

Opinion of the Economic and Social Committee on 'The future of cohesion policy in the context of enlargement and the transition to a learning society'

(2002/C 241/13)

On 1 March 2001, the Economic and Social Committee, acting under Rule 23(2) of its Rules of Procedure, decided to draw up an additional own-initiative opinion to the own-initiative opinion on the Second Report on economic and social cohesion, concerning 'The future of cohesion policy in the context of enlargement and the transition to a learning society'.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its additional opinion on 25 June 2002. The rapporteur was Mr Malosse.

At its 392nd Plenary Session (meeting of 17 July 2002), the Economic and Social Committee adopted the following opinion by 127 votes to one with one abstention.

1. Summary

- A. The prospect of EU enlargement to the countries of central and eastern Europe and the transition of our society to a knowledge-based economy are creating a new context for implementing cohesion policy at European Union level.
- B. That new context provides even stronger reasons for a more ambitious cohesion policy with the aim of making the enlarged Union the most competitive knowledge-based economy in the world by 2010.
- C. The Study Group of the Section for Economic and Monetary Union and Economic and Social Cohesion, which has been asked to prepare the Committee's work on this subject, visited one EU Objective 1 region (Andalusia) and one applicant country (Eastern Slovakia) in order to talk to local economic and social players and so to compare its analysis with the situation on the ground.
- D. The Committee is convinced of the need for radical reform of the principles, general conditions, priorities and terms of cohesion policy.
- E. Such a reform must also include revision of the eligibility criteria, to take account of factors such as remoteness, isolation, lack of education and entrepreneurship and absence of civil society structures, in addition to the usual criteria.
- F. It should be possible to prepare the reform on the basis of a reference document providing an overall picture of the economic and social situation of the regions and Member States after enlargement. This prospective analysis by the Commission should be available from early 2004.
- G. Without aiming at uniformity, cohesion policy must promote local and national measures to overcome structural disadvantages and develop a climate favourable to growth and prosperity. Such measures must consist of more than just financial aid; they must specifically promote entrepreneurship and public-private partnerships. They must also avoid creating a mentality of dependence and distortions of competition.
- H. Close involvement of economic and social players, starting with better information provision, should improve the matching of EU measures to real needs. European Union action to promote cohesion must have a higher profile.
- I. Developing good governance, including the role of organised civil society, education in the broadest sense and basic infrastructure should be the three major priorities of a new cohesion policy. These should take into account the imperative of sustainable development.
- J. It is essential to simplify European procedures. The Committee has drawn up concrete proposals for new approaches based on the principles of transparency, participation and modernisation.
- K. Setting up a single fund which is flexible enough to adapt to grassroots needs would be more user-friendly while also ensuring a higher profile. This would be complemented by a system to promote partnership and to disseminate best practice, to which stakeholders would have direct access. Separate instruments could be introduced for other policies without a territorial dimension or designed to address specific issues.

L. Over-rigid programming should give way to contracts focusing on objectives, to include contributions from national and local resources along with private investment and refundable aid.

M. The Committee calls for adequate resources to be allocated to cohesion policy, but in a flexible enough way to encourage high-quality projects. It is important to undertake a comparative assessment of quality as well as to ensure consistency with the main priorities of the EU and respect for the principles of good management of public funds.

2. Background to the additional own-initiative opinion: a new environment for cohesion policy

2.1. In a preliminary opinion adopted at the plenary session of 25 April 2001 ⁽¹⁾, the Committee presented a first political response and so contributed to the Cohesion Forum held by the Commission on 21 and 22 May 2001. That opinion strongly endorsed the principle of a revised cohesion policy for which sufficient funds would be earmarked to cope with enlargement.

2.2. The aim of this additional opinion is to continue and develop the Committee's discussion on the basis of information contained in the Second Cohesion Report ⁽²⁾ and in the First Progress Report on Economic and Social Cohesion ⁽³⁾. It also takes account of the Commission's regular reports on the applicant countries. The enlargement of the European Union in 2004 to 25 countries (and probably more in the longer term) raises the basic issue of the benchmarks, objectives, priorities and methods of a cohesion policy, given that nearly all the applicant countries lag behind the present member states considerably in their development. Per capita income in the current applicant countries is in most cases well below the EU average, in some regions or countries equivalent to barely one quarter of the Community average.

2.3. Another aim of this additional opinion is to develop the debate on the implications for cohesion policy of the transition to a learning society. The Committee upholds the

general EU objective set out at the Lisbon Summit in March 2000 of becoming 'the most successful knowledge-based economy in the world' by 2010.

