EUROCHAMBRES

Connecting business to Europe

Position Paper

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POSITION ON THE CONCLUSIONS OF THE 5TH REPORT ON ECONOMIC, SOCIAL AND TERRITORIAL COHESION: THE FUTURE OF COHESION POLICY

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1. How could the Europe 2020 Strategy (smart, sustainable and inclusive growth) and cohesion policy be brought closer together at EU, national and sub-national levels?

The basic premise, shared by all, is that public resources are rare, which obliges us to define limited priorities and “optimise spending”.
Heavy budgetary constraints at all territorial levels now imply that we must move from a spending culture to a culture which invests in development, giving maximum added value to the Community resource. This is why cohesion policy must not, under any circumstances, be considered as perennial assistance but as an investment that is likely to exert a leverage effect that is as large as possible on public and private financing, particularly in training, creating sustainable jobs (in other words self-financed by the economic development generated), research, innovation and the mobility of people and goods.

As a general rule, the objectives assigned to the European Union can be achieved through more coordinated use of all the resources available, including those of the European Investment Bank (EIB) and the European Investment Fund (EIF). There is also a need for debate on the possibility to bring the different structural funds, the Cohesion Fund and the other financial instruments closer, in order to improve coordination of resources and actions. This is particularly true when seeking a balance between economic development, innovation, training and employability. It should also be possible to achieve economies of scale through better coordination between the different programmes (CIP, RDFP, calls for proposals, etc.)

The objective of concentrating funding on a limited number of priorities, already displayed in the 2007-2013 programmes, was a notable improvement. Indeed, it encouraged local and regional authorities to define strategic development programmes, focused on upgrades in the areas of innovation and the knowledge-based economy. But there is still a lot to do. This is why the definition, to be set within a partnership, of renewed development and growth objectives at local level should remain the rule.

However, the rapid changes which the modern economy is faced with show that within this imposed strategic framework, it is still useful to provide for a certain amount of flexibility in the management of multiannual budgetary commitments. This leeway is necessary in order to make initially unforeseen investments or to correct certain actions which will no longer be necessary and replace them with others, more suited to the current economic climate.

In the same vein, a flexible and innovative framework must be established in order to improve the governance of European public spending, in coordination with all the actors concerned: The European Union, States, local and regional authorities and Chambers of Commerce and Industry, particularly in the definition of new financing engineering.

In total the administrative burden should be lower than in the current funding period.

In the field, this structured partnership, which is essential as of the evaluation stage prior to the launch of the programmes, must set out the 2020 priorities in practical terms at territorial level, respecting the competences of all those concerned and according to the means of operation specific to each Member State.

In addition, we must raise the profile of Community support and develop its readability.

2. How could a stronger thematic concentration on the Europe 2020 priorities be achieved? Which priorities should be obligatory?

Obviously, cohesion policy should help set up an environment that is favourable to the economic and social development of each region, helping to support businesses and workers in their steps to adjust to the new market conditions.

To this end, it is clear that innovation and adaptation to the changes caused by the knowledge economy must remain key priorities for all socio-economic actors. It will also be useful to strengthen and simplify measures to support and encourage eco-friendly investment programmes and for specific efforts for technological development in these fields.

However, the concept of innovation should really be understood in the wider sense of the term. Indeed, innovation is not merely technological: it can be commercial, managerial or be analysed in terms of acquiring skills or new opportunities. For example, for an SME, moving from a traditionally subcontracting culture to a culture of adapting products to the market is a truly innovative step. This "cultural" aspect of innovation must be given a stronger focus than in current programmes. The same is true for actions to stimulate SMEs to export, which must fall firmly within the scope of new programmes as an innovative development step.

Another priority in complete balance with the “2020” strategic framework is the priority aimed at improving the adaptability of workers, businesses and entrepreneurs. This is one of the priority actions of the European Social Fund (ESF). It is essential to anticipate restructuring and economic changes, but until now this objective has not been reached, due to a lack of sufficient means. In the future, a debate must certainly be initiated on this point, and a real development strategy should be established to develop human capital and intangibles.

Likewise, we must adapt education and training systems in response to new requirements in terms of skills. This is also one of the priorities of the ESF. Entrepreneurial education must be encouraged and technological progress must be taken into account when updating skills within the knowledge-based economy. It is also essential to facilitate better management skills, particularly for SMEs. Managers of small businesses must ultimately be made eligible for training actions in order to enable them to improve their skills in terms of change management. This possibility, currently reserved under certain conditions for craft businesses, should be extended.

