predominantly been about fiscal stability and long-term fiscal sustainability, whereas non-labour market related issues have more or less disappeared (such as those related to the Europe 2020 targets in the areas of climate change or poverty) as it was elaborated earlier.

### ***3.6.2 Has the crisis also helped Europe 2020?***

Against the background of these pitfalls, Thillaye (2013) argues that the role of the EU budget in implementing the Europe 2020 strategy should not be underestimated, particularly in view of the substantial efforts for increasing the ‘added value’ of EU money observed in recent years. In this light, the author points to two major developments: first, the substantial shift in the focus of the budgetary framework from redistribution to long term investment, and second, the expansion in the use of the EU budget as a leveraging instrument (Thillaye, 2013).

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<sup>47</sup> See [Eurostat \(2013\), Sustainable development in the European Union - 2013 monitoring report of the EU sustainable development strategy](#). Luxembourg: Publications Office of the European Union and [Eurostat \(2013\), Smarter, greener, more inclusive? - Indicators to support the Europe 2020 strategy](#). Luxembourg: Publications Office of the European Union.

Similar opinions were also expressed in the interview consultation. Against the general notion, it was argued that the crisis has actually helped Europe 2020, and Europe 2020 has in turn helped Europe during the crisis – or putting it in the words of one of the interview partners: “if Europe 2020 was not existing we would urgently need it”. As such Europe 2020 is seen as a “reminder” of the longer-term objectives that the EU is aiming for, and regions would take it much more serious now by using it as guideline for deciding on what things to focus on, and for deciding on investment priorities. Most of the regions would now target the Europe 2020 objectives (not in terms of figures but in terms of the direction), which would have changed the way regions work. For example, it was suggested that due to Europe 2020 R&D investment has fallen less than it would have without the strategy, indicating that Europe may have a longer-term benefit thanks to Europe 2020 than what would be the case without it.

### *3.6.3 The impacts of fiscal consolidation on Europe 2020*

It was generally acknowledged in the interview consultation that fiscal consolidation should not prevent the realisation of the Europe 2020 strategy’s growth and social objectives. However, while some interviewed stakeholders argued that Europe 2020 has “fallen off the radar”, or that the consolidation of national budgets and Europe 2020 are contradicting each other or only go together with difficulties, others argued that this integration of growth and fiscal objectives is actually what is done by the European Semester.

The investments made at the sub-national level were in this regard seen as key to put the EU back on the Europe 2020 strategy’s growth objectives. However, the severe cuts in the LRA budgets, together with the constraint given to LRAs to have balanced budgets, both in combination with the situation of banks that are themselves constrained for giving loans, would result in a situation of “immobilism”. This would lead LRAs to cut their investments, in particular on longer-term issues, also because the financial autonomy of LRAs would be cut due to the policies taken at national and EU level.

In order to overcome this situation, it was suggested to distinguish between different forms of debt, i.e. to free the discussion of investment from the calculation of national debt. Disconnecting investment money from budgets could spur investment at the LRA level, thus giving LRAs the financial capacity and autonomy for working towards achieving the ambitious objectives of Europe 2020.

### 3.6.4 *The impact of a reformed Cohesion Policy*

The Multi-annual Financial Framework (MFF) provides the basis for the multiannual spending programmes in respect to funds from the EU budget. At the heart of the new MFF for the period 2014 to 2020 is a reshaping of Cohesion Policy as a delivery vehicle for achieving the Europe 2020 objectives. To achieve this, the allocation of funding under the MFF for the period 2014 to 2020 includes three key elements: thematic concentration, focus on results and incentives and conditionalities.

The allocation of funding programmes under the new MFF, coordinated by the Common Strategic Framework (CSF), is based on eleven policy objectives closely linked to the Europe 2020 agenda<sup>48</sup>. The aim of ex-ante conditionality is to secure a more targeted use of EU structural funds and improve coordination by concentrating national and regional authorities' activities on a limited number of common strategic objectives. It has been recognized that ex-ante conditionality can contribute to political projects being pursued with more persistence and commitment from politicians, regardless of electorate cycles (Heinen, 2013). Nevertheless, arguments for granting Member States greater flexibility in setting of objectives have been raised from a subsidiary perspective (Heinen, 2013). Furthermore, although it is generally accepted that aligning Cohesion Policy with Europe 2020 can make important contributions, it has been pointed out that Cohesion Policy should not be burdened with the unrealistic responsibility of promoting EU growth, otherwise there is the risk to lose sight of its founding treaty-based objectives (Mendez et al., 2011).

Recognizing the merits of the principle of “concentration of means” to generate critical mass and tangible impact, Böhme et al. (2011) level criticism on the grounds of the highly thematic approach adopted by the EU Commission. According to the authors, concentration on a single thematic priority does not ensure concentration of resources, but could, on the contrary, lead to dispersion of means. This is particularly the case when themes are defined broadly. Böhme et al. argue that ‘issue-based’ concentration, one in which priorities are focused on a small number of carefully selected issues, could be much more efficient than thematic concentration by mobilizing a significant number of relevant field actors and sectoral policies. Essential for the successful implementation of such

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<sup>48</sup> The eleven thematic objectives specified in the draft CSF regulation are: (1) Strengthening research, technological development and innovation; (2) Enhancing access to, and use and quality of, information and communication technologies; (3) Enhancing the competitiveness of SMEs, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF); (4) Supporting the shift towards a low-carbon economy in all sectors; (5) Promoting climate change adaptation and risk prevention and management; (6) Protecting the environment and promoting resource efficiency; (7) Promoting sustainable transport and removing bottlenecks in key network infrastructures; (8) Promoting employment and supporting labour mobility; (9) Promoting social inclusion and combating poverty; (10) Investing in education, skills and lifelong learning; (11) Enhancing institutional capacity and ensuring an efficient public administration.

an ‘issue-based’ approach is the avoidance of uniform prescription of solutions and the development of strategies tailored to the specific profile of territories. The report also puts forward methodological recommendations of how the objectives of TA 2020 and Europe 2020 can best be aligned in order for them to reinforce each other and utilize synergies. Outcomes from the CoR conferences confirm the significant value added that such an exercise can bring:

*"Analysis of the interdependence between the Territorial Agenda 2020 and the Europe 2020 strategy, combined with an increased focus on reducing administrative burdens is bringing significant added value."* (Giorgio Perini, Permanent Representation of Italy to the European Union).

The use of financial conditionalities and incentives in the allocation of funds in an effort to make policy more performance oriented has also been viewed with criticism. In particular, several difficulties in this approach have been raised: (i) methodological challenges both in terms of measuring causation and designing appropriate indicators and targets; (ii) additional administrative burden, especially in countries with low funding; (iii) more conservative and risk-averse programme management and project selection; (iv) increased politicisation due to potential for losing money; (v) unfair penalization of lagging regions, which tend to have weaker institutional capacity and more challenging and complex programmes to administer; (vi) difficulties in the practical implementation given the preparatory work needed to design and negotiate indicators and targets; (vii) undermining of effectiveness due to the little potential for sanctions; and (viii) vaguely wording of ‘conditionality’ leading to Member States implementing measures in isolation, without integrating them into a national growth agenda, just in order to meet the relevant criteria (Heinen, 2013; Mendez et al. 2011).

### ***3.6.5 Excessive bureaucratic hurdles limit usefulness of funds***

The problem of limited utility of public funds has been exacerbated by the complexity of grants procedures. There is a universal agreement that procedures and rules under Cohesion Policy need to be simplified, in particular those relating to financial management and control. Other widely accepted proposals include ‘lighter administrative requirements for specific types of interventions or beneficiaries, a more flexible de-commitment rule and the facilitation of partial closure’ (Mendez et al., 2011). Reducing the bureaucracy in financial management, control and audits is also perceived as a key measure for securing a more strategic role of the EU Commission within Cohesion Policy. A governance study on the administrative costs underlying a EU Cohesion Policy revealed that costs are high, both with respect to time and share of funding (3-4% of eligible expenditure) spent on EU Cohesion policy (SWESCO, 2010). Most of these costs are accounted for by programme management functions, in

particular for the project selection and the verification of deliverables. Nevertheless, these are still exceeded by administrative costs of other EU policies such as global and regional partnership programmes.

The complication related to the bureaucracy in the system for applying for grants, as well as accounting procedures, has been prominently raised in the series of CoR surveys over the seven Flagship Initiatives. Participants in the surveys had made a clear call for simplification and better alignment of the funding mechanisms for the EU Structural Funds. Respondents have also asked for the possibility to apply for multiple sources of funding simultaneously.

The issue of excessive bureaucratic hurdles in the process of fund allocation was also raised by some of the participants in the survey consultation. Under the funding theme, the reactions of respondents can be summarized as calling for funding sources and application requirements be made more transparent and easier to access. In addition, eligibility criteria should be revised to allow for smaller, simpler projects to be funded and in particular projects that benefit rural, demographically disadvantaged regions. Funding levels were also seen to be insufficient for implementing Cohesion Policy goals.

### ***3.6.6 Has Europe 2020 helped LRAs to more effectively make use of EU funds?***

The interviewed stakeholders consider the support provided by Europe 2020 to more effectively make use of EU funds as rather limited and only 36% of consultation respondents fully or substantially agree with this statement. However, some of them expect this to change in the coming EU budget for the period 2014-2020, with cohesion policy budget being more closely linked with the Europe 2020 objectives (although this would mainly apply to beneficiaries of Structural Funds).

“Implementation of the coming Structural Funds 2014+ will contribute to Europe 2020.” (Comment by consultation respondent). In relation to this, however, it was questioned whether the menu of 11 objectives from which Member States can choose when designing the partnership agreements for the EU’s cohesion policy 2014-2020 is actually in line with the Europe 2020 strategy’s objectives.

The Structural Funds (ERDF and ESF) were clearly pointed to as the most important funding source from the EU level available to LRAs. Other relevant funding streams mentioned were mainly the EU’s research budget (FP7, Horizon 2020) as well as (mentioned only once each) COSME (the EU programme for the Competitiveness of Enterprises and Small and Medium-sized

Enterprises), the agricultural budget (rural development), and more innovative funding instruments such as ELENA or JESSICA. In this regard also the Commissions' youth employment initiative<sup>49</sup> was mentioned, complementing the ESF with an additional € 3 billion as of the beginning of 2014.

Some interviewed stakeholders generally pointed to the relevance of funding streams from the national level, which may be much more important (in terms of amounts) than EU funding for some regions. Therefore, the way the funding from the national level is used cannot be ignored when looking at the actions at LRA level towards meeting the Europe 2020 objectives.

### ***3.6.7 Better spending and capacity building***

The central role of effective public investment in times of tight budgets, prolonged economic recovery and austerity plans has been highlighted by experts in the literature (OECD, 2013) and participants in the CoR conferences *“Public expenditure, including grants, has declined and will continue to decline, with investments being among the most affected sector. Thus, quality of spending gains more importance and emphasis must be put on efficiency. Alternative sources need to be explored besides Cohesion Policy, but also existing instruments should be better used and mobilised by LRAs.”* (Prof. Iain Begg, LSE, Chatham House)<sup>50</sup>.

In addition, participants in one of the CoR's workshops have pointed to the need of developing measures of public investment efficiency in order to have a visible link between investment and output (e.g. by OECD, EUROSTAT or other organisations).<sup>51</sup>

A recent study developed by the Territorial Development Committee (TDPC) of the OECD sets out some key Principals to strengthen the effectiveness of public investment across all levels of governments (OECD, 2013). These Principals are applicable to all tiers of government (national, regional and local) and highly relevant to the problem of multi-level governance of public investment. The Principals in the recommendation are structured around three main pillars- better coordination, strengthened capacities and proper framework conditions. In more concrete terms, the principal recommendations laid down in these pillars are formulated as follows:

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<sup>49</sup> [European Commission, Youth Employment Initiative, COM\(2013\) 144 final.](#)

<sup>50</sup> Statement made at the 2<sup>nd</sup> CoR Workshop on Reviewing the Governance of Europe 2020, 18 September 2013.

<sup>51</sup> Open Days Workshop "Europe 2020 implemented in your region/city: debate with think-tanks" organised by the CoR on the 26 September 2013 in Brussels.

**A. *Co-ordinate public investment across levels of government and policies***

This pillar emphasizes the importance of improving vertical as well as horizontal coordination of programmes and policies across all levels of governments in order to realise efficiency gains of spending.

*(1) Invest using an integrated strategy tailored to different places*

The value of a place-based approach in public investment choices is highlighted – investment strategies should take into account “*regional (or local) characteristics, competitive advantages, growth, innovation, and job creation potential and consideration and considerations of equity and environmental sustainability*”, be result-oriented, realistic, well-informed and forward looking. Seeking and development of complementarities across policy and programme sectors is also highly encouraged.

*(2) Adopt effective instruments for co-ordinating across national and sub-national levels of government*

Co-ordination is seen as a pre-requisite for identifying investment opportunities and bottlenecks, ensuring adequate level of resources and capacity for undertaking the investment, managing joint competences and creating trust among actors at different government level. Some of the possible tools for streamlining the co-ordination of investment across different governments include: “*co-financing arrangements, contracts between levels of government, formal consultation processes, national agencies or representatives working with sub-national areas, or other forms of regular inter-governmental dialogue*”.

*(3) Co-ordinate horizontally among sub-national governments to invest at the relevant scale*

Strong horizontal coordination provides important benefits in terms of investment in areas of positive spill overs, increased efficiency through economies of scale and enhanced policy synergies between neighbouring sub-national governments. Possible methods for coordination include “*contracts, platforms for dialogue and co-operation, specific public investment partnerships, joint authorities, or regional or municipal mergers*”.

**B. Strengthen capacities for public investment and promote policy learning at all levels of government**

(4) *Assess upfront the long-term impacts and risks of public investment*  
Comprehensive assessments for investment selection should look into the long-term impacts and associated social, environmental and political risks.

(5) *Engage with stakeholders throughout the investment cycle*  
Public, private sector and civil society stakeholders should be involved in the design and implementation of public investment strategies to enhance social and economic value, and to ensure accountability. However, due care should be taken to prevent the disproportionate influence of vested interests.

(6) *Mobilise private actors and financing institutions to diversify sources of funding and strengthen capacities*  
This approach will “bring expertise to projects through better ex-ante assessment, improved analysis of the market and credit risks, and achieving economies of scale and cost-effectiveness”.

(7) *Reinforce the expertise of public officials and institutions involved in public investment*

Some important mechanisms for achieving this include effective human resources management, exchange of good practices and strengthened cooperation and coordination among different levels of governments.

(8) *Focus on results and promote learning from experience*

Results-oriented investment strategies require “clearly defined policy goals, well-designed tendering procedures, effective monitoring systems, high-quality ex-post evaluation, regular reflection on and upgrading of investment choices, active exchange of information and on-going, mutual learning among actors involved in public investment”.

**C. Ensure proper framework conditions for public investment at all levels of government**

(9) *Develop a fiscal framework adapted to the investment objectives pursued*

Intergovernmental earmarked grants and co-financing arrangements are seen as very appropriate when it comes to realising economies of scales and aligning priorities across different levels of governments, promoting risk sharing and resource pooling. Enabling sub-national governments to exploit their own revenue raising potential and participate in co-financing arrangements is also recommended.

- (10) *Require sound and transparent financial management at all levels of government*

Some good practices for budgetary and financial accountability include “*accurately costing public investment plans, reflecting them in budget strategies and allocation processes, fitting them into a medium-term budget framework and duly considering long-term operating and maintenance costs*”.

- (11) *Promote transparency and strategic use of public procurement at all levels of government*

Procurement systems should be transparent, competitive and monitored in order to insure the efficient and well-directed use of funds.

- (12) *Strive for quality and consistency in regulatory systems across levels of government*

This principle calls for the pursuit of high-quality and coherent regulation across levels of government with the use of co-ordination mechanisms and assessment of costs and benefits of new regulations, including the cost of compliance for LRAs.