2.3.1. In this context the Committee also sets great store by the so-called Cardiff, Luxembourg and Gothenburg Processes, which broaden the idea of territorial and economic cohesion to include a social dimension, measures to promote employment and sustainable development.

2.3.2. The Committee also includes among its priorities the European Charter for Small Enterprises adopted at the Feira summit, emphasising the crucial importance of entrepreneurship for the potential growth of Europe. Here the Committee would stress the need to support and strengthen existing enterprises.

2.4. The Committee's discussion should also be part of the broader work of the European Convention on the future of Europe which was launched on 28 February 2002. The Committee, which is represented at the Convention by three observers, intends to make a particular contribution by expressing the views of economic and social organisations of European civil society, including those in the applicant countries with which it has very regular contacts.

2.5. In order to deepen its discussion and hear the views of local civil society organisations, the Study Group of the Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work, visited Andalusia on 20 and 21 September 2001 — a region which is currently eligible for Objective 1 assistance under the structural policies and the Cohesion Fund, and which is one of the regions in Europe most affected by cohesion policy — to hold a joint hearing with the Economic and Social Council of Andalusia ⁽⁴⁾.

2.6. For the same reasons, the Study Group visited Presov in the Slovak Republic on 7 and 8 March 2002, where it talked to local economic and social and civil society organisations in order to establish how well informed they are about Community policy and their experience of the pre-accession funds, and to assess what they expect of cohesion policy once their country joins the European Union ⁽⁵⁾.

⁽¹⁾ OJ C 193 of 10.7.2001.

⁽²⁾ COM(2001) 24 final.

⁽³⁾ COM(2002) 46 final.

⁽⁴⁾ See questionnaire on which the hearing was based in Appendix 1.

⁽⁵⁾ See questionnaire on which the hearing was based in Appendix 2.

3. Observations

3.1. *The key role of cohesion policy*

3.1.1. The role of cohesion policy will be crucial for the applicant countries of central and eastern Europe. Their lag in development and ageing infrastructure, where it exists, of, are now familiar issues which fully justify the application of cohesion policy once these countries accede to the EU. But it should be ensured that European aid is geared towards sustainable development and does not become a type of subsidy or encourage dependency.

3.1.2. There is also an increase in regional disparities within applicant countries like Poland, Hungary, the Czech Republic and Slovakia. In Slovakia, for example, per capita GDP in the Bratislava region is close to the Community average (95 %), and unemployment is low (6.6 %), whereas in the eastern part of the country, where Presov is situated, per capita GDP is only 39 % of the EU average and unemployment exceeds 50 % in certain sectors.

3.1.3. Cohesion policy is still very important for the current member states. Firstly, the commitment of Objective 1 regions to cohesion policy is a major political factor. Thus in Andalusia, although economic and social interest groups recognise the need for radical changes in cohesion policies, they still regard them as a fundamental aspect of the EU and cannot imagine being deprived of them while they still lag substantially behind other EU regions in structural terms.

3.1.4. Furthermore, some regions currently benefiting from cohesion policy, which risk being excluded from it in the future, are still facing serious internal problems of territorial cohesion, even though their development lag compared with the Community average has narrowed considerably. Thus the traditional eligibility criteria (GDP per capita, unemployment, etc.) do not take sufficient account of structural, geographical or cultural problems.

3.1.5. At the same time, over the past five years the development gap within certain countries, and not the smaller ones (Spain, the United Kingdom), is tending to widen. These disparities would have been even wider without the structural and cohesion policies, given the strong tendency for economic development to be concentrated in the most prosperous regions. Structural policy must also be transparent, which is far from the case at the moment in many countries, owing in part to the fact that it is very complex and often even impenetrable. It is essential to ask what the real 'added value' of European cohesion policy is for these regions. To start with, EU action could be justified on grounds of partnership, networking and pooling of experience outside the purely national context.

3.1.6. There is a consensus in the Committee that social cohesion is as vital as territorial cohesion. In this context, the second annual report and the first progress report contain rather worrying statistics, showing a growth in disparities and especially social exclusion. The fact that during 1997 a large percentage of the population was living below the international poverty line — even around 20 % in some Member States (22 % in the United Kingdom, 22 % in Greece and 23 % in Portugal) — should be a greater cause for alarm to those responsible for EU policy. How can we aspire to be the world's biggest knowledge-based economy when the level of exclusion is so high?

3.1.7. Finally, — with respect to Objectives 2 and 3 of cohesion policy — it seems appropriate to involve the regions of all the Member States, given the aim of greater grassroots participation in European integration. However, questions of visibility and Community added value seem much more important here than the amount of actual European aid that might be proposed.

3.2. *Refusing assistance*

3.2.1. It should be clearly stated at this point that the objective of cohesion policy cannot be to eliminate differences or equalise levels of development. Objectively and subjectively speaking, some regions will always be more prosperous than others. The objective of cohesion policy must still be on the one hand to relieve structural handicaps (remoteness, insularity, etc.) and on the other to optimise economic potential and local initiatives. Real development is in the hands of local communities, civil society organisations, public players and business.

3.2.2. It should still be ensured that European aid provides an incentive for action and does not develop into a type of subsidy or encourage dependency. The experience of some of the current Member States prompts us to make it clear to the applicant countries that their future depends entirely on themselves and on the initiative of their citizens and economic and social players, even if Community assistance may accelerate and catalyse their efforts.

3.2.3. The question of appropriate use of aid also seems to be critical for countries with particularly weak administrative structures, which face very serious corruption problems.

The evaluation and monitoring of Union actions should be reinforced, and sanctions should be contemplated for the most serious cases, provided they do not harm the general public.

3.3. *A major weakness: lack of involvement of economic and social players*

3.3.1. Good practice in structural policy with a view to sustainable regional development requires the active participation of civil society and strengthening its organisations. There must be effective involvement of non-governmental players at all stages of the programmes introduced, from framing through implementation and evaluation. The record of Community policy is obviously disappointing in this regard. There have been many complaints of inadequate involvement in Community policies, and this has a negative effect on the visibility, transparency and effectiveness of cohesion policy.

3.3.2. It should be noted that this observation applies just as much to the applicant countries, where the inadequate development of local organisations is used as an excuse for lack of transparency and virtual absence of involvement of non-governmental players in implementing pre-accession aid. Moreover, there is a risk that the use of pre-accession programmes, whose launch has already been considerably delayed, will be further slowed if these players are not mobilised in time to prepare projects.

3.4. *The need for new priorities*

3.4.1. It is essential to align cohesion policy with the broad strategic objectives of the European Union — such as the Cardiff, Luxembourg, Lisbon and Gothenburg Processes — which the last European summit in Barcelona in March 2002 sought to articulate. The commitments of the European Charter for Small Enterprises and issues relating to the quality of public services, which were emphasised again in Barcelona, must also be included in the debate on priorities. The Committee favours mandatory guidelines incorporating the Union's political priorities and drawn up jointly by the Member States, the Committee of the Regions and the European Economic and Social Committee.

3.4.2. In view of the more or less ubiquitous tendency for governments to refocus on their statutory role at the expense of direct economic intervention, Community action should also focus on what is essential, i.e. creating an environment

that is favourable to economic activity and innovation: firstly through providing basic material and non-material infrastructure in the broadest sense, and then through improving human resources.

3.4.3. Direct subsidies to businesses may have negative effects, e.g. obliging companies to relocate, 'subsidy chasing' and distortions of competition. Innovation depends much more on people's abilities and the general environment than on subsidies. Businesses, especially SMEs, now want high-quality basic infrastructure, and well-trained staff with qualifications adapted to their needs.

3.4.4. Social consensus based on dialogue and the existence of independent and well-organised intermediary organisations in society that can provide services of general interest such as representation and provision of information, can today be considered much more likely than aid to promote economic growth.

3.4.5. The goal of sustainable development that is central to the new strategy adopted at the European Council in Gothenburg in spring 2001 is endorsed in principle by economic and social interest groups. It is necessary to understand all the implications of this. On the one hand, choice of transport modes and communication routes must take into account the need for development to be sustainable. Road transport can no longer be presented as the sole solution to problems of accessibility and opening-up. Rail and water transport, especially for goods, should be promoted as much as possible. On the other hand, the forced march towards mass tourism in some regions, with the need to construct expensive infrastructure that is only used during a short period of the year, can provoke a negative response from the general public. Tourism activities should be accompanied by more thorough evaluations of how they fit in with the local framework and their impact on the environment.

3.4.6. It is important to evaluate the EU's priorities and means of action in relation to the knowledge-based economy. According to the second cohesion report, 50 % of the Union's wealth production and 75 % of research and development spending are concentrated in 14 % of its territory. One of the challenges for cohesion policy could be to facilitate the spread of the new technologies and thus to increase the opportunities for the most disadvantaged regions to gain entry to the knowledge economy. In a region like Andalusia there is a broad consensus between the social partners that priority should be given to concerted efforts to avoid falling behind in

the use of information technologies and repeating past mistakes, when this region lacked the knowledge or capacity to adapt to the industrial age.

3.4.7. Education and training are key factors in the knowledge-based economy. The traditional distinction between vocational training, which is eligible for European Social Fund aid, and education, which is not, has become quite obsolete now that the European Union is rightly promoting lifelong learning/training. The question is particularly pertinent in the applicant countries where there is a considerable need for retraining and further training. Nowadays it is often universities, rather than natural resources, that attract businesses. Education and training could well become the linchpins of a revised cohesion policy to encourage the development of a virtuous circle of prosperity.

3.5. *The need for new methods*

3.5.1. The plethora of instruments existing for cohesion policy (EAGFF, ESF, ERDF, Cohesion Funds) encourages duplication. The same mistake seems to have been made with the applicant countries, for which a mass of instruments exist (ISPA, Sapard, Phare, as well as Tempus, Leonardo, etc.), creating confusion and exacerbating the perplexity of a general public that is largely ignorant of European procedures. This multiplicity of instruments also causes local stakeholders to differentiate projects according to European procedures instead of adopting a global approach to their needs and defining their projects on an integrated, cross-sectoral basis. In order to simplify the system and make EU measures more comprehensible and coherent, the different European structural instruments should be merged to form a single instrument that is flexible enough to be adapted to local needs and priorities.

3.5.2. Over the years, European procedures have tended towards complexity, resulting in very elaborate procedures at the expense of transparency and accessibility. The same problems can already be seen in the applicant countries with implementing pre-accession aid.

3.5.3. Thus radical changes are needed in order to simplify procedures. It is also necessary to step up technical assistance to national and local authorities in the applicant countries, and to economic and social players, who should be called upon to play a key role in implementing programmes.

3.5.4. Crucial changes are also necessary with respect to transparency. Effective permanent information systems and policies must be established alongside any Community measures.

4. **The need for a major reform of the principles and general conditions of cohesion policy**

4.1. *New principles*

4.1.1. Enlarging the EU to countries experiencing totally unprecedented situations, and the advent of the knowledge-based economy, call for far-reaching reform of a policy that is tried and tested, but has also shown profound weaknesses.

4.1.2. The Committee reaffirms its support for a Community cohesion policy in principle, both as an expression of a commitment to the values of solidarity and as a practical means of improving competitiveness and economic cohesion, which the EU would not achieve if regions and social groups were left behind. This support also means that cohesion policy, by whatever means, should aim to reduce both disparities between regions and disparities between social groups. The aim of this policy is not really to eliminate differences, but rather to give assets (infrastructure, education, civil society organisations) to the less advantaged regions and areas, enabling them to overcome their disadvantages and to catch up.

4.1.3. Cohesion policy should be a mind-set as much as a set of available resources. As far as measures are concerned, it is clear that priorities must be set and that budgetary allocations alone are not enough. Greater emphasis must be placed in this context on structural reform, initiatives from the private and voluntary sectors, skills transfer and dissemination of best practice. EU budgetary resources should be used only to support essential priorities relating to the most serious handicaps, to develop partnerships and to build networks for cooperating, pooling experiences and disseminating best practice.

4.1.4. To implement essential priorities, Community funding should supplement and support national and local resources, which includes more systematic recourse to private funding. On principle, aid should also be tapered so as not to encourage a passive attitude resulting in perpetual assistance. Every public euro spent must have a catalyst effect. As far as business is concerned, competition-distorting subsidies must

be banned. Above all it is important to promote services supporting small and medium-sized companies and start-ups, as well as facilitating access to financial markets. The principle of additionality of resources (EU, Member State, region, local and private players) is fundamental to ensure that potential is mobilised and partnership promoted. But this must not make procedures excessively complicated or reduce the profile of Community measures.

4.1.5. Analyses of new needs and priorities should also mean that other eligibility criteria besides per capita GDP are taken into account, for the current Member States in particular, such as remote or 'peripheral' location, difficult access, shortcomings in education, absence of an enterprise culture, capacity and potential to manage services of general interest, weak civil society structures and capacity of civil society to generate local development, public-private partnership and training to manage the social economy.

4.2. *New implementation conditions*

4.2.1. To date civil society players have not received enough information or been sufficiently involved. It is essential to ensure complete transparency when implementing the cohesion policies and to abandon the secretive practices of the past. The Committee calls for structured information programmes based on awareness-raising meetings, practical guides, and information on the internet and in the media. Every project must henceforth be accompanied by an information programme conducted at local level by local civil society organisations, acting as intermediaries.

4.2.2. Before any European programme is implemented, an analysis of needs must be carried out at regional level with the help of economic and social stakeholders, e.g. through regional steering groups. This phase must be supported by the EU and regarded as a prerequisite for any Community action.

4.2.3. Economic and social players from civil society, chosen for their representativeness and legitimacy, as well as local elected officials, must be fully and unreservedly involved in framing, implementing and evaluating the measures taken. The Committee thus advocates general use of global subsidies granted to local organisations, enabling them for example to conduct small-scale projects, which are often well geared to needs.

4.2.4. Schemes for experience-sharing and cooperation between regions are still too closed and do not have a really significant impact. It is unfortunate that backward regions cannot benefit more from the positive experience of other European regions. Such schemes must therefore be stepped up, e.g. by establishing a specific instrument that would be directly accessible to local authorities and economic and social players.

4.2.5. The Committee would like EU action to have a high profile at grassroots level. This requires not just a systematic information policy, but enabling the European Commission to have a presence in the beneficiary region, e.g. by delegating EU tasks to politically autonomous agencies or civil society organisations.

4.2.6. It is crucial for the future of cohesion policy, and for its acceptance by those who do not benefit from it, that the measures carried out be evaluated. Proper evaluation means not just monitoring legality or budgetary compliance. It means above all measuring the actual impact of measures both with respect to the initial objectives and with respect to the economic and social impact. It also means looking at the overall impact of cohesion policy on a given region or social group. It cannot take place without the active involvement of the economic and social players that represent those concerned. For evaluation purposes, the Committee would like to see regular meetings organised in the regions at which local organisations can speak directly and without constraint on the basis of a questionnaire drawn up beforehand with the help of the local organisations in question. The EESC could be involved in such meetings along the lines of the hearings it organised in Seville and Presov.

5. **New priorities and new methods of implementing Community cohesion policy**

5.1. *New priorities*

Developing the ability to practise good governance, education in the broadest sense and basic infrastructure should be the three main priorities for a new cohesion policy.

5.1.1. Enhancing the ability to practise good governance: Enhancing authorities' ability to practise good governance and promoting the development of organised civil society seem to be new key priorities for the applicant countries. On a temporary basis, the European Commission could compensate for shortcomings by direct management through a specialised agency. In the beneficiary regions, measures could also be taken to increase the take-up of new technology by authorities, with a view to simplification and transparency, both for companies and economic and social players, and for the general public. It is also crucial to promote the potential of local economic and social organisations, not in their routine operations, but in relation to projects designed to strengthen their consultative role or to develop services of general interest for their members. It would be helpful to promote twinning projects through programmes to step up direct cooperation between regions in these spheres.

5.1.2. Strengthening education, training and research. In line with the major priorities of the EU, such as the conclusions of the Lisbon Summit, promotion of global economic competitiveness through introducing technologies should be considered a key objective for the decade 2000-2010. Basic education, should thus represent a major priority of the cohesion programmes. The European Union could stipulate under the multiannual guidelines that at least 25 % of project support should be allocated to education capacity, as well as to research and training. Education and training should be interpreted in the widest sense here, as including all measures introducing people to information technologies, both within companies, especially the smallest, and among the general public.

5.1.2.1. On the strength of improved education — both basic education and lifelong vocational training — the EU will be able help to combat the causes of exclusion. It could make a real contribution here by sharing information about successful efforts across the EU.

5.1.2.2. A major concern in certain applicant countries is the fate of ethnic minorities like the Roma people, who are often marginalised, unemployed and have no access to education. In preference to subsidies, which rarely have a real impact, experience should be shared on the basis of tried-and-tested methods, combined with the promotion of 'best practice'.

5.1.3. Strengthening basic infrastructure while permitting sustainable development. The third major priority relates to basic infrastructure in the broad sense: transport links,

telecommunications networks, e.g. to facilitate access to new technologies, systems for improving education, training, research and the dissemination of innovation, and systems for protecting the environment. Sustainable development must be central to development decisions, especially in the case of transport links.

5.2. *New methods: transparency, participation, modernisation, coherence*

5.2.1. The impact and effectiveness of cohesion policy are bound to be improved by seeking greater transparency, providing the general public regularly with information on decisions taken and systematically involving the most representative economic and social organisations. The Committee recommends that regional steering groups be set up composed mainly of local elected officials and economic and social stakeholders.

5.2.2. It would be useful to develop modern and flexible management methods — such as global subsidies for economic and social organisations, financial engineering and employment of public-private partnerships — to replace a multiannual programme that now seems obsolete. Contracts setting out objectives could be used instead of detailed — sometimes excessively detailed — programming.

5.2.3. It is particularly important for Community policy to be made consistent, as with each European summit the Union sets new priorities — competitiveness, social cohesion, sustainable development and employment. In addition to setting up a single fund, a new, sufficiently flexible, method should be recommended for reconciling the priorities of the cohesion programmes with the EU's horizontal objectives. The objective would thus be to promote a bottom-up approach: local projects developed at grassroots level, consensus reached by the regional steering groups, negotiation of contracts of objectives with various partners (EU, national government, regions, civil society, private investors and financial intermediaries) and flexible management of measures.

5.2.4. The concept of additionality could be interpreted flexibly here, by generalising the system of cross-financing, i.e. the EU supporting one initiative and the member state another. Rigorous application of additionality, project by project, complicates matters and decreases visibility.

5.2.5. The imminent creation of a single market of 400 to 500 million consumers is liable to lead to changes in the

strategies of businesses located in several of the 25-27 countries. With this in mind, it would be useful to have a reference document — similar to the 1986 Padoa-Schioppa Report — giving a medium-term forecast of the overall economic and social situation in the regions and member states after enlargement. Such a document would enable current and future regions of the EU to put their aspirations more in context and would serve as an objective basis for negotiating the 2007 package.

5.2.6. It is impossible at the moment for the Commission to administer European programmes directly. Since delegating sole responsibility to the Member States is risky, the setting up of implementing agencies with a temporary remit should be considered, especially for the applicant countries. One of these agencies' tasks could be to encourage benchmarking of best performance and achievements to help promote such practices. In all cases EU action should have a higher profile and greater visibility for citizens. As opposed to posters displaying the largely arcane symbols or acronyms of European instruments, the presence on the ground of EU representatives or local authorities acting on their behalf would be the most tangible manifestation of visibility.

5.2.7. Europeans are rightly paying more and more attention to how EU funding is used and they will not accept it being squandered. The same applies to the image of the European Union and the credibility of the enlargement process. It is important to introduce a comparative assessment of quality and to improve the EU's auditing. The situation in certain applicant countries with respect to management of public funds is very worrying⁽¹⁾. European assistance must be completely transparent and we suggest that long-term monitoring of 'good management of public funds' should be introduced under the responsibility of an independent body in conjunction with the economic and social players in each region receiving funds under cohesion policy. Temporary suspension of programmes or introduction of direct management are the appropriate responses in the event of irregularities.

5.3. A single Structural Fund

5.3.1. The European Commission seems to consider that it will be possible to absorb the impact of enlargement over the

period 2004-2006 and to continue providing financial aid to regions in the current Member States whose per capita GDP is less than 75 % of the Community average. After 2006, while priority will be given to less-developed regions primarily in the new member states, it is important that certain regions currently receiving aid whose real level of development has shown little improvement should not be abruptly excluded without an adjustment period.

5.3.2. The Committee cannot accept that the future of cohesion policy should be determined by budgetary considerations alone. It therefore asks that the resources mobilised should allow an ambitious cohesion policy to be set up that meets the challenge of enlargement, enables the new regions to achieve their industrial and agricultural restructuring, addresses the need to adapt to the knowledge-based economy, guarantees a balanced distribution of activities across European territory and contributes more effectively to reducing existing disparities within the current Europe of 15. It would not welcome any evasive approach to the issue that would entail constantly increasing expenditure without effective results.

5.3.3. A revised, transparent, coherent and simplified cohesion policy must also make more efficient use of the resources available in the context of a difficult economic outlook necessitating greater budgetary discipline.

5.3.4. Arguments in favour of a single fund

5.3.4.1. In the interests of simplification and integration, the Committee advocates establishing a single fund. The existence of different instruments for implementing cohesion policy clearly impairs the visibility of the Union's measures, and may