Finally, the sections of the future programmes focusing on interregional and cross-border cooperation must be strongly supported. A certain number of clear priorities should be made plain, like the incentive for cooperation between economic and social partners and smoothing out the “frontier effect” which is detrimental in many aspects. The INTERREG programmes should be reviewed in terms of eligibility, and their management must be simplified considerably. Here too, the definition of a framework of action does not preclude a certain amount of flexibility in the implementation. We absolutely must avoid implementing procedures and criteria that are likely, in principle, to freeze earmarking for too long a period, or to dissuade project initiators with criteria for granting funding that are too rigid (an imposed number of partners, size, proliferation of decision-makers, etc.) which act as real deterrents to the initiative.

In future, the European Groupings for Territorial Cohesion (EGTC) could act as excellent instruments for the management of programmes on cross-border territories, but on the double condition that they must be more visible than they are currently and that they must be structured in a more operational manner.

The EGTCs should also genuinely integrate the economic and social actors of the areas concerned, in other words beyond simple institutional formalism.

3. How could cohesion policy be made more results-oriented? Which criteria should be taken into account in order to determine qualitative results?

4. How could conditionalities, incentives and results-based management make cohesion policy more effective? Which criteria should determine the contribution to achieving the 2020 objectives?

The implementation of cohesion policy, which in practice represents the European Union's largest budget, must respect a macro-economic framework that is compatible with a clearly defined objective of growth and employment.

Focusing cohesion policy on results thus means performing extensive clarification work beforehand in order to optimise spending at several levels, in other words:

- Working beforehand on making a clear distinction between Community competences and the competences of Member States and regions, with a distribution of powers as a prerequisite to a collective project for the elaboration, implementation and evaluation of policies.
- Coordinating Community, national and regional financing, with full respect for the principles of subsidiarity, additionality and complementarity, while seeking the most significant levering effects, taking into account the absorption capacity.
- Effectively matching the structural financing with conditionality criteria regarding compliance with economic convergence criteria by the beneficiary States, in order to avoid opportunistic behaviour without any compensation, fiscal dumping and dissuading States who would like to overstep the rules.

Conditionality must become a prerequisite that is necessary and structural in order to ensure the effectiveness of the financial intervention. This principle, applied until now to the management and audit of the Structural Funds in order to ensure the regularity of the expenditure, should be more and more focused on performance and the targeted results. The quality of financial interventions should also be increased, by linking projects and thematic objectives with clear indicators and a structured evaluation system.

Defining objectives to achieve also means that clear choices must be made on the difficult issue of evaluating public policies, which should be a central element in the management of programmes. This evaluation is fundamental at all stages of the procedure:

- Beforehand, it should be based on a strategic vision shared by all the actors committed to territorial development and involved in the future implementation of these measures. It is on this ex ante evaluation discussed and shared by all the representative local actors that the determination of credible objectives shared by the majority will depend.
- During the course of the programmes, independent evaluation must clearly show that the actions do actually work, and the local authorities must be sufficiently flexible in their management to proceed with adjustments or transfers of appropriations, under clear conditions to be defined beforehand.
- Afterwards, the ex-post evaluation must be performed, depending on the objectives assigned, by entities which are independent from the fund administrators and based on objective approaches, oriented towards results that are indeed measurable.

Furthermore, this matter of measuring results is closely linked to the type of public support implemented: a subsidy cannot be evaluated in the same way as investment aid or the impact of creating an infrastructure.
Beyond the method, the dominant criterion in the evaluation must remain that of increasing regional added value, and in particular, from the perspective of Europe 2020, that of the share of regional GDP dedicated to innovation.

Only economic development will genuinely create wealth at local level, through related growth, measurable in terms of the creation of sustainable direct or related (subcontracted) jobs, the reactivation of the economic structure and increased local taxation. This is why the emphasis should be placed once again on measures aimed at attracting investors to areas which are being redeveloped. The same is true for measures to support investment, for financing the development of businesses and creating activities.

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

As indicated previously, the budgetary limits in themselves call for coordination of the tools and use of all the resources, including extra-budgetary resources, such as those offered by the EIB or the EIF, through the implementation of innovative systems to develop the economy at local level. The aim would be to promote a culture of “risk sharing” in territorial development via suitable partnership investment funds that are adapted and specifically dedicated to local development. In this area, the leverage effects can be considerable. This form of implementation of programmes financed by the EU can create real added value, by enabling higher risk investments, in areas where traditional investors are hesitant (innovative SMEs, putting products on the market, business start-ups and business transfers, etc.). Beyond the development of the businesses themselves, the benefit of these types of structures also lies in their intrinsic mode of operation: these funds are based on the “snowball effect": the resource can be recreated little by little through reinvesting in products generated by the investments themselves, thus creating a completely neutral effect for public finances.

These new types of mechanisms (JEREMIE and JESSICA) can be adapted, beyond the financing of SMEs/SMIs, to many areas: housing, services, urban regeneration, social economy, etc.

The JEREMIE programme thus deserves specific attention, but its implementation must be considerably simplified and its resources dissociated from those allocated to the ERDF. Public and/or private financial intermediaries would have every interest to be chosen via invitations to tender calling for the formation of regional consortia, independently of the structural funds procedure, which is not suited to projects of this type.