To summarise, the guidelines for more efficient public investment put forward by OECD emphasize once again the crucial role of coordination of policies and programmes and promotion of mutual learning across all levels of government. In terms of financial management, the recommendations draw attention to the importance of good practices in fiscal decentralisation, public procurement and regulatory quality for strengthening public investment.

Concerning the changes that would be required in relation to funding Europe 2020-related actions, the suggestions from the interviewed stakeholders were broadly in line with the above elaborated principals. The proposed amendments were mainly concerned with better directed funding and capacity building.

In relation to the first point, it was highlighted that the discussion should shift (and is actually shifting) from “more funding” to “better spending”. An interview partner pointed out that in the past most of the money given to LRAs was used for infrastructure projects (such as building roundabouts). With the increasing pressures on budgets due to the crisis, countries should much more concentrate on funding in a focused way. As such, the use of the money would need to be agreed ex-ante, and it would also involve hard choices for some LRAs (in this regard it was pointed out that not every region would need to have a nanotech centre or a regional airport).

Apart from better spending, the interviewed stakeholders highlighted that much stronger efforts would need to be put on capacity building at the local and regional level, in particular concerning the use of innovative financing tools. Support structures would be needed that help LRAs overcome the lack of knowledge on how to mobilise EU funds, including the ERDF and the ESF. The province of Barcelona was mentioned as an example where support was provided to LRAs in order for them to develop a financial tool for their communes in cooperation with the EIB.

### ***3.6.8 Innovative financing tools considered as very important, but lack of capacity is still a problem***

Innovative financing tools were generally deemed as very appropriate by the interviewed stakeholders, because they would help to re-think the role of finance, moving away from a “grant mentality” (many regions are still caught in the traditional ways of grants and public procurement) towards more market-based instruments. This would require LRAs to think much more about the impacts of the different investment choices, eventually resulting in a stronger testing of the business model and the life-cycle costs as well as to a stronger guarantee of delivery of the results.

Although innovative financing tools were deemed as very appropriate by almost all interview partners, the survey consultation revealed the limited role Europe 2020 has played in encouraging the uptake of these financial sources. 51% of the respondents expressed limited or no agreement with the statement that “*The Europe 2020 strategy has prompted local and regional authorities to make more use of innovative financing tools*”. This does not preclude the possibility that LRAs are using such tools, only that the Europe 2020 strategy is not the driving factor behind it.

*“Europe 2020 is of key importance to local authorities in providing a range of measures to support job creation and economic growth. With support, Local*

*authorities could add value and make good use of innovative financing tools.”*  
(Comment from consultation respondent).

Insights from the stakeholder interviews provide some possible explanation for the mismatch between the overall high perceived value and the actual low level of implementation of innovative financing tools. The lack of capacities at LRA level was pointed as a major obstacle towards a broader engagement in such financing tools. LRAs would need trained staff members with the capacity to understand the market and to contract to third parties; as such, more capacity building through e.g. the European Commission or the European Investment Bank (EIB) would be needed (the EIB’s PPP expertise centre was mentioned in this regard), as well as more dissemination activities (e.g., at the EU Open Days; also the CoR workshop on PPPs was mentioned) to showcase projects and activities funded through alternative funding streams. The need for capacity building for improving the efficiency of public spending was also highlighted during the CoR conferences and workshops:

*“The government settings should support growth friendliness and efficiency. More fiscal autonomy at the regional level can help provided it does not generate perverse effects. Also, investing in administrative capacity is needed as choosing effective spending is difficult.”* (Hans Naudts, European Commission, DG ECFIN, Economic Analyst – Euro area economic strategy)<sup>52</sup>.

During one of CoR’s workshop raising capacity building in regions and local contexts was also recognised as a key issue for ensuring sufficient funding for Europe 2020. The use of new financial instruments in complementarity with EU grants was very much favoured, although the need for better employment of existing instruments by LRAs was also highlighted.<sup>53</sup>

The various forms of borrowing depend to a large extent on the capacity to finance it. In view of the need of government or other guarantees for enabling borrowing of LRAs, some interviewed stakeholders also pointed to the heightened risk of off-balance sheet public debt, which might discourage the uptake of these financing tools.

According to the interviewed stakeholders, some countries (like Poland) have been quite successful in using these innovative instruments, whereas others (like France or Sweden) have been more reluctant. Reasons for this may include the view that LRAs should not be reliant on private money in order to be able to implement Europe 2020 actions (in particular in times of crises), as this is

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<sup>52</sup> Statement made at the 2nd CoR Workshop on Reviewing the Governance of Europe 2020 on the 18th of September 2013.

<sup>53</sup> Open Days Workshop "Europe 2020 implemented in your region/city: debate with think-tanks" organised by the CoR on 26 September 2013 in Brussels.

considered as a public responsibility. In this sense, private money is seen as the “cream on the cake”, i.e. extra money that doesn’t “count” as much as public money. Apart from the problem with the lack of administrative capacity and the general reluctance to borrowing, the divergence in conditions for financing was also recognised as a main obstacle for the uptake of innovative financial tools in the CoR conferences:

*“Currently the main problems do not relate to financial means, but rather to divergences. Those are linked to: 1) regions lagging behind in implementing Europe 2020; and 2) different patterns of production specialisation, with some sectors open to high international competition. There are divergent conditions to investment: the difference in the cost of borrowing is very high between the regions both in the public and private sectors.”* (Maria João Rodrigues, ISCTE-IUL Lisbon University Institute and ULB, policy adviser to the European Union on European economic policies)<sup>54</sup>.

To reduce these new types of divergences and to facilitate coping with shocks, Rodrigues points to the need of much stronger instruments such as a banking union and a solidarity mechanism in the euro area- topics, which are already on the agenda of the European Council.

### 3.6.9 *Conclusions*

Funding, including the criteria for allocating funds, monitoring their spending, and evaluating project impacts remain topics of intense interest and a diversity of views. The multitude of obstacles faced by LRAs in accessing and using funds – reduced government budgets, pressure of fiscal consolidation efforts, inadequate EU financial support, conflicts of short-term crisis-management measures and fiscal sustainability against long-term priorities, excessive bureaucratic hurdles in grant application procedures – create difficulties and delays in achieving the Europe 2020 goals and can lead to suboptimal results due to either non-existing or insufficient fiscal means or inefficient allocation of resources. LRAs and other stakeholders have expressed their expectations that the reformed Cohesion Policy will give a new momentum for achieving the Europe 2020 objectives by more closely aligning the allocation of EU funding with the strategy’s agenda and effectively concentrating national and regional authorities’ activities on a limited number of common strategic objectives. There is an increasing consensus that emphasis on a “place-based” approach in the allocation of funding is essential. Nevertheless, EU funds still constitute a too small fraction of overall spending in order to be able to compensate for the reduced financial resources available to implement LRAs’ policies under Europe

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<sup>54</sup> Statement made at the CoR Seminar on the future of Europe 2020 on 3 December 2013 in Brussels.

2020. The use of financial conditionalities and incentives in the allocation of funds under the CSF has also been subject to a lot of controversy. Furthermore, complex systems for acquiring EU funds pose an additional burden for LRAs. It has been highlighted that during times of strict austerity measures and shrinking public expenditures it is of particular importance to optimize the quality of spending and to place emphasis on policy efficiency. Exploring supplementary sources of finance, besides Cohesion Policy, and encouraging the involvement of the private sector in securing financial support have also been proposed as important alternatives. Despite the generally strong support for the usefulness of innovative financing tools for meeting Europe 2020 objectives, the role of the strategy in this respect seems to have been limited. The lack of institutional capacity at regional level as well as difficulties or reluctance to government or other forms of borrowing were identified as main obstacles towards the more wide-spread uptake of these alternative forms of financing.

### **3.7 Policy Recommendations**

Based on the synthesis of the results from the online consultation with LRAs and the stakeholder interviews, it is possible to draw some policy recommendations that could – from the viewpoint of LRAs and related stakeholders – increase the success of the Europe 2020 strategy. The most important of these policy recommendations, which could feed into the discussions of the upcoming mid-term review of the Europe 2020 strategy, include the following:

#### **(1) Better involve LRAs in designing and implementing the Europe 2020 strategy through ...**

- ... a participatory process involving the EU Commission and Member States as well as the LRAs, and which defines their role LRAs more clearly in the further review/development of the Europe 2020 strategy and its implementation;
- ... involving LRAs in multi-level governance arrangements for the planning, implementation, monitoring and evaluation of Europe 2020; as a prerequisite, LRAs need to be better informed about how they can contribute to Europe 2020 (e.g. through “going local” workshops);
- ... strengthened guidelines and positive pressure by the EU Commission on Member States to consult with LRAs when preparing the National Reform Programmes (NRPs) and when setting up the Partnership Agreements (PA); and through a stronger regional dimension in these policy documents in order to increase their relevance for LRAs;

- ... inviting regions to prepare “Regional Reform Programmes” or similar strategic documents, to be taken into account when preparing the NRP;
- ... better involving the sub-national level in the European Semester, such as taking into account the divisions of powers within Member States in the Annual Growth Survey and in particular in the European Commission’s country-specific recommendations;

**(2) Develop a true territorial approach to Europe 2020 through ...**

- ... the use of available evidence and expert and practitioner knowledge on how the diversity of European regions in terms of socio-economic and demographic starting points, specialisations/competitive advantages and development potentials, can be better taken into account regional when defining/revising the Europe 2020 targets;
- ... increased focus on a path of positive change as opposed to static quantitative targets in determining progress at regional level, which offers the less-developed regions a more positive viewpoint in their self-evaluations;
- ... increased opportunities for horizontal (cross-regional) learning and information exchange, promotion of cooperation between inter-dependent regions;
- ... reflecting on the interdependence and alignment of the objectives between the Territorial Agenda 2020 and the Europe 2020 strategy;

**(3) Combine bottom-up and top-down planning to ...**

- ... take advantage of the dynamics, the capabilities and the willingness of local and regional players to engage with all levels to achieve effective multilevel governance;
- ... further develop the larger, overall vision for Europe at EU and Member State levels while seeking systematic input and ideas from LRAs on how they can contribute to achieving it;
- ... further improve the alignment of EU objectives and funding streams;
- ... improve policy coordination vertically and horizontally;
- ... better training of LRA officials on the strategy’s objectives and tools to achieve them (including available sources of funding);

**(4) When introducing regionally differentiated targets ...**

- ... follow a nuanced approach for allocating the targets to the regions, basing the choice of the model (concentration, balancing, catch-up) on the starting points, specialisations and possibilities of the regions in relation to each target;

- ... review the national Europe 2020 targets based on the situations and specialisations of the regions, taking into account the specific situations of border regions; and accordingly update the EU-level targets where appropriate;
- ... ensure that adequate indicators are available that allow monitoring the Europe 2020 targets at regional level, to provide LRAs with the necessary statistical basis for taking evidence-based decisions;

**(5) Improve access to funding through ...**

- ... better aligning overarching European strategies (such as Europe 2020) with the budget cycles and the electoral cycles;
- ... facilitation of capacity building for LRAs in order for them to be able to better tap into more innovative financing tools; in this regard, the European Investment Bank (EIB) could play an important role;
- ... encouraging more efficient public investment by identifying and building synergies and improving coordination between EU, Member State and sub-State (local and regional authority) policies and programmes focused on delivering Europe 2020, reinforce mutual learning across all levels of governments, promote good practices in fiscal decentralisation, public procurement and regulatory quality;

**(6) Promote initiatives and tools for exchange of good practices and mutual learning ...**

- ... across different levels of government and across national borders to improve the flow of information on current and past projects across different levels of government and, if possible, across national borders, so that a learning process can take place.



## 4 Detailed Analysis of Findings from the Broad Consultation of Local and Regional Authorities

With the mid-point of the Europe 2020 strategy nearing, the Committee of the Regions conducted a broad consultation among the members of the Europe 2020 Monitoring Platform to collect information on how the strategy is working on the ground and what the challenges are with respect to delivering the strategy's objectives.

The consultation consisted of a survey, which was translated into 22 languages (aside from English) and distributed to local and regional authorities and other stakeholders. The survey contained 12 statements and questions (in the following survey items) that covered how the Europe 2020 strategy's approach to indicator selection and target setting, implementation, governance and funding is being perceived at the local level and what could be done to improve it in the course of the mid-term review. The survey was implemented with the help of the INTERREG IV C programme and ran from 3 September 2013 – 11 November 2013. It yielded a total of 1,059 valid responses.<sup>55</sup>

The following sections present the findings of the survey analysis in five subparts. The first part looks at who the respondents are and which country and region they come from. In the second part we provide a detailed analysis of each survey item. In the third we review the responses in a joint analysis and with respect to the associations (correlations) that exist between the survey items and with respect to auxiliary characteristics of the respondents' regions such as per capita GDP, unemployment and poverty rates, educational achievement and investments in research and development. The fourth section furthermore analyses the consultation's results with respect to several hypotheses of how Europe 2020 is affecting local and regional planning and decision-making. The final section examines and summarizes the additional comments provided by the respondents.

The responses to the survey do not constitute a representative sample of all local and regional authorities. At the same time and as the next section shows, participation in the survey spanned all but one EU Member State and the majority of NUTS2 regions. Together with its respectable sample size, the survey's findings combined with the results of the stakeholder interviews (cf.

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<sup>55</sup> The list of contributors can be found at: <http://portal.cor.europa.eu/europe2020/Surveys/Pages/Questionnaire--Towards-a-mid-term-assessment-of-Europe-2020-from-the-standpoint-of-EU-cities-and-regions.aspx>

section 5) and a comprehensive research of publications, including studies conducted by the Committee of the Regions yield the broad and detailed picture of the current state of the Europe 2020 strategy that is presented in section 3 of this report.

### 4.1 Response Rate and Distribution of Responses

In total 1,059 valid responses to the consultation were included in the analyses below. A response was considered valid, if at least one response field was filled out. In a few cases respondents appeared to have accessed the survey two times. These cases were examined and (i) the most complete response was retained if it appeared that the respondent did not complete the other attempt or (ii) both responses were retained if the respondent participated in two distinct capacities (e.g., as the representative of an NGO and as the head of a local authority). Two responses originated from non-EU Member States – one from Switzerland and one from Bosnia and Herzegovina. A total of 252 responses came from other territorial stakeholders, including universities (101), authorities at higher than NUTS2 level (97) and private individuals or companies (54). The following bar chart (Figure 1) shows the distribution responses by respondent category. The most responses originated from Italy (167), followed by Spain (94) and Portugal (57). The fewest number of responses were received from Bulgaria, Croatia and Malta with 4 responses each. All EU-28 Member States are represented with the exception of Luxembourg.

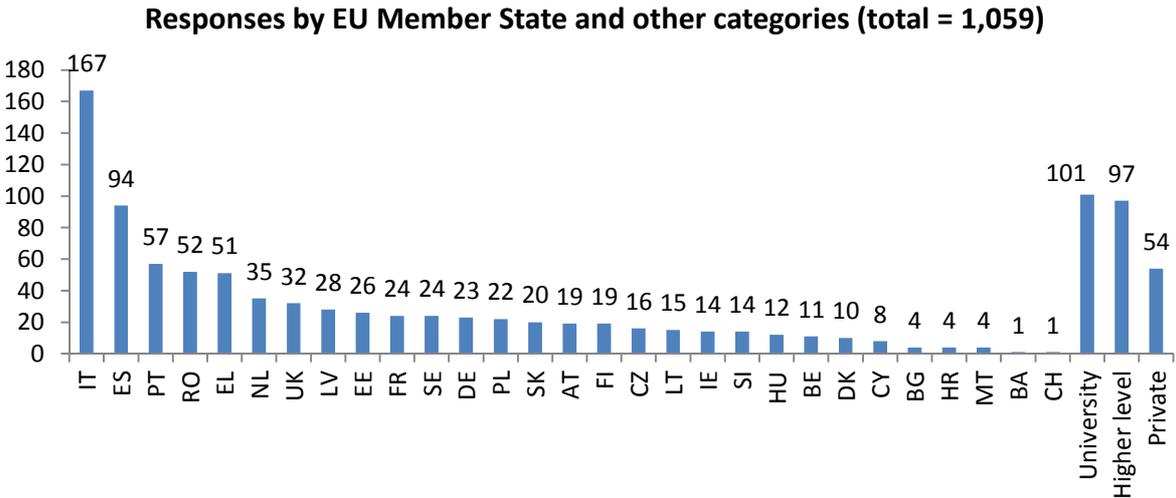


Figure 1: Overview of the distribution of responses by respondent category.

The 1,059 responses represent 194 European NUTS2 regions and chart Figure 2 shows the distribution of NUTS2 regions by EU Member State. Additional findings on the distribution of responses at sub-national level (NUTS2) is given in sections 4.3 and 4.4.

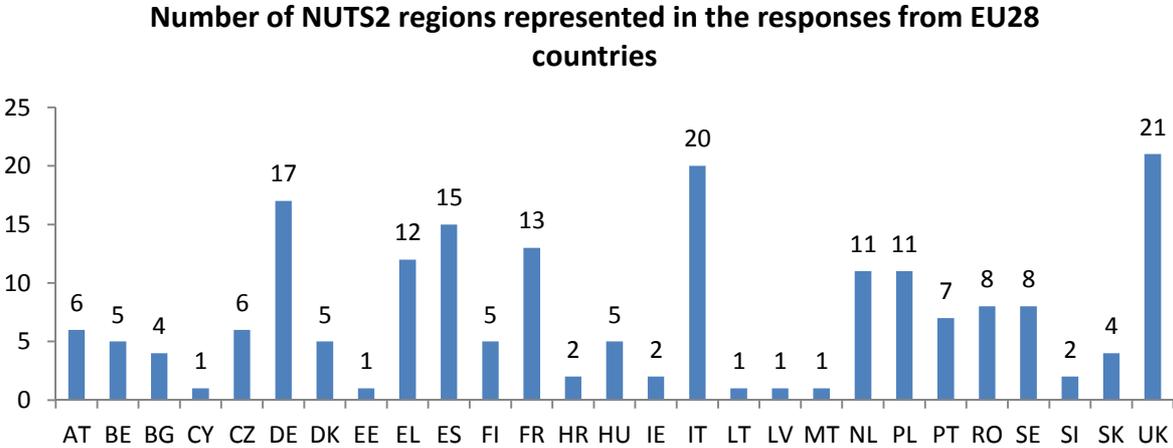
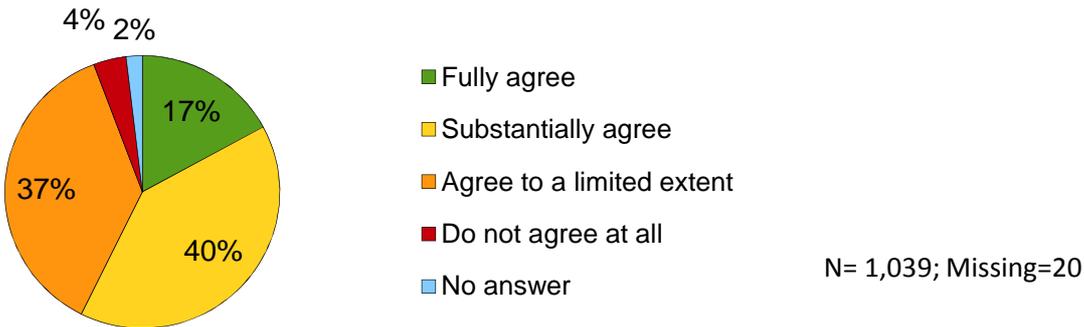


Figure 2: Representation of NUTS2 regions by EU Member State (alphabetic order).

### 4.2 Analysis of Individual Statements

**Statement 1: The Europe 2020 strategy’s objectives have led local/regional authorities to improve their priority setting with regard to sustainable and inclusive growth-oriented policies, and thus helped them to make measurable progress.**



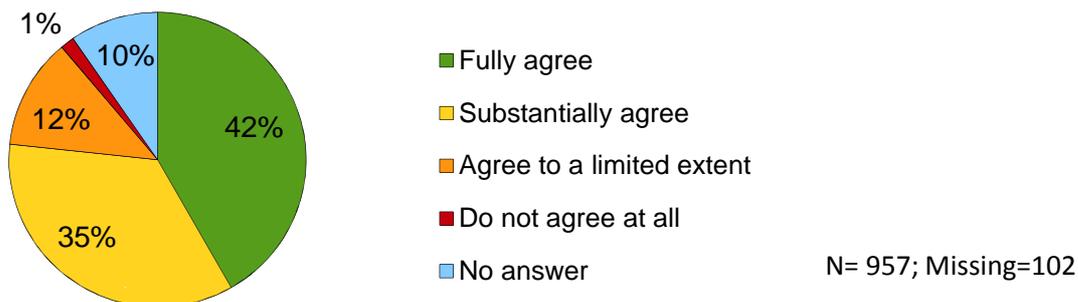
Slightly more than half (57%) of all respondents fully or substantially agreed with the statement, while 41% of respondents agreed only to a limited extent or not at all.

**Statement 2: The Europe 2020 strategy could benefit from a combination of bottom-up and top-down planning and target setting. This approach would make it possible to consider specific local and regional characteristics rather than just targets set at national or EU.**



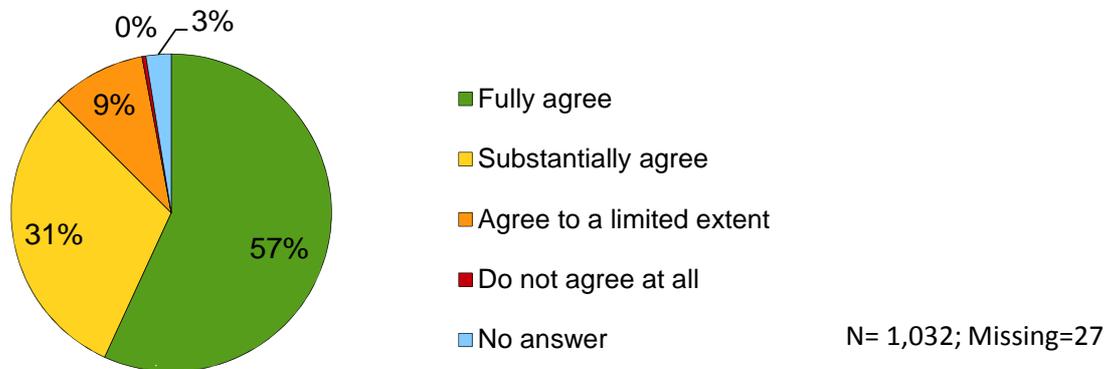
Nearly half of all respondents (48%) fully agree with the statement and another 37% substantially agree with it. Only 1% does not agree at all. Thus, there is broad and strong agreement among the respondents that the Europe 2020 strategy could be improved through a combination of bottom-up and top-down planning and target setting.

**Statement 3: Further territorial differentiation of the Europe 2020 targets at the level of regions would make implementation easier and thereby make the strategy more useful.**



Again, the majority of respondents (77%) support giving more attention to a territorial level and see it as a means to make the implementation of the Europe 2020 strategy easier. In contrast, 12% of respondents agree to a limited extent and 10% do not agree at all.

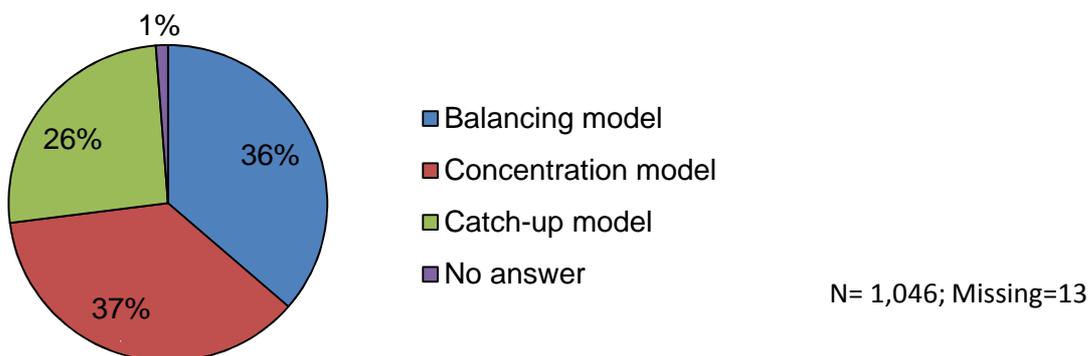
**Statement 4: With regard to the revision of the Europe 2020 strategy and setting territorially differentiated targets, the following principles of multilevel governance should be respected: full information and consultation; stakeholders' involvement; responsiveness.**



There is nearly universal agreement among the respondents on the need for respecting the above principles with 88% of respondents fully or substantially supporting the statement.

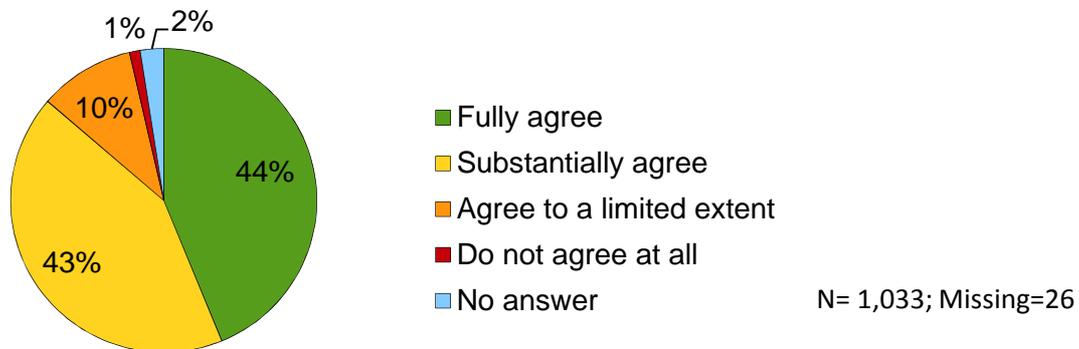
**Statement 5: The individual contributions made by the regions and cities towards meeting the targets set at Member State level should follow a ...**

- ***balancing model***
- ***concentration model***
- ***catch-up model***



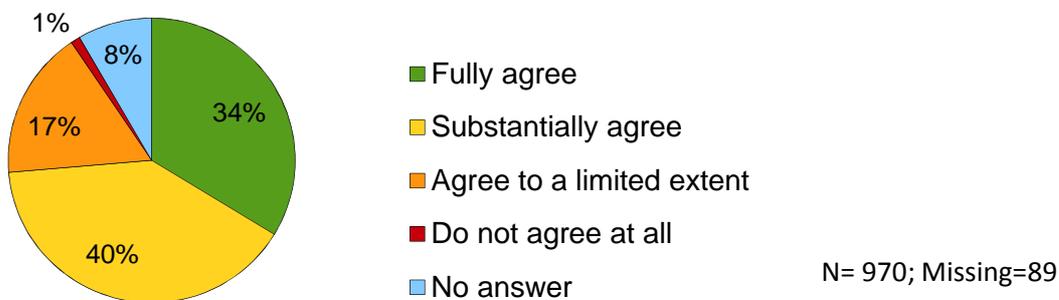
The distribution of responses indicates roughly equal support for the first two models and somewhat less support for the catch-up model.

**Statement 6: The setting of targets should take cross-border interdependence between regions into account (e.g. commuter flows, cross-border economic cooperation, concentration of clusters with cross-border agreements etc).**



Eighty-seven percent of respondents indicate that cross-border connections should be taken into account and express a strong preference for target-setting strategies that connect regions on the basis of proximity and interconnectedness.

**Statement 7: Local and regional authorities can make use of the Europe 2020 strategy to benchmark their own progress and exchange good practices more effectively.**



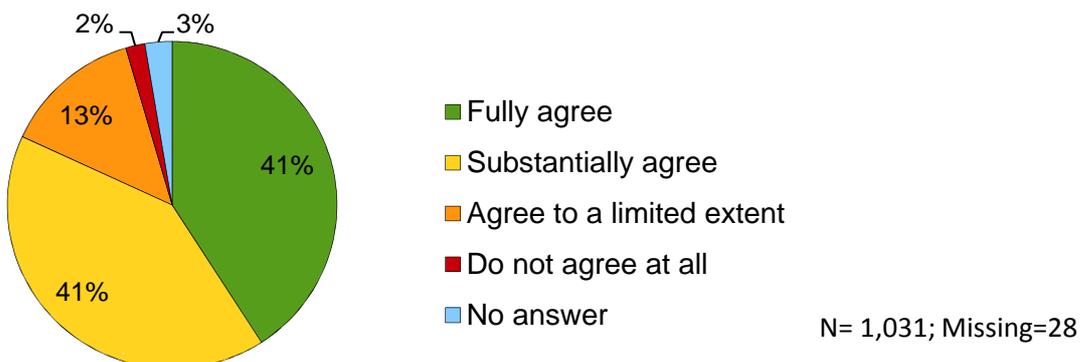
Europe 2020 is perceived as a good instrument to benchmark the work of the LRAs and to exchange good practices with 74% of respondents fully or substantially agreeing with the statement. Seventeen percent agreed to a limited extent and only 1% disagreed completely.

**Statement 8: Learning from one another, sharing experiences and swapping examples of best practice between regions with similar challenges could help them to meet the Europe 2020 objectives.**



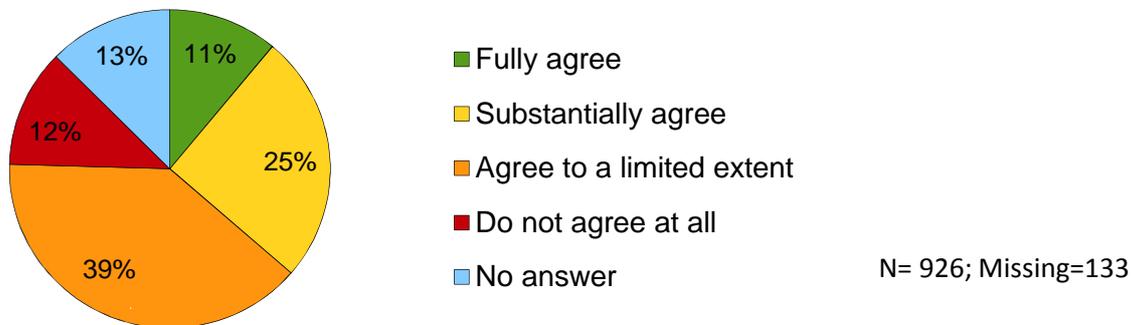
The sharing of best practices and experiences between regions with similar challenges is seen as a useful strategy to reach the Europe 2020 objectives by 56% of respondents who fully agreed with the statement and another 33% who agreed to a substantial degree.

**Statement 9: The potential contribution of local/ regional authorities to the Europe 2020 strategy’s goals of smart, sustainable and inclusive growth could be greater if multi-level governance agreements were signed with their national governments.**



The majority of respondents believe that multi-level governance agreements could lead to greater contributions by LRAs to the strategy’s three main objectives (82% fully or substantially agree with the statement).

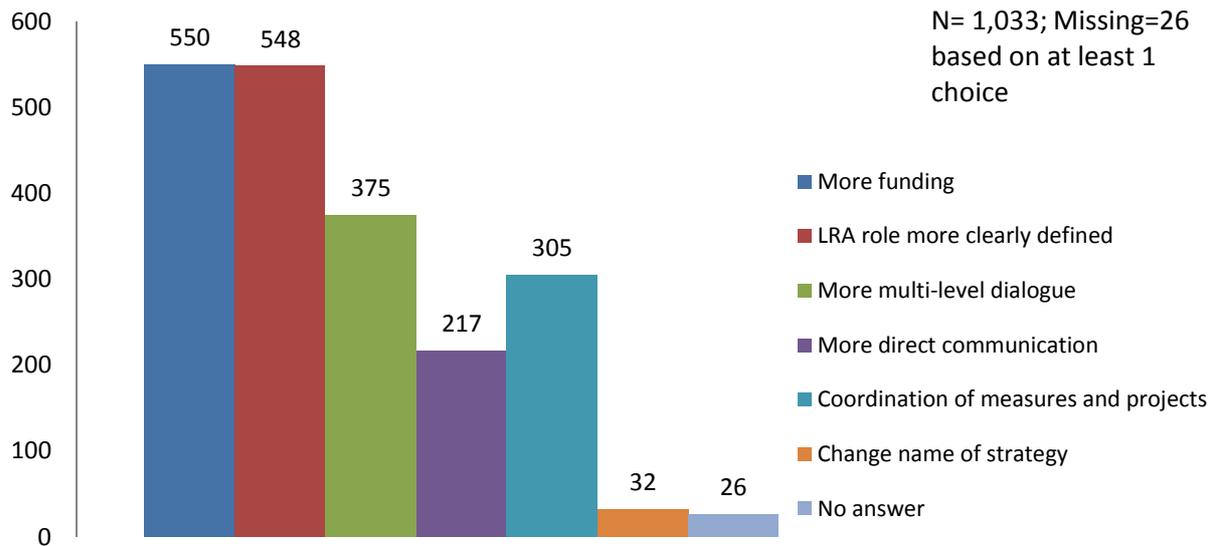
**Statement 10: The Europe 2020 strategy has prompted local and regional authorities to make more use of innovative financing tools such as revolving funds, public-private partnerships, pension fund investments, etc.**



This statement received the highest share of critical responses with 51% of respondents expressing limited or no agreement with the statement. This does not preclude the possibility that LRAs are using such tools, only that the Europe 2020 strategy is not the driving factor behind it. The statement also has a high non-response rate of 13%.

**Statement 11: Which of the following measures could help to increase awareness and ownership of the Europe 2020 strategy among local and regional authorities?**

- ***More funding for carrying out direct measures;***
- ***A more clearly defined role for cities and regions in implementing the strategy;***
- ***More multi-level dialogue about the objective and design of the strategy;***
- ***Better and more direct communication on Europe 2020 from the EU and national governments;***
- ***Assistance in coordinating measures and projects under Europe 2020 headlines, working against the current trend towards multiplying terminology, and avoiding using tools designed in “Brussels”.***
- ***Changing the name of the Europe 2020 strategy to help local and regional players identify with the strategy.***



The two most frequent responses (selected 550 and 548 times, respectively) are the need for more funding and a more clearly defined role for LRAs. These are seen as the best options to increase awareness and ownership among LRAs. In contrast, a change of the strategy's name is only favoured by only 32 respondents.

### 4.3 Joint Patterns

It is also of interest to examine whether there are any patterns in the responses across survey items or with respect to other socio-economic characteristics of the regions. We therefore examined if survey item response patterns correlated with one another.

We found that:

- The same participants who agreed with the statement that Europe 2020 has helped LRAs in the planning and priority-setting (item 1) also tended to agree that Europe 2020 has promoted the use of innovative financing tools (item 10).
- The survey questions addressing issues of regionally differentiated targets and the processes by which to derive and implement them (items 2, 3 and 4) showed a positive correlation. A total of 85% of respondents favour a combined top-down and bottom-up approach to planning and target setting (item 2), 77% agree that further territorial differentiation of targets would make the strategy's implementation easier (item 3) and 88% of respondents agree that stronger multi-level governance principles such as full

information and consultation, stakeholder involvement and responsiveness are needed in this process (item 4).

- There is strong positive inter-item correlation for item 11, i.e., participants often selected the same pair of options as most important for increasing awareness and ownership of the Europe 2020 strategy among local and regional authorities

Using additional statistical tools it was also found that the respondents viewed several survey items as related. Table 1 shows which of the items 1-10 were found to be inter-related.<sup>56</sup>

	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6	Item 7	Item 8	Item 9	Item 10
Item 1							X			X
Item 2			X	X	X			X		
Item 3				X		X	X	X	X	X
Item 4					X	X	X	X	X	
Item 5										X
Item 6							X	X		
Item 7								X	X	X
Item 8									X	
Item 9										
Item 10										

**Table 1: Summary of survey items that are not independent of each other according to the observed answer frequencies.**

Note: cells marked with an X identify the pairs of survey items that were found to have similar answer patterns.

## 4.4 Spatial Analysis

The 1,059 responses represent 194 NUTS2 regions. Since it is known that Europe 2020 is delivering different results and creating varying challenges across the European regions,<sup>57</sup> it is useful to examine what, if any, spatial

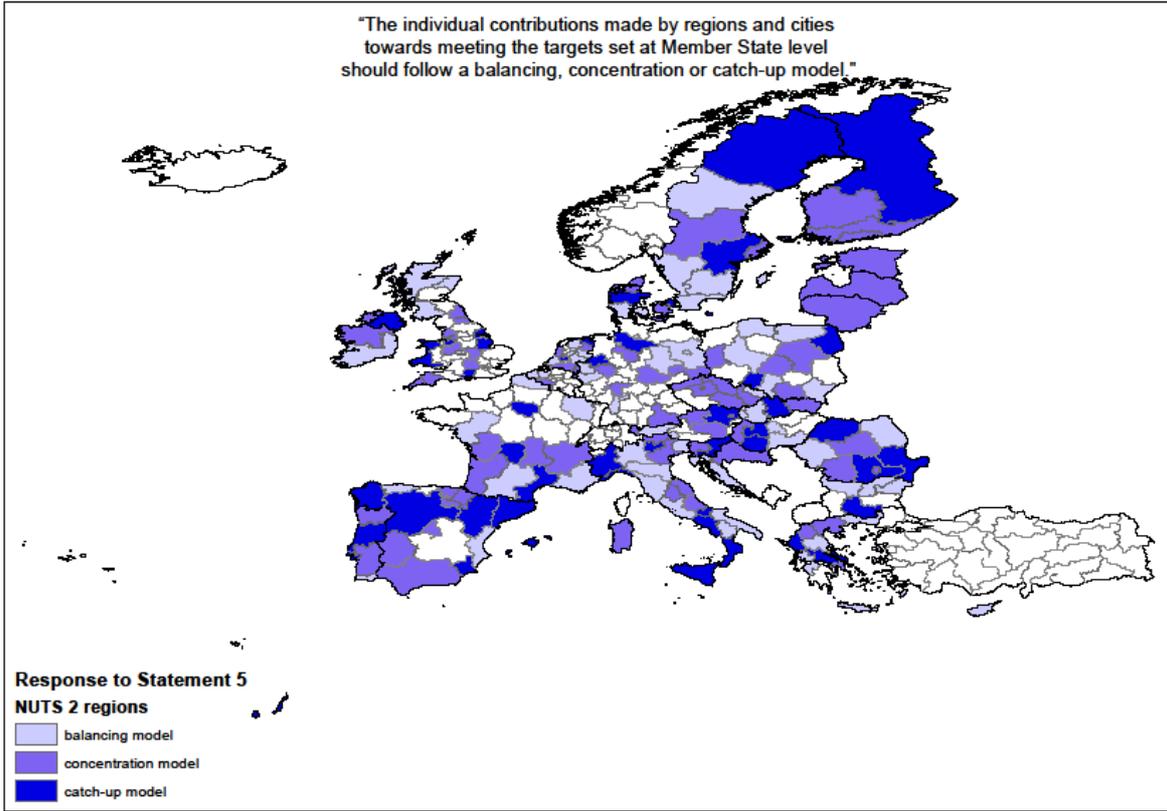
<sup>56</sup> Item 11 is excluded due to its different, multiple choice structure.

<sup>57</sup> See, for example, Committee of the Regions, 2012. Third Monitoring Report on Europe 2020 (available online at <https://portal.cor.europa.eu/europe2020/SiteCollectionDocuments/Third%20CoR%20report.pdf>; accessed 9

patterns can be identified in the responses based on their distribution by NUTS2 region. To do this, the answers from respondents from the same NUTS 2 region were averaged.

Overall, there is limited evidence for particular spatial patterns. Respondents from Romania, Bulgaria, the Balkans, Ireland and the Nordic countries appear to be more supportive of the statements contained in the survey. Regions in central Europe such as in France, Germany and the Benelux countries as well as in the UK have a more mixed opinion depending on the issue.

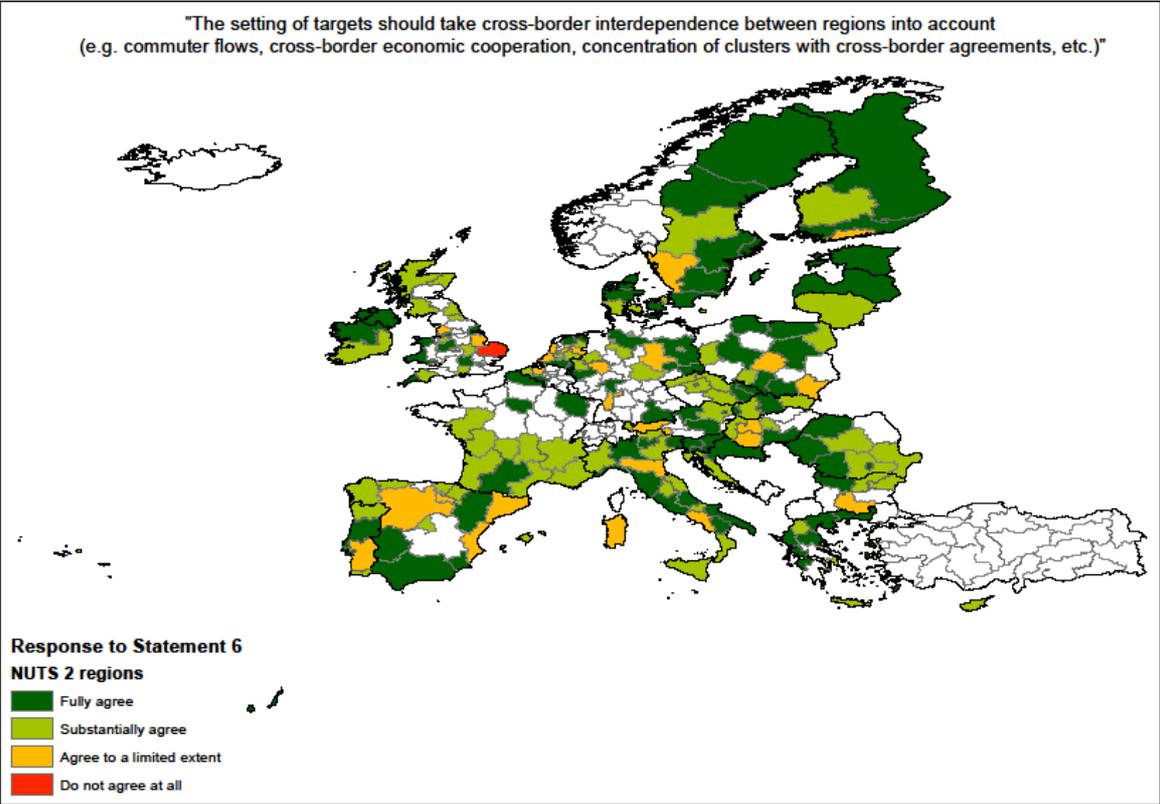
Among the strongest findings was a geographic differentiation with respect to the three proposed models for allocating territorial targets. For many respondents from the more peripheral regions in Europe, the catch-up model seemed preferable (e.g., from northern Scandinavia, Portugal, southern Italy, parts of Greece and north-eastern Poland). The concentration and balancing models found acceptance throughout the EU but without a clearly differentiating dimension such as urban or rural character.



Map 1: Average response by NUTS 2 region for survey item 5 on the choice of model for allocating territorially differentiated targets.

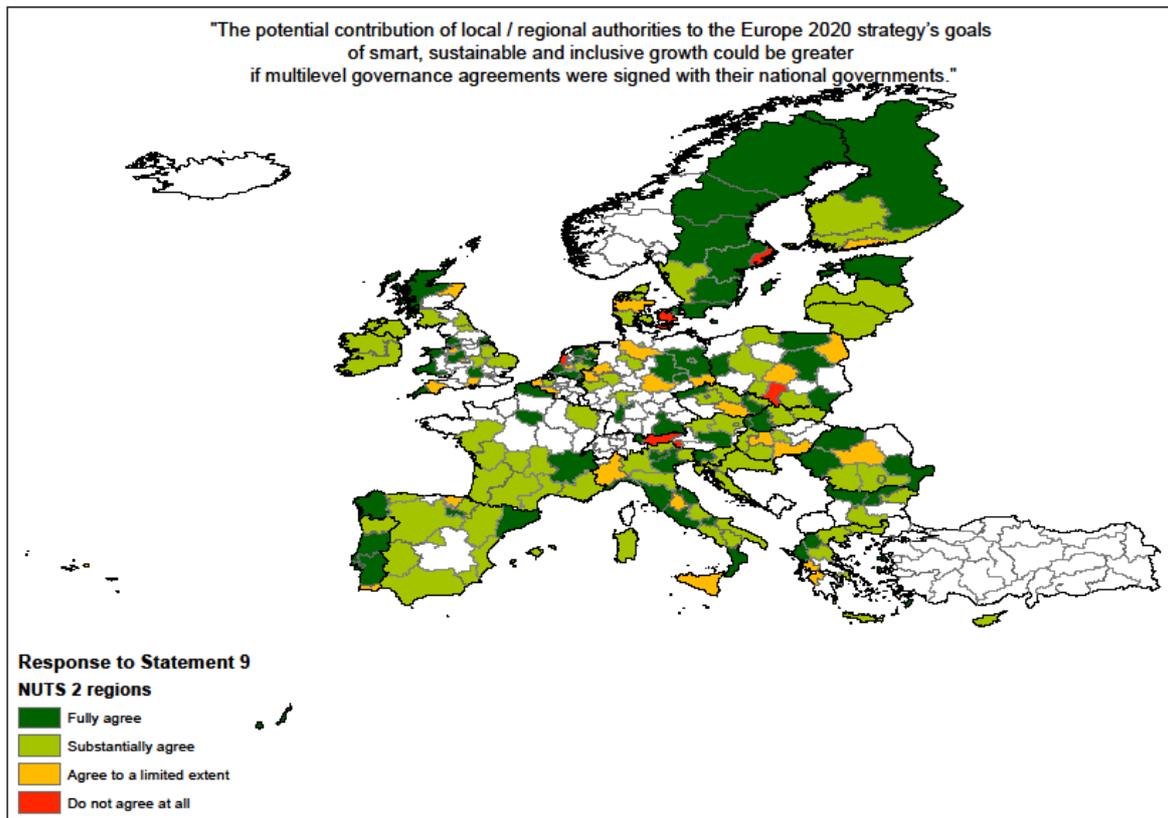
December 2013) and European Policy Centre (EPC), 2010. Europe 2020: Delivering Well-being for future Europeans (available online at [http://www.epc.eu/documents/uploads/1103\\_challenge\\_europe\\_issue\\_20.pdf](http://www.epc.eu/documents/uploads/1103_challenge_europe_issue_20.pdf); accessed 9 December 2013).

The question of whether territorially differentiated targets should take cross-border interdependence into account (statement 6) was generally agreed by the majority of respondents (see Section 3). The map shows that the respondents from many border-regions on average support this idea strongly or very strongly.



**Map 2: Average response by NUTS 2 region to survey item 6 on the role of cross-border interdependence in the setting of regionally differentiated targets.**

Multi-level governance agreements (statement 9) also found very widespread support, in particular in the regions in the North, in Portugal, central Italy and much of Eastern Europe (including the eastern regions of Germany).



**Map 3: Average response by NUTS 2 region to survey item 9 on the use of multi-level governance agreements in achieving the Europe 2020 goals.**

### *Potential underlying drivers of survey responses*

In addition to examining statistical and spatial associations between multiple survey items, it is possible that there are underlying commonalities among the regions that contribute to the responses in the survey. These could be socio-economic factors such as per capita income, the composition of the local economy, the poverty and unemployment situation or educational attainment levels. Depending on the interplay between these underlying characteristics, the respondents may have different attitudes, experiences and opinions regarding the Europe 2020 strategy, its implementation to date and the path forward. However, it was found that there is very little correlation between the survey items and selected auxiliary socio-economic variables as shown in the correlation matrix in Table 2Table 1.

Survey item	GDP per capita (PPS)	Percent at risk of poverty	Unemployment rate of 20-64 year olds	R&D investment (% GDP)	Tertiary education among 30-34 year olds
Item 1	0.08	-0.02	-0.01	0.06	0.05
Item 2	0.06	-0.04	-0.01	0.01	0.04
Item 3	0.05	-0.02	-0.03	0.00	0.01
Item 4	0.03	-0.03	-0.04	-0.02	0.04
Item 5	-0.01	-0.02	-0.01	0.01	-0.02
Item 6	-0.01	-0.05	0.03	0.00	-0.02
Item 7	-0.05	-0.04	-0.03	-0.05	0.05
Item 8	-0.02	0.03	0.02	-0.02	-0.05
Item 9	-0.02	0.00	-0.05	-0.02	0.03
Item 10	0.09	-0.09	0.03	0.11	0.12
Item 11 (a)	0.09	0.09	0.02	-0.02	0.02
Item 11 (b)	0.16	-0.07	0.06	0.13	0.10

Table 2: Spearman rank correlation coefficients between the survey items 1-11 and the auxiliary variables (at NUTS2 level)

None of the correlations is large enough in absolute terms to be considered significant. The strongest relationships exists between the second choice in item 11 (measures to increase awareness and ownership) on the one hand and per capita GDP ( $r=0.16$ ), R&D investments ( $r=0.13$ ) and tertiary education among 30-34 year olds ( $r=0.10$ ). Item 10 (use of financial instruments) correlates positively with R&D investment ( $r=0.11$ ) and tertiary education among 30-34 year olds ( $r=0.12$ ).

### *European Cohesion Policy and convergence objectives*

The EU's regional policy covers all European regions but is differentiated, primarily according to their economic situation. In the 2007–2013 funding period, the EU regional policy used three objectives to determine support levels and sources: Convergence, Regional competitiveness and employment, and European territorial cooperation.

The largest share of regional policy funding is dedicated to regions falling under the Convergence objective, which covers regions with per capita GDP less than

75% of the EU average. Phasing-out regions are those that used to fall under the Convergence objective but no longer do due to the statistical decline in EU-wide per capita GDP resulting from the accession of the poorer new Member States in 2004 and 2007. Regions that used to be covered under the convergence criteria but are now above the 75% threshold within the EU15 are receiving "phasing-in" support through the Regional competitiveness and employment objective. Finally, the regional competitiveness and employment objective covers all European regions that are not covered by the Convergence objective. Looking at the distribution of responses for each of the 11 statements (see Table 3), the results are generally similar across the four region groups. However, a few differences are noted. Regions in the phasing-out (PO) group tend to respond less favourably to statement 3 than the regions in the other three categories but better on statement 7. Phasing-in (PI) regions stand out on statement 6 expressing noticeably less agreement. On statement 10 the convergence regions (Conv) show more support on average than the other three groups.

	Statement										
Average answer score	1	2	3	4	5	6	7	8	9	10	11
Conv	2.21	1.57	1.67	1.50	1.85	1.67	1.86	1.50	1.74	2.55	2.44
PO	2.28	1.72	1.82	1.61	1.72	1.61	1.69	1.56	1.78	2.75	3.00
PI	2.23	1.71	1.64	1.48	1.81	1.90	1.84	1.58	1.79	2.73	2.78
RCE	2.37	1.55	1.67	1.46	1.88	1.70	1.84	1.48	1.70	2.73	2.58

Table 3: Average response (1=fully agree, 2= substantially agree, 3=agree to a limited extent, 4=do not agree at all) for each type of region (Conv= convergence region, PO= phasing-out region, PI=phasing-in region and RCE=Regional Competitiveness and Employment region)

The greatest difference in response distribution is noted between regions in the PO and regional competitiveness and employment (RCE) groups for statement 4 with the former responding the least favourably while the latter agreed the most. In addition, PO regions have the least agreement on statement 10 while Conv regions have the most. All four groups trend prefer a target-allocation model between the balancing and the concentration model, with more support for the latter (statement 5).

### *Urban-rural differences*

Using the new European urban-rural typology we also looked at whether respondents coming from more urban or rural regions (at NUTS2 level) showed different response patterns in the survey. Since the typology classifies regions into predominantly urban, intermediate and predominantly rural areas at NUTS

3 level, we transferred the typology with some loss of accuracy to the higher NUTS2 level. The resulting cross-classification of survey item response frequencies and urban-rural classification is shown in Table 4.

Differences in the response patterns between urban and rural regions of at least 20% were observed for all survey items except item 5 (target allocation model) and item 10 (financing tools). The least divergence between urban and rural occurred in the “Fully agree” answer categories while differences was most frequent in the “Agree to a limited extent”.

answer category	urban-rural typology	item 1	item 2	item 3	item 4	item 5	item 6	item 7	item 8	item 9	item 10
1	PU	15%	41%	34%	55%	30%	38%	27%	55%	40%	10%
1	IN	14%	43%	35%	47%	38%	39%	31%	49%	35%	8%
1	PR	19%	46%	40%	47%	33%	35%	26%	47%	38%	10%
2	PU	28%	38%	33%	24%	32%	33%	38%	22%	28%	19%
2	IN	37%	31%	36%	27%	31%	36%	34%	28%	36%	21%
2	PR	33%	26%	29%	28%	31%	40%	34%	29%	33%	21%
3	PU	38%	5%	10%	4%	22%	12%	15%	5%	14%	32%
3	IN	32%	11%	8%	10%	17%	9%	14%	7%	13%	35%
3	PR	29%	11%	10%	7%	21%	7%	18%	7%	10%	29%
4	PU	4%	0%	1%	1%	NA	1%	1%	1%	2%	16%
4	IN	3%	1%	2%	0%	NA	1%	1%	0%	2%	12%
4	PR	4%	0%	0%	0%	NA	1%	1%	0%	2%	14%

Table 4: Cross-tabulation of item response frequencies and urban-rural typology.

Notes: Answer categories are: 1= fully agree, 2=substantially agree, 3= Agree to a limited extent, 4=Do not agree at all. Urban-rural categories are: PU=predominantly urban, IN=intermediate, PR=predominantly rural. Yellow shading shows differences between PU-PR response patterns of at least 20%.

The largest absolute difference between predominantly urban and rural regions was observed for item 2 (combination of bottom-up and top-down approach). While 38% of respondents from urban regions substantially agreed with this approach only 26% of rural respondents did. In rural areas, more than double the

share of respondents agreed only to a limited extent with the statement compared with respondents from urban areas.

Item 5 concerns the models for allocating targets and answer option 1 refers to the balancing model, option 2 to the concentration model and option 3 to the catch-up model. Preferences between respondents from urban and rural NUTS2 regions differed only very little. Both groups favoured the balancing and concentration models nearly equally. The catch-up model followed with an approximate 10-point margin in both cases.

### 4.5 Broader Hypotheses

As part of the joint analysis we also reviewed the consultation responses with respect to several hypotheses formulated by the Committee of the Regions.

*Hypothesis 1: A large number of LRAs play a major part in meeting the Europe 2020 objectives and targets.*

To collect the evidence for this hypothesis, we consider statements 1, 7 and 10:

**Statement 1:** The Europe 2020 strategy’s objectives have led local/regional authorities to improve their priority setting with regard to sustainable and inclusive growth-oriented policies, and thus helped them to make measurable progress.

**Statement 7:** Local and regional authorities can make use of the Europe 2020 strategy to benchmark their own progress and exchange good practices more effectively.

**Statement 10:** The Europe 2020 strategy has prompted local and regional authorities to make more use of innovative financing tools such as revolving funds, public-private partnerships, pension fund investments, etc.

The three statements examine the extent to which the respondents agree that the Europe 2020 has provided impulses to prioritise the growth and development objectives emphasized by the strategy and to tap into new or innovative financing tools to achieve them. In statement 1 and 10, the majority of respondents agree substantially or to a limited extent, while 74% of respondents in item 7 agree fully or substantially that the Europe 2020 strategy allows LRAs to benchmark their performance to the strategy’s targets.

Analysing statements 1 and 10, we notice that both give an active role to the Europe 2020 strategy, and both receive not fully satisfactory responses. Comparing statements 1 and 7 it can be seen that the LRAs perceive the Europe 2020 strategy as a positive tool to benchmark and exchange good practice. It seems that the problem is not the usefulness of the Europe 2020 strategy but the role of LRAs. LRAs see themselves as drivers of change in the Europe 2020 framework, and will not agree on playing a passive role in sustainable and inclusive growth oriented policies.

***Hypothesis 2: A bottom-up planning approach for a revised Europe 2020 is feasible and could involve only limited top-down directives. The Europe 2020 strategy could be revised to have bottom up planning and target setting for a series of indicators (e.g., employment rate, early school leavers, etc.) driven by regions and a more top down approach for other indicators (e.g. R&D investment) driven by the national/EU level.***

This hypothesis is reflected in statement 2 and received overwhelming support. It could not be tested which of the indicators the respondents would prefer to specify at national and territorial levels, respectively.

**Statement 2:** The Europe 2020 strategy could benefit from a combination of bottom-up and top-down planning and target setting. This approach would make it possible to consider specific local and regional characteristics rather than just targets set at national or EU.

***Hypothesis 3: There is scope for some form of regional target setting within a certain range and with some flexibility. Not all regions should contribute equally to all targets and objectives.***

This hypothesis is composed of two parts: the first concerns the possibility to develop a process for regional target setting, the second refers to the contribution of the different regions. Evidence for the first part is given in the responses to statement 3 and the second by the responses to statement 5.

**Statement 3:** Further territorial differentiation of the Europe 2020 targets at the level of regions would make implementation easier and thereby make the strategy more useful.

**Statement 5:** The individual contributions made by the regions and cities towards meeting the targets set at Member State level should follow a ...

- Balancing model, whereby all regions aim to contribute equally towards meeting the national targets;

- Concentration model, whereby the best-performing regions agree to contribute more towards meeting the national targets than the less well-positioned regions
- A catch-up model, whereby the worst-performing regions try harder to meet the national targets.

***Hypothesis 4: Target setting should not stop at borders; cross-border innovation clusters should be taken into account.***

This hypothesis is fully reflected in the responses to statement 6 and has received substantial and full support from more than 8 out of 10 respondents. Thus, target-setting and benchmarking would need to be viewed not only through a national lens but with greater emphasis being placed on regional similarities and development paths.

**Statement 6:** The setting of targets should take cross-border interdependence between regions into account (e.g., commuter flows, cross-border economic cooperation, concentration of clusters with cross-border agreements etc.)

***Hypothesis 5: Ensuring effective partnerships with regional participation and multi-level governance agreements is much more important to the Europe 2020's success than to reinforce peer pressure and conditionalities at national level.***

Although no statement in the consultation addresses this hypothesis directly, we can use the findings for hypothesis 4 in conjunction with the responses to statement 11. The latter permits an evaluation of how many respondents felt the need for a better definition of the role of LRAs. In addition, statement 4 also highlights the importance of multi-level governance strategies towards improved communication across different levels of government and the involvement of the LRAs.

Respondents to item 11 saw most frequently the need for increased funding and a clearer definition of the role of LRAs. They also favoured an increase in multi-level dialogue and assistance in coordinating the measures and projects under the umbrella of the Europe 2020 strategy. More direct communication is seen as less relevant and a change of the strategy's name is only supported by 32 respondents.

These measures are also reflected in statement 4, which is supported fully or substantially by 88% of respondents.

***Hypothesis 6: LRAs make good use of the Europe 2020 strategy for benchmarking and the exchange of good practice.***

Statements 7 and 8 can be used to examine if, but not how well, LRAs use the Europe 2020 strategy for benchmarking and exchanging good practices.

**Statement 7:** Local and regional authorities can make use of the Europe 2020 strategy to benchmark their own progress and exchange good practices more effectively.

**Statement 8:** Learning from one another, sharing experiences and swapping examples of best practice between regions with similar challenges could help them to meet the Europe 2020 objectives.

We find evidence in support of the hypothesis, because statement 7 is fully and substantially supported by 74% of respondents and statement 8 by 89% (with a greater share fully agreeing with the statement).

***Hypothesis 7: A lot more can be done to tap into unused financial sources for future investments such as pension funds, PPP, and others. Regions have a key role to play.***

This hypothesis is confirmed to a limited extent by the answers to statement 10 (25% agree fully, 39% substantially).

**Statement 10:** The Europe 2020 strategy has prompted local and regional authorities to make more use of innovative financing tools such as revolving funds, public-private partnerships, pension fund investments, etc.

## **4.6 Analysis of Additional Comments**

Approximately a quarter of respondents provided comments in the last survey question (item 12). Entries such as “NA”, “-” or “no further comment” were excluded from the analysis, leaving 258 comments in total. All comments were translated into English and then analysed with respect to their content. This qualitative analysis found that the majority of remarks fall into the following broader themes.

- Approach to developing and implementing Europe 2020;
- Funding tools, amounts and criteria for distribution to help achieve the Europe 2020 objectives;

- Information and awareness raising in regard to Europe 2020 at local and regional levels;
- Sharing of information and knowledge;
- Suggestions for additional indicators and metrics.

The respondents made suggestions for how to make each of these themes more practical and effective:

The Europe 2020 approach and implementation processes should combine top-down and bottom-up mechanisms with local regions being recognized as a critical element. Decision-making in Brussels is seen as too removed from local needs and instead co-responsibility of EU and local level policy-makers and a true participatory model should be applied, which requires a more clearly defined role for cities and other local authorities.

Implementation of Europe 2020 is seen by respondents to be a more long-term development goal that is sensible and visible at local level. Important herein is the participation of LRAs from an early planning stage onwards such that both input and a sense of ownership can be secured. If the EU-wide targets of the strategy are to be achieved, LRAs also need to have a strengthened power to monitor, implement and enforce actions. A decentralized governance approach is favoured.

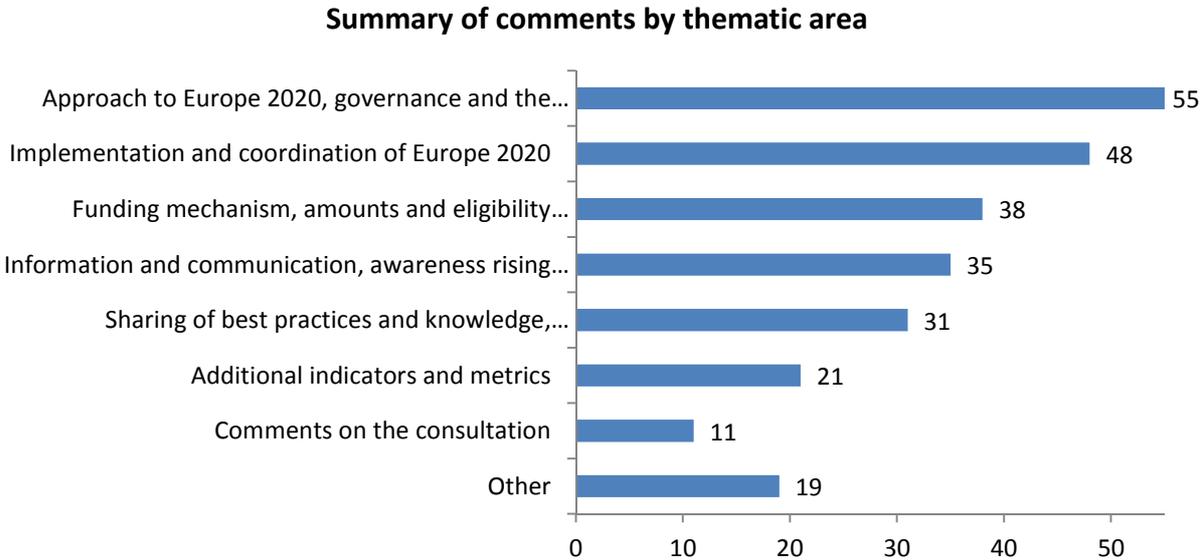
Under the funding theme, the reactions of respondents can be summarized as calling for funding sources and application requirements be made more transparent and easier to access. In addition, eligibility criteria should be revised to allow for smaller, simpler projects to be funded and in particular projects that benefit rural, demographically disadvantaged regions. Funding levels were also seen to be insufficient for implementing Cohesion Policy goals.

Within the information and awareness-raising theme, respondents argue that the objectives of Europe 2020 are still not adequately communicated to LRAs. There is a perceived need to educate and train local officials, avoid “Brussels language” and to communicate and transmit information more effectively.

Exchange of best practices and other forms of learning and knowledge is generally seen as useful, although this theme is characterized by comments on how to make the learning experience more effective. Remarks include the call to include cultural exchange, to focus transfer of practices and experiences on cities and regions that are measurably similar as opposed to their indiscriminate application.

Finally, the comments included several suggestions for additional indicators and action areas. These are health and well-being indicators, anti-corruption measures, ethnic and minority rights protection as well as high-speed Internet.

The following Table 5 shows an enumeration of comments according to these broad themes. Comments may be counted in multiple themes.



**Table 5: Summary of comments received according to the main themes.**

### 4.7 Conclusions from the consultation

The consultation confirms the findings of previous assessments by the Committee of the Regions on the extent to which Europe 2020 is achieving its desired objectives. The more than 1,000 respondents provide an overwhelmingly affirmative statement toward the greater involvement of local and regional authorities in all stages of planning, implementing and monitoring/enforcing Europe 2020 related actions. The role of LRAs is seen as under-recognized, under-valued and under-formalised. Multi-level governance agreements, greater visibility and strengthened power are seen as means to improve the role of LRAs with respect to Europe 2020. This is not to say that the respondents do not see an important role for Europe as a source of impetus, direction, financial support, knowledge and cooperation. Therefore, a combination of top-down and bottom-up approach to developing objectives, setting targets and implementing actions is favoured.

Differentiated territorial targets are preferred by the majority of respondents but they differ in how they should be allocated. Thus, while territorially differentiated targets would provide more flexibility and responsiveness to local

and regional needs, which could lead to a stronger sense of ownership and ambition, the actual allocation model requires further dialogue among the stakeholders.

Funding, including the criteria for allocating funds, monitor their spending, and evaluating project impacts remain topics of intense interest and a diversity of views. Overall, Europe 2020 does not seem to have boosted the use of innovative financing tools and the comments are most concerned with the mechanisms involved in allocating funding from the EU to the local level. Bureaucratic red tape and heavy administrative burdens during the application and the project cycle are often cited as hindrances to achieving the actual work.

A majority of respondents also agreed on the need for more information sharing and better communication between the different levels of government. A significant number of comments focused on Europe 2020 not yet having reached local levels. The strategy should be better communicated and local policymakers be trained in the strategy. In a similar vein, respondents agree to share knowledge and best practices in a way that promotes true learning and cooperation. For example, city clusters and cross-national regional cooperation were named as means to promote the effective transfer of project knowledge

## 5 Detailed Analysis of Stakeholder Interviews

This part summarises the answers received during a series of interviews with stakeholders that were conducted in October and November 2013. As a main purpose of the interviews was to complement the LRA consultation with an “external perspective”, the interview partners were not from LRAs, but from other important stakeholders in the Europe 2020 process, such as the European Commission, Think Tanks, Associations of LRAs and Academics (having published relevant analyses).

The questionnaire used for the interviews was prepared on the basis of a desk research carried out between July and October 2013<sup>58</sup> and is included in Annex 4. The analysis presented here is based on interviews with 11 stakeholders carried out between 17 October and 4 December (see Annex 3).

A purpose of the interviews – carried out in a semi-structured manner – was to draw a comprehensive picture on various aspects related to Europe 2020. As a consequence, depending on the expertise of the interview partner, different questions were discussed with the different stakeholders, and for some of the questions a comprehensive picture had already emerged at a certain point in time so that these topics were not dealt with any more in subsequent interviews.

### 5.1 Do the Europe 2020 Strategy Objectives provide sufficient Guidance?

#### *Overall limited added-value of the Europe 2020 strategy for LRAs*

The added-value the Europe 2020 strategy as a whole has brought to LRAs in general seems to be rather limited. This is mainly because the strategy targets – due to their aggregated nature – are rather seen as high-level targets that do not primarily address the regional and local level but are mainly relevant for the EU as a whole. To a certain extent this perception also applies to the targets set at national (Member State) level.

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<sup>58</sup> Part of the desk analysis was carried out under the CoR order form 4735 “Towards a mid-term assessment of Europe 2020 from the standpoint of EU cities and regions”.

### ***Reasons for the limited added-value include the low involvement of LRAs, ...***

The interviewed stakeholders mentioned a couple of reasons for this limited benefit of the Europe 2020 strategy for LRAs. In line with the already well-known criticism raised by the CoR and others, the fact that the targets have been negotiated at the national and the EU level without the involvement of LRAs was mentioned, as well as the limited involvement of LRAs in the process of developing the annual NRPs. As such, when it comes to the practical implementation of Europe 2020, LRAs are receiving targets “out of the sky” (i.e. having been set in a top-down process) that don’t necessarily help them in designing their own policies in the areas of smart, sustainable and inclusive growth.

### ***... gaps in policy coordination between the EU and the national level ...***

In addition, there exist gaps in the strategy’s governance in relation to policy co-ordination between the EU and national level and the national and sub-national level. At the national level, the ministries co-ordinating national policies with EU policies (i.e. the ones “talking to Brussels”) are usually not the ones that are responsible for co-ordinating specific thematic policies between the national and the sub-national levels.

### ***... as well as discrepancies between EU policies.***

Policy coordination however also seems to be improvable at the EU level. Many initiatives put in place since the adoption of the strategy are not directly in line with its objectives, in particular in the area of social policies. This is also the case with the European Semester which mainly coordinates macroeconomic policies and fiscal consolidation. Although a recent initiative by the European Commission on strengthening the social dimension of the Economic and Monetary Union (EMU)<sup>59</sup> goes in the right direction by proposing a scoreboard of five additional indicators<sup>60</sup>, it creates a juxtaposition of indicators and targets that may be confusing not only for Member States but also for LRAs.

Moreover, Directives adopted by the different European Commission DGs are not always in line with the objectives linked with the funding streams directed to LRAs (e.g. through the ERDF). As a consequence, LRAs are sometimes facing discrepancies (e.g. national objectives not in line with EU objectives, or EU priorities in one area not in line with priorities in other areas) when it comes to the practical implementation of policies.

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<sup>59</sup> [European Commission, \*Strengthening the social dimension of the Economic and Monetary Union\*, COM\(2013\) 690 provisoire.](#)

<sup>60</sup> These indicators include: unemployment rate, youth unemployment rate & NEETs, household disposable income, poverty rate, income inequality.

The situation seems to be different in relation to the so-called “20-20-20” targets in the area of climate change and energy, which seem to be well-known also to LRAs, with many networks and projects on the local level. However, since these targets have already existed since 2008<sup>61</sup>, it is not clear how much of this visibility can actually be attributed to the Europe 2020 strategy.

### ***Are the mistakes of the Lisbon strategy being repeated in Europe 2020?***

Concerning the main points of criticism described above, a few of the interviewed stakeholders see the mistakes made in the set-up and implementation of the Lisbon strategy repeated for Europe 2020. The points of criticism mentioned with regard to the Lisbon Strategy – some of which can also be found in the so-called Kok-Report from 2004<sup>62</sup> – included: insufficient integration of the strategy in the European system, too many targets, lack of involvement of LRAs, distance between ministries “talking to Brussels” and those “talking to LRAs”. However, other interviewed stakeholders see clear improvements in relation to the Lisbon strategy, such fewer targets or a better integration of the strategy into the European system, thus making it more visible at the LRA level.

### ***Europe 2020 has nevertheless been taken up by a couple of regions***

A couple of LRAs seem to have been able to use the Europe 2020 strategy (or some of its priorities, targets or flagship initiatives) for their own purposes. However, on the one hand these appear to be regions that were already acquainted with the work at the EU level, and, on the other hand, regions that were already leaders in specific fields before the adoption of Europe 2020 (such as Flanders, Brandenburg or Bavaria). In the latter case, this means that regions have taken up Europe 2020 as an opportunity to continue what they were doing before. Moreover, it is unclear to which extent a few regions may have used their “response” to the strategy (such as the creation of a regional Europe 2020 strategy) as a means for supporting their own regional agenda (that sometimes goes counter the interests of the respective national government)<sup>63</sup>.

On a positive note, the interviewed stakeholders emphasized the usefulness of the Europe 2020 priorities and targets for providing guidance to the regional and

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<sup>61</sup> [European Council, \*Energy and climate change – Elements of the final compromise\*, 17215/08, 2008.](#)

<sup>62</sup> [Report from the High Level Group chaired by Wim Kok, \*Facing the challenge - The Lisbon strategy for growth and employment\*, November 2004.](#)

<sup>63</sup> For example, the regions of Flanders and Wallonia (Belgium) or Catalonia (Spain) are well-known for aiming towards more autonomy from the central government and are at the same time among the few regions that have set up regional Europe 2020 strategies,

local level, in particular in the time of the crisis, helping LRAs to apply a more strategic approach towards longer-term objectives and targets important for the future provision of public services (such as healthcare and pensions). However, it has to be noted that this provision of guidance has been mentioned as a theoretical case only (by stakeholders not speaking on behalf of a LRA); a comparison with the online consultation with LRAs shows that this point of view is actually shared (fully or partly) by about 57% of the LRAs.

### ***Usefulness of the five strategy targets depends on the specific situation on the ground***

Concerning the relevance of the five Europe 2020 headline targets for LRAs, it was commonly acknowledged that this mainly depends on the competences the LRAs have for the policy areas in question as well as the actual situation on the ground. In principle all five targets (on employment, R&D, climate change, education and poverty) were seen as having important regional aspects; however, since policy responsibilities are spread very differently across the EU (between the national and sub-national levels), the actual room for manoeuvre for LRAs varies considerably from country to country.

Overall, out of the five targets, the one on R&D was generally considered as being the most relevant for LRAs, mainly because of the important set of actions that LRAs can undertake at regional level in order to promote smart specialisation and R&D. In contrast, the poverty target was seen as most distant to LRAs due to the fact that social policies tend to fall into national competences and LRAs' responsibilities in this area seem to be delegated or shared with other institutional levels. For the education target, the common sense was that it depends on the country in question; here, Belgium and Spain were mentioned as examples for countries where regions have a large influence because of their competences in this area. The picture was less consistent for the other targets. In particular for the energy targets – depending on the specific situation (“starting point”) of a region – big potentials were seen for LRAs (e.g. for investments supported by the EIB).

A general observation was that regions that are performing well in a specific target area do so because they had an already rather good regional (or also national) starting point, whereas the poorer regions are facing challenges in relation to all five targets. Also, because LRAs were not involved in the setting of the targets in the first place, many of them are only slowly becoming aware of the Europe 2020 objectives, so an increase in the relevance of the targets for LRAs can be expected in the future, also due to the fact that EU funding (through the Structural Funds and the ESF) will only in the coming period (2014-2020) be aligned with Europe 2020.

***Involving LRAs in planning and target setting would make the strategy objectives more realistic***

Concerning planning and target setting, a better involvement of LRAs through the combination of top-down and bottom-up processes was generally perceived as helpful for making targets more realistic and thus more likely to be reached, in particular in countries with a high degree of decentralisation. By setting up regional development strategies, plans or roadmaps that are the product of a real dialogue with LRAs, the conditions and possibilities on the ground can be taken into account. These documents would consequently identify pathways towards targets that are reachable for LRAs, taking into account the situations, capacities and legal frameworks under which LRAs are working.

These dialogues should however not only take place between the national and the sub-national levels, but also within the regions, through involving other actors such as businesses and civil society, in order to set up arenas/structures for dialogue that are not always influenced by the political cycle, thus avoiding that the implementation of these strategies or plans is disrupted by elections. This means that also regions themselves have to become active and to develop their own consultation mechanisms for involving new (regional/local) actors. Apart from that, space for a closer relation between the regions and the European Commission was identified, as the communication between these two levels is not fully satisfactory.

Other improvements suggested in relation to the upcoming mid-term review of the Europe 2020 strategy were made with respect to monitoring and evaluation. Concerning monitoring, more and better statistics would be needed, in particular at the regional level, in order for LRAs to better understand their situation and where they are in relation to the Europe 2020 targets. In addition, evaluations would need to be conducted on the reasons why some of the strategy targets cannot be reached, in order to see how existing policies and instruments at the EU and national levels need to be changed or designed so that they better support LRAs in designing their own policies in the respective Europe 2020 target areas.

In relation to the question on the democratic accountability of the targets, the interviewed stakeholders were generally not aware of the extent to which national and/or regional parliaments were involved in the process of setting a country's Europe 2020 targets. In this regard it was mentioned that also the role of national/regional parliaments in the European Semester is rather limited.

### *No clear-cut picture concerning the introduction and allocation of Europe 2020 targets at the regional level*

There was no strong argument from the interviewed stakeholders towards the breakdown of the Europe 2020 targets to the regional level. The idea of having a third level (EU and national targets complemented with regional target) was generally considered as interesting or helpful for involving LRAs in planning and target setting, for better understanding the disparities between regions (relevant for sharing experiences and best practices), and for increasing the ownership of the strategy at the regional level. However, the practical implementation of this idea raised some concerns. Generally, due to the huge variety concerning the competences, the starting points as well as the skills/capacities (technical and strategic) across the regions (and also within the regions across each of the five target areas), the actual process of setting numeric figures for each target for each region – as well as implementing the relevant policies at the local/regional level – was seen as very difficult to achieve. As a consequence, such a process may be feasible for some countries, while it would not work for others.

A few interview partners highlighted the emerging issue of metropolitan areas, pointing out that urban areas have very different starting points in terms of available resources and infrastructure compared with rural areas, which adds to the already high complexity and variety of situations of LRAs.

In any case, it was pointed out that the process of breaking down the national targets to the regional level would need to take place between the national and the sub-national level, i.e. without involving the European Commission, whose recommendations to the Member States are already seen as too intrusive by some. However, also the capacities at the national level to carry out such a targeted and focused process with regions were questioned. In particular, LRAs that do not yet have established any EU contacts are more or less dependent on the information received from the national level, from LRA associations or other actors; this situation was pointed to as potential weak point.

A few interviewed stakeholders pointed to the partnership agreements that are currently being prepared in view of the cohesion policy programmes in the upcoming 2014-2020 EU budget. In these agreements concrete actions to deliver the Europe 2020 objectives will be set out, and it needs to be seen whether these commitments wouldn't actually include targets for the regional level, not only concerning the five Europe 2020 headline targets but also in relation to the new social objectives proposed by the Commission<sup>64</sup>.

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<sup>64</sup> See [European Commission, \*Strengthening the social dimension of the Economic and Monetary Union\*, COM\(2013\) 690 provisoire.](#)

*A nuanced mix between concentration and catch-up model seems to be most appropriate for allocating regionally differentiated targets*

Concerning the choice of “theoretical model” behind the allocation of targets (balancing, concentration or catch-up)<sup>65</sup>, there was a common understanding that there is no “one size fits all” approach. While the balancing model was seen as most unrealistic (due to the existing inequalities between regions), a mix of the concentration and the catch-up model was considered as most appropriate. Some of the targets are about strengths (e.g. R&D), while others are about weaknesses (e.g. employment or GHG emissions); therefore, a nuanced decision needs to be taken for each target, also taking into account the specialisations of the regions as well as a look at the highest “return on investment”. For example, regions with already very high employment rates will find it harder to contribute even more towards the national target than regions with rather low employment rates. Similarly, in the area of GHG emissions the worst performing regions may find it easier to cut emissions. In contrast, for the R&D target bigger contributions can be expected from regions that already have a special focus on this area.

Overall, it was acknowledged that the catch-up model would contribute most to convergence and cohesion across the EU (thus addressing territorial inequalities), whereas the concentration model would better fit to the objective of competitiveness but would at the same time increase the disparities in the respective areas (e.g. R&D). This model would therefore need to be accompanied by other policies aimed at “equalisation” across Europe. One option for this would be to look into the success factors of the leading regions and share their experiences and best practices with the other, less developed regions (a process which was mentioned to have worked well for example in Poland).

With regards to the question whether regional targets should be binding, it was questioned whether this would really help achieve the national- and EU-level targets. As even the national targets are not binding, it would be difficult to argue why this should be the case for the regional ones. Also, the question was raised how the non-performing regions should be punished (i.e. what are the sanction mechanisms at hand), and whether the direction of the change (improvement!) wouldn't be more important than reaching a fixed number.

There was no clear answer in relation to the question on how to ensure that regional targets actually add-up to the national and further to the EU targets.

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<sup>65</sup> **Balancing model:** all regions aim to contribute equally towards meeting the national targets; **concentration model:** the best-performing regions agree to contribute more towards meeting the national targets than the less well-positioned regions; **catch-up model:** the less well-performing regions try harder to meet the national targets.

Perceptions in this regard were that regional targets wouldn't add up, mainly because regions don't necessarily share the same priorities as the EU level, and that a closer collaboration between LRAs and their national governments would surely help in this regard. Another suggestion was to turn around the whole process, i.e. to start from the level of ambition that is realistic for the regions, and to add up these regional targets to the national and EU levels.

In relation to cross-border interdependencies, it became clear from the interviews that this is an important aspect due to the huge variation concerning situations and capacities between the regions even within national borders. In this regard, the example of the "renewable energies" target was highlighted: while it doesn't seem to make sense for each region or Member State to invest money into renewables, it would be much more feasible to take a look at the EU as a whole and work towards a coherent approach, identifying the locations where e.g. investments in wind parks would make most sense.

## **5.2 Governance and Implementation**

### ***More communication and cooperation between different levels of government because of Europe 2020?***

The process of setting the Europe 2020 targets seems to have improved communication and cooperation between LRAs and other levels of government in a few cases (because countries depend on their regions to reach their Europe 2020 targets), although the extent of this may be very different across countries (i.e. whether LRAs were really involved or just asked). Examples of cases where Europe 2020 did change something that were mentioned by interview partners include Belgium (negotiations between the three regions on how to contribute to the national target), France (dialogue between Paris and the regions), Italy (LRA's influenced the targets in the area of climate change) and Spain (Barcelona supported local actors in designing policies) as well as Northern Europe in general.

### ***How to strengthen communication and cooperation between different levels of government for Europe 2020?***

The suggestions from the interviewed stakeholders in relation to the changes to be made during the upcoming revision of the Europe 2020 strategy generally concerning the strengthening of communication and cooperation between different levels of government generally referred to strengthening the dialogue between the national and the regional levels. In particular the involvement of the national level in multi-level governance (MLG) processes was seen as a weak

point. The already mentioned gaps in policy coordination between the national and the EU level as well as within the EU level itself were pointed to as area of improvement, as regions are facing difficulties in making commitments to help implement EU policies coherent with national policies and regulations. As such, the discussions on how to better involve LRAs in the Europe 2020 strategy in the course of its revision should not only take place at the EU level in Brussels (between DG Regio, the CoR, LRA associations and others) but also in each Member State, involving the relevant stakeholders at the national level.

Other suggestions included an earlier communication from the department producing the National Reform Programme (although the question is whether this “communication” merely means providing LRAs with information or actually collecting ideas), establishing supporting structures for the local level to help them design policies, draw action plans or identify the financial support they can call on, and providing statistical support to the LRAs.

Additionally, exchanges of experiences (e.g. through case studies) between LRAs in order to foster mutual learning was highlighted as area for better communication among the regions themselves (also see section x.4 on “Exchange of experiences” below). This “horizontal learning” could also be supported by the EU level and/or be advocated by the CoR.

Generally, it was pointed out that the forms of communication and cooperation in place vary not only from country to country but also between the target areas (according to a study, multi-level governance (MLG) settings are very different in the area of social inclusion compared with energy). As such, a generic discussion about how to improve MLG arrangements may be too abstract.

### ***More activities at the national level needed for better involving LRAs***

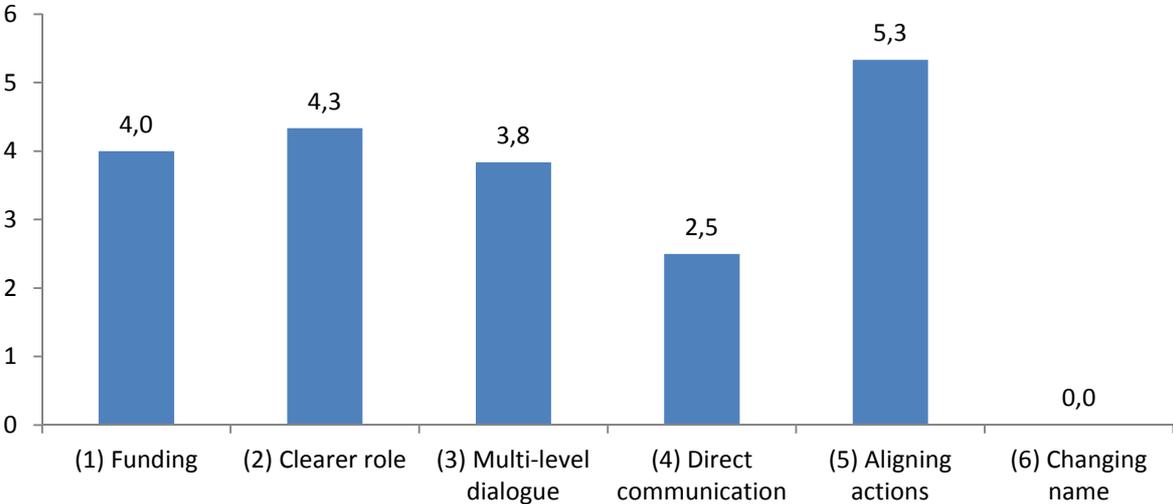
The important role of the national level also became clear in relation to the question on how to better involve LRAs in the Europe 2020 strategy process, for which there was a clear call for much more initiatives being taken at the national level (i.e. by the Member States). The role of the EU level in general and the European Commission in particular was seen as much less prominent in this regard (the EC is already recommending – but cannot force – Member States to better involve LRAs, for instance in the preparation of the NRPs; and a direct communication between the EU level and the regions is hard to imagine). One suggestion in this regard was to make use of the EC representations in the Member States and organise “going local” events together with LRAs.

In relation to raising awareness about the Europe 2020 strategy, it was pointed out that this is already quite high in regions that can identify or already work

with the strategy’s objectives. However, there are also some countries or LRAs that have a rather critical view on Europe 2020 due to different political ideologies.

Additionally, differences in the time-horizons of policy making at EU and regional level need to be taken into account. A short policy time-horizon at the regional level, combined with administrative weaknesses that put LRAs behind in “translating” EU initiatives for their local circumstances, may make some LRAs feel as “victims” of a lot of EC initiatives. The Europe 2020 mid-term review should therefore look into how the implementation of the strategy is working at the regional level, and include some “buffer” for the LRAs to adapt their strategies. For example, in relation to the upcoming financial instruments, some additional 1-2 years would be necessary for the regions to make full use of them.

Concerning the six pre-defined options in relation to increasing awareness and ownership at the local and regional level<sup>66</sup>, option 6 (changing the name of the strategy) was commonly considered as useless, and option 3 (better multi-level dialogue) was only mentioned a few times. From the other four options, “Assistance in aligning actions and projects under Europe 2020 headlines” was considered most helpful, while the other three options were mentioned more or less equally (when aggregating the answers received from the interviewed stakeholders), as shown in the Figure below.



<sup>66</sup> (1) More funding for implementing direct actions; (2) A more clearly defined role for cities and regions in the implementation of the strategy; (3) A better multi-level dialogue about the objectives and the design of the strategy; (4) A better and more direct communication on Europe 2020 from the EU and national governments; (5) Assistance in aligning actions and projects under Europe 2020 headlines; (6) Changing the name of the Europe 2020 strategy to increase the identification of local and regional actors with the strategy.

### 5.3 Access to Funding is still an Issue

#### *Europe 2020 doesn't seem to have helped LRAs to more effectively make use of EU funds*

The interviewed stakeholders consider the support provided by Europe 2020 to more effectively make use of EU funds as rather limited. However, some of them expect this to change in the coming EU budget for the period 2014-2020, with cohesion policy budget being more closely linked with the Europe 2020 objectives (although this would mainly apply to beneficiaries of Structural Funds). In relation to this, however, it was questioned whether the menu of 11 objectives from which Member States can choose from when designing the partnership agreements for the EU's cohesion policy 2014-2020 is actually in line with the Europe 2020 strategy's objectives.

The Structural Funds (ERDF and ESF) were clearly pointed to as the most important funding source from the EU level available to LRAs. Other relevant funding streams mentioned were mainly the EU's research budget (FP7, Horizon 2020) as well as (mentioned only once each) COSME (the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises), the agricultural budget (rural development), and more innovative funding instruments such as ELENA or JESSICA. In this regard also the Commissions' youth employment initiative<sup>67</sup> was mentioned, complementing the ESF with an additional € 3 billion as of the beginning of 2014.

Some interviewed stakeholders generally pointed to the relevance of funding streams from the national level, which may be much more important (in terms of amounts) than EU funding for some regions. Therefore, the way the funding from the national level is used cannot be ignored when looking at the actions at LRA level towards meeting the Europe 2020 objectives.

#### ***Better spending and capacity building would be required***

Concerning the changes that would be required in relation to funding Europe 2020-related actions, the suggestions from the interviewed stakeholders were mainly about better directed funding and capacity building.

In relation to the first point, it was highlighted that the discussion should shift (and is actually shifting) from “more funding” to “better spending”. An interview partner pointed out that in the past most of the money given to LRAs was used for infrastructure projects (such as building roundabouts). With the

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<sup>67</sup> [European Commission, Youth Employment Initiative, COM\(2013\) 144 final.](#)

increasing pressures on budgets due to the crisis, countries should much more concentrate on funding in a focused way. As such, the use of the money would need to be agreed ex-ante, and it would also involve hard choices for some LRAs (in this regard it was pointed out that not every region would need to have a nanotech centre or a regional airport).

Apart from better spending, the interviewed stakeholders highlighted that much stronger efforts would need to be put on capacity building at the local and regional level, in particular concerning the use of innovative financing tools. Support structures would be needed that help LRAs overcome the lack of knowledge on how to mobilise EU funds, including the ERDF and the ESF. The province of Barcelona was mentioned as an example where support was provided to LRAs in order for them to develop a financial tool for their communes in cooperation with the EIB.

***Innovative financing tools considered as very important, but lack of capacity is still a problem***

Innovative financing tools were generally deemed as very appropriate by the interviewed stakeholders, because they would help to re-think the role of finance, moving away from a “grant mentality” (many regions are still caught in the traditional ways of grants and public procurement) towards more market-based instruments. This would require LRAs to think much more about the impacts of the different investment choices, eventually resulting in a stronger testing of the business model and the life-cycle costs as well as to a stronger guarantee of delivery of the results.

However, the lack of capacities at LRA level is a major obstacle towards a broader engagement in such financing tools. LRAs would need trained staff members with the capacity to understand the market and to contract to third parties; as such, more capacity building through e.g. the European Commission or the European Investment Bank (EIB) would be needed (the EIB’s PPP expertise centre was mentioned in this regard), as well as more dissemination activities (e.g. at the EU Open Days; also the CoR workshop on PPPs was mentioned) to showcase projects and activities funded through alternative funding streams.

According to the interviewed stakeholders, some countries (like Poland) have been quite successful in using these innovative instruments, whereas others (like France or Sweden) have been more reluctant. Reasons for this may include the view that LRAs should not be reliant on private money in order to be able to implement Europe 2020 actions (in particular in times of crises), as this is considered as a public responsibility. In this sense, private money is seen as the

“cream on the cake”, i.e. extra money that doesn’t “count” as much as public money.

## 5.4 Exchange of Experiences as Key Aspect for LRAs

More horizontal dialogue at the regional level, facilitating learning from each other and exchanging experiences and good practices, was considered as very important aspect for LRAs in the framework of the Europe 2020 strategy. However, while some interview partners referred to a few already ongoing initiatives, other questioned whether the appropriate instruments that would facilitate such an exchange already exist.

The interview partners also made a distinction between cohesion policy (including Structural Funds) and Europe 2020; for the former, exchange is already taking place (e.g. through the EU Open Days or the EU cross-border co-operation programmes). For Europe 2020 the situation may be more difficult because of the variety of situations and competences at the LRA level. Therefore, it may not be possible to have an exchange between regions from different countries on Europe 2020 in general; in this sense it would make sense to organise such exchanges between regions within the same country, or for specific topics (such as lifelong learning) for regions from different countries but facing similar situations (also related to the idea of “benchmarking”).

Concrete examples of initiatives for exchange between LRAs included the INTERREG “EU2020 going local” project<sup>68</sup> and the CoR workshop on public private partnerships (PPPs). Additionally, in the area of climate change and energy a number of projects and networks would exist at the local level, trying to integrate the “20-20-20” targets into the work of cities and regions, including sharing of best practices and even organising competitions between cities in this area. In Sweden, the Swedish Association of Local Authorities and Regions (SALAR) is organising regional conferences with LRAs supported by the European Commission, the national level and the organising region in order to showcase and discuss the steps and activities carried out under the Europe 2020 strategy. The timing of these meetings is also important; as such, the next regional conference organised by SALAR will take place in February 2014, i.e. after the publication of the Annual Growth Survey (AGS), but before the EU Council meeting and the start of the discussions at the national level.

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<sup>68</sup> See <http://www.eu2020goinglocal.eu>

An important aspect in this exchange and learning from each other would be the creation of networks and partnership, also in view of finding research partners in order to apply for funding from the EU's R&D budget (Horizon 2020).

Concerning concrete mechanisms for exchange between regions, case studies, peer reviews and sharing of data were mentioned by the interviewed stakeholders. It was also suggested to look at the mechanisms used for the employment and social strategies, and to also use the instruments of mutual learning through the Open Method of Coordination (OMC).

The role the CoR could play in this regard was seen quite diverse; while some interviewed stakeholders considered the CoR as an important arena for exchange in relation to Europe 2020 (and that it consequently should play a stronger role in this regard), others pointed to the LRAs and their associations as being responsible for organising such horizontal learning activities (and some pointed to both). In any case, such networks should also be supported by the supranational level (i.e. the EU), e.g. by taking up and promoting and disseminating regional experiences by the EU.

## **5.5 How has Europe 2020 been affected by the Crisis?**

In contrast to the topics above, this question (no. 11; see Annex 4) was rather influenced by the discussants of the CoR workshops held so far (in July, September and at the Open Days in October) than by literature. At these workshops a few panellists and participants expressed concerns about the Europe 2020 strategy being “side-lined” or “overshadowed” by the current focus on short-term political actions as a response to the on-going economic and financial crisis (e.g. in the European Semester, in the country-specific recommendations, etc.). The aim therefore was to further explore this issue during the interviews.

*Crisis had severe impacts on LRAs, and has made the achievements of the Europe 2020 targets more difficult*

According to the interviewed stakeholders, the crisis has had some major impacts on LRAs. Many pointed to the dramatic cuts in sub-national budgets and consequently investment at the local and regional level. Also, the volume of public private partnerships (PPPs) has declined over the past few years, not only because of the lack of capacities at the LRA level, but also because banks are funding less PPPs. However, it seems that not all regions and even countries have been affected equally; Greece, Italy and Spain were pointed to as being

among those hit hardest, whereas in Sweden the crisis did not deflect the regions much from their “business as usual”.

It was generally acknowledged that the crisis has made the achievements of the Europe 2020 targets much more difficult (also see the recent publications from Eurostat<sup>69</sup>). In this regard, some interview partners agreed that the crisis and also the responses within the European Semester have overshadowed Europe 2020, for example in the sense that the country-specific recommendations (CSRs) have predominantly been about fiscal stability and long-term fiscal sustainability, whereas non-labour market related issues have more or less disappeared (such as those related to the Europe 2020 targets in the areas of climate change or poverty). This would lead countries with limited capabilities to focus on the short-term issues related to the European Semester rather than the long-term perspective of Europe 2020.

On the other hand, it was argued that the crisis has actually helped Europe 2020, and Europe 2020 has in turn helped Europe during the crisis – or putting it in the words of one of the interview partners: “if Europe 2020 was not existing we would urgently need it”. As such Europe 2020 is seen as a “reminder” of the longer-term objectives that the EU is aiming for, and regions would take it much more serious now by using it as guideline for deciding on what things to focus on, and for deciding on investment priorities. Most of the regions would now target the Europe 2020 objectives (not in terms of figures but in terms of the direction), which would have changed the way regions work. For example, it was suggested that due to Europe 2020 R&D investment has fallen less than it would have without the strategy, indicating that Europe may have a longer-term benefit thanks to Europe 2020 than what would be the case without it.

### ***The impacts of fiscal consolidation on Europe 2020***

It was generally acknowledged that fiscal consolidation should not prevent the realisation of the Europe 2020 strategy’s growth and social objectives. However, while some interviewed stakeholders argued that Europe 2020 has “fallen off the radar”, or that the consolidation of national budgets and Europe 2020 are contradicting each other or only go together with difficulties, others argued that this integration of growth and fiscal objectives is actually what is done by the European Semester.

The investments made at the sub-national level were in this regard seen as key to put the EU back on the Europe 2020 strategy’s growth objectives. However, the

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<sup>69</sup> See [Eurostat \(2013\), Sustainable development in the European Union - 2013 monitoring report of the EU sustainable development strategy. Luxembourg: Publications Office of the European Union](#) and [Eurostat \(2013\), Smarter, greener, more inclusive? - Indicators to support the Europe 2020 strategy. Luxembourg: Publications Office of the European Union.](#)

severe cuts in the LRA budgets, together with the constraint given to LRAs to have balanced budgets, both in combination with the situation of banks that are themselves constrained for giving loans, would result in a situation of “immobilism”. This would lead LRAs to cut their investments, in particular on longer-term issues, also because the financial autonomy of LRAs would be cut due to the policies taken at national and EU level.

In order to overcome this situation, it was suggested to distinguish between different forms of debt, i.e. to free the discussion of investment from the calculation of national debt. Disconnecting investment money from budgets could spur investment at the LRA level, thus giving LRAs the financial capacity and autonomy for working towards achieving the ambitious objectives of Europe 2020.

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# Annex 1: Questionnaire used for the broad online Consultation

## Questionnaire

*“Towards a mid-term assessment of Europe 2020 from the standpoint of EU cities and regions”*

## Background

The mid-term review of Europe 2020, the EU's growth strategy, is due to start next year. The progress made to date is not satisfactory and the Committee of the Regions (CoR) is determined to address all factors hindering its delivery by bringing the standpoint of European cities and regions into the debate.

To this end, the CoR has launched a wide-ranging consultation of the EU's local and regional authorities with the help of the INTERREG IV C programme to check the extent to which the following statements reflect a need to rethink Europe 2020 and collect further ideas and comments.

In replying to the following 12 questions you allow the CoR to use and publish the information gathered. The names and affiliations of respondents may also be appended to documents published by the CoR.

The findings of this consultation will be used to support a CoR Political Declaration on Europe 2020 and a Mid-term Assessment Report, to be presented on 7 and 8 March 2014 at the Summit of European Cities and Regions in Athens. The results of this survey will also be part of the CoR's communication to the 2014 Spring European Council, where the strategic orientations for the revision of Europe 2020 are to be set. The CoR will also communicate these results to the European Commission and the European Parliament, ensuring that all the institutions involved in the revision process are well informed about the needs of local and regional authorities.

The findings of the monitoring work carried out by the CoR in 2012-2013 suggest that:

- Europe 2020's objectives and headline targets, at both EU and national level, were not always appropriate given the actual situation and potential of the EU's cities and regions. Sometimes, other objectives, indicators or quantitative targets would have been more appropriate;

- In general, the National Reform Programmes, which present the Member States' policies for overcoming the obstacles to smart, sustainable and inclusive growth, do not take into account existing territorial differences or the actual scope of policy actions carried out by local and regional authorities in most of the fields relevant to the Europe 2020 objectives;
- This state of affairs is a consequence of the top-down approach taken by Member States in setting their national targets and is one of the reasons why the latter lack ambition and do not measure up to the EU's Europe 2020 headline targets. It appears that there have been no systematic attempts to exploit the untapped resources of the multilevel governance agreements that are possible when different levels of government work in partnership;
- Moreover, local and regional authorities throughout the EU have felt the severe impact of austerity policies on their ability to carry out the investments needed to provide the conditions for smart, sustainable and inclusive growth. In fact, many of those surveyed by the CoR report a lack of resources to support the investments needed in the relevant policy fields.

### **Identification box**

Name, surname

Email address

Local/regional authorities you belong to

Position

### **Disclaimer**

*Privacy Statement:* The follow-up to your contribution requires that your personal data (name, contact details, etc.) be processed in a file. All answers to the questions are voluntary. Your replies will be kept for a period of 5 years after the receipt of your questionnaire. Should you require any further information or wish to exercise your rights under Regulation (EC) No 45/2001 (for example, to access, rectify or delete your data), please contact the data controller at [europe2020@cor.europa.eu](mailto:europe2020@cor.europa.eu). If necessary, you may also contact the CoR Data Protection Officer ([data.protection@cor.europa.eu](mailto:data.protection@cor.europa.eu)). You have the right of recourse to the European Data Protection Supervisor at any time ([www.edps.europa.eu](http://www.edps.europa.eu)). Aggregated data from all questionnaires may be transmitted to CoR rapporteurs and other EU institutions for information. Should you not agree to this, please inform us accordingly.

**Please reply to the following statements by selecting one of the choices below**

1. *"The Europe 2020 strategy's objectives have led local/regional authorities to improve their priority setting with regard to sustainable and inclusive growth-oriented policies, and thus helped them to make measurable progress."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

2. *"The Europe 2020 strategy could benefit from a combination of bottom-up and top-down planning and target setting. This approach would make it possible to consider specific local and regional characteristics rather than just targets set at national or EU level. In doing so, the revised strategy could better address all the obstacles to smart, sustainable and inclusive growth in the country, making measures already being taken by local/regional authorities more effective."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

3. *"Further territorial differentiation of the Europe 2020 targets at the level of regions would make implementation easier and thereby make the strategy more useful."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

4. *"With regard to revision of the Europe 2020 strategy and setting territorially differentiated targets, the following practices of multilevel governance should be respected: full information and consultation; stakeholder involvement; responsiveness to ensure that contributions from regions and cities are taken into account at all stages of the policy process."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

5. *"The individual contributions made by regions and cities towards meeting the targets set at Member State level should follow a ..."*

Please finish the above statement by ticking one of the options below:

- balancing model, whereby all regions aim to contribute equally towards meeting the national targets
- concentration model, whereby the best-performing regions agree to contribute more towards meeting the national targets than the less well-positioned regions
- catch-up model, whereby the worst-performing regions try harder to meet the national targets

6. *"The setting of targets should take cross-border interdependence between regions into account (e.g. commuter flows, cross-border economic cooperation, concentration of clusters with cross-border agreements, etc.)"*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

7. *"Local and regional authorities can make use of the Europe 2020 strategy to benchmark their own progress and exchange good practices more effectively."*

Please tick one of the boxes below:

- Fully agree

- Substantially agree
- Agree to a limited extent
- Do not agree at all

8. *"Learning from one another, sharing experiences and swapping examples of best practice between regions with similar challenges could help them to meet the Europe 2020 objectives."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

9. *"The potential contribution of local/ regional authorities to the Europe 2020 strategy's goals of smart, sustainable and inclusive growth could be greater if **multilevel governance agreements** were signed with their national governments – i.e. agreements setting **common deadlines** for coordinating and integrating actions by all the relevant stakeholders at different levels of government, and **joint steering and monitoring arrangements**."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

10. *"The Europe 2020 strategy has prompted local and regional authorities to make more use of innovative financing tools such as revolving funds, public-private partnerships, pension fund investments, etc."*

Please tick one of the boxes below:

- Fully agree
- Substantially agree
- Agree to a limited extent
- Do not agree at all

*11. "Which of the following measures could help to increase awareness and ownership of the Europe 2020 strategy among local and regional authorities?"*

Please select the two things that you consider to be most important.

- More funding for carrying out direct measures
- A more clearly defined role for cities and regions in implementing the strategy
- More multi-level dialogue about the objectives and design of the strategy
- Better and more direct communication on Europe 2020 from the EU and national governments
- Assistance in coordinating measures and projects under Europe 2020 headlines, working against the current trend towards multiplying terminology, and avoiding using tools designed in "Brussels"
- Changing the name of the Europe 2020 strategy to help local and regional players identify with the strategy.

*12. Do you have any other comments or clarifications, especially in terms of ways to improve the revision and implementation of Europe 2020 (max. 500 characters)?*

...

*I would like to receive further information from the Committee of the Regions about monitoring of Europe 2020.*

Yes, please send it to the following email address:

\_\_\_\_\_

No

*Thank you for sharing your opinion with the CoR*

## **Annex 2: List of interviewed Stakeholders**

The study authors would like to thank the following stakeholders for their contribution to the report through personal or telephone interviews (listed in alphabetical order):

- Annika Ahtonen, (European Policy Centre (EPC), BE)
- Prof. Iain Begg (London School of Economics, UK)
- Mona Bjorklund (European Commission, Secretariat General)
- Claire Charbit (OECD)
- Claire Dhéret (European Policy Centre (EPC), BE)
- Santiago Loranca Garcia (European Commission, DG Employment)
- Helena Gidlöf (Swedish Association of Local Authorities and Regions (SALAR), SE/BE)
- Jorge Nunez Ferrer (Center for European Policy Studies (CEPS), BE)
- Frédéric Vallier (Council of European Municipalities and Regions (CEMR), FR/BE)
- Antonella Valmorbida (Association of Local Democracy Agencies (ALDA), IT/BE)
- John Walsh (European Commission, DG Regional Policy)



## Annex 3: Questionnaire used for the Stakeholder Interviews

The following questionnaire was used for the interviews, although it has to be noted that due to the semi-structured nature of the interview not all questions were discussed with each stakeholder.

1. In your opinion, has the Europe 2020 strategy brought any **added-value** to local and regional authorities?
  - a. If yes, how?
  - b. If not, why not?
  
2. I would like to ask you more specifically about the **5 strategy targets** in the areas employment, education, research and innovation, poverty and social exclusion, and climate change and energy. To what extent do you think that these 5 key targets have helped local and regional authorities to set or improve their policies in the area of smart, sustainable and inclusive growth?
  - a. Which one(s) do you consider most relevant to local/regional authorities?
  - b. Which ones are difficult to relate to for local/regional authorities?
  - c. Could you give an example?
  
3. What is your view on the current **approach to planning and target setting**?
  - a. Is it feasible and appropriate? Are you happy with the level of government at which decisions are being currently made (**top-down**)?
  - b. What is your view on the possibility of setting targets in a more cooperative way, that is in cooperation between different levels of government (combination of top-down and bottom-up)?
  - c. To which extent have national and regional parliaments been involved in the process of setting a country's Europe 2020 policies and targets?
  - d. What changes would you recommend to be made in the course of the upcoming mid-term review of the strategy in the design and implementation of the strategy? And what would be the role of the local and regional authorities in it and the value added of multi-level governance?

4. Progress on the Europe 2020 targets is currently measured at the EU and national levels only. The pros and cons of **breaking down the Europe 2020 targets to the regional and local level** are currently being discussed. What is your opinion about this?
  - a. What are the conditions under which the allocation of local/regional targets makes sense?
  - b. How can the allocation of local/regional targets contribute to the achievements of the overall objectives at the European level?
  - c. Should local/regional targets be **binding**?
  - d. In your opinion, how can **cross-border interdependences** be taken into account when setting local/regional targets?
5. My next question relates to the **process** by which the targets were specified, in relation to both the selection of the indicators and the setting of the target levels.
  - a. In your opinion, has this process led to more, the same or less **communication** between the different levels of government?
  - b. Has this process led to more, the same or less **cooperation** between the different levels of government?
  - c. Could you give an example?
6. Let's stay with the topic of **cooperation and communication between different levels of government** for a moment:
  - a. What forms of cooperation and/or communication should, in your opinion, be strengthened during the revision of the Europe 2020 strategy?
  - b. Which types that you are aware of are already working well?
  - c. Which additional policy processes – if any – should be communicated/coordinated with different levels of government?
  - d. More specifically:
  - e. What could be areas for better cooperation between local/regional authorities?
  - f. What would be areas for better cooperation between the national and the local/regional level?
  - g. What would be promising areas for better cooperation between the EU and local/regional level?
7. The Europe 2020 strategy is still running until 2020. In your opinion, what should be done to **better involve local and regional authorities**?

- a. What, in your opinion, should be done to increase awareness at the local and regional level?
- b. What, in your opinion, should be done to increase ownership at the local and regional level?

- More funding for implementing direct actions
- A more clearly defined role for cities and regions in the implementation of the strategy
- A better multi-level dialogue about the objectives and the design of the strategy
- A better and more direct communication on Europe 2020 from the EU and national governments
- Assistance in aligning actions and projects under Europe 2020 headlines
- Changing the name of the Europe 2020 strategy to increase the identification of local and regional actors with the strategy?

- c. What should be done to increase **ambition** at the local and regional level in terms of contributing to the success of the strategy?
8. Funding is a critical element to make the Europe 2020 strategy a success. In your opinion, how has the strategy **helped to more effectively make use of EU funds**?
    - a. Which funding sources do you consider most relevant to local/regional authorities?
    - b. If the availability and/or accessibility of funds are still a problem in your eyes, what changes would you recommend to be made so that local and regional authorities have the resources they need to implement the actions outlined in their NRPs?
    - c. Could you give an example?
  9. Has the Europe 2020 strategy helped local and regional authorities to **make more use of innovative financing tools** such as revolving funds, public-private partnerships, pension fund investments, etc.?
    - a. If yes, how appropriate is this in your opinion?
    - b. If no, how could local and regional authorities make better use of them?
    - c. How should other levels of government support local and regional authorities in accessing innovative funding sources?

10. How – if at all – do you think that Europe 2020 helps local and regional authorities that are facing similar challenges to **exchange experiences and learn from one another**?
  - a. What should be done to enable such exchanges and learning so that local and regional authorities can better tackle their challenges under the Europe 2020 strategy?
  - b. Could you give an example?
11. How have **market pressures and fiscal consolidation policies** affected the implementation of the Europe 2020 strategy?
  - a. Would you say that these issues are more important and/or constraining for Member States than Europe 2020?
  - b. What does this mean for regions? Are they more affected and/or more encouraged by Europe 2020 than the national level?
12. Do have any additional comments on how the Europe 2020 strategy could be improved and implemented?