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

The partnership must be effective at all decision levels, from the ex-ante evaluation phase when needs are measured, then in the definition of regional priorities and of course right through the implementation of programmes. The partners must participate actively and operationally in the economic and social development of the region concerned, and have full power to take action. In this respect, Chambers of Commerce and Industry belong to the category of partners that should lead.

We can learn some useful lessons from the experience in terms of partnership, which considerably improved during the 2007-2013 period:

- the consultation of partners may simply be formal, through the obligatory organisation of general information meetings by the managing authorities (at all levels: Europe, States, Regions) bringing together (too) many actors, without the latter really being able to express their sensitivities. In this case it is more information than a real partnership, but the obligation to consult which appears in the texts is considered, de facto, as fulfilled by the authorities in charge when they report to the higher level. This pitfall must be avoided as much as possible;

- the multiplicity of bodies, associations and NGOs has a harmful effect on the effective functioning of the partnership. The fact that there are too many stakeholders is specifically unfavourable to the effectiveness of the decision-making process. It would thus be useful to limit the operational partnership (to be distinguished from information, which should be much be wider), to the actors genuinely involved in the implementation of economic and social development policies in the regions. The Chambers of Commerce and Industry and the social partners should feature prominently among the leading actors in this partnership;

- finally, and this is a fundamental point, the partnership is an intrinsic part of subsidiarity.

  In other words, specifically within the operation of the partnership, it must be clear for all public decision-makers that it is often useless to employ European financing in order to recreate management or implementation structures for actions contained in the operational programmes. Most of the time, these competences already exist, and have sometimes been around for a long time. In other words, we must promote partnerships through objectives with existing structures, and not by superimposing or piling up agencies which sometimes create sterile institutional competition which is detrimental to the proper functioning of the actions.

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

The emergence of macro-regional strategies is a process that can be likened to the concept of territorial cohesion which appeared with the Lisbon Treaty. Good complementarity should be sought between regional policies in the strict sense of the term and cooperation between the larger European regions or the peripheral regions, but with common interests in terms of cooperation. This may consist in economic cooperation (inter-clustering for example), cooperation between universities, research centres or benchmarking in terms of urban regeneration policies, social inclusion or rural development. Certain cooperation mechanisms of this type are already well established through European Groupings for Territorial Cohesion, which demonstrates their real usefulness in this context.

However, the experience of current programmes shows that it is difficult for economic operators to access interregional cooperation, which is often very “macro”, and out of budgetary reach given the size requested for the projects, which often means that an authority must be responsible for projects. An in-depth analysis of the nature of the economic and social projects in the context of transregional cooperation would be useful in this regard, in order to learn the lessons required to make these programmes more accessible in the future.

Emerging opportunities for macro-regional cooperation are interesting in more than one respect. Beyond the structural funds, they can make it possible to draft strategies in the context of tangible and intangible trans-European networks, which the European Union needs in order to establish the competitiveness and attractiveness of its territory.

On the other hand, if the projects of European interest are to be supported, the "macro regions" must not become an additional territorial level in Europe, which already has sufficient territorial levels.

Moreover, it is regrettable that the Commission document only places a limited emphasis on issues concerning islands and mountain areas.

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

One of the solutions to this issue is to plan prior "harmonisation" of the audit criteria between the Member States and the European Commission, in order to reconcile the accounting requirements of the different Member States with those of the European Union. This would avoid the multiplication of audit procedures (Member States, authorities, European Commission DGs, Court of Auditors, etc.) and above all the differences in method. Once these rules are standardised and clearly established, they will be sent to the project initiators who will be able to implement the necessary procedures as soon as the actions are started up.

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

One of the solutions to this problem is to not rule out the possibility of bringing the different structural funds, the Cohesion Fund and the other financial instruments closer together, in order to best coordinate resources and actions. This could be achieved by reducing the number of financial instruments, which would, de facto, simplify the issue of eligibility criteria.

For the time being, it is clear that the allocation from the ESF is not sufficient to accompany the priorities assigned to the ERDF in terms of supporting economic changes. As indicated previously, it would be useful to provide for an ambitious framework to develop human capital and intangibles in the next programmes. In the case of France, the ESF should also be more decentralised at regional level, in order to accompany local needs in terms of economic and social changes more closely.

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

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

Please refer to the answers given to question 1 to 4 for these points.

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

These regions must be determined according to objective and easily quantifiable eligibility criteria. The GDP/inhabitant is a key tool in this respect. It may be possible to introduce other criteria which are currently being examined, but these must remain measurable according to criteria common to all the regions concerned in the European Union. The regions which will no longer statistically fall within the criteria for granting funding in 2013 must be declared ineligible for the next period and must leave the mechanism.

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

Please refer to the answers given to question 2 to 9 for these points.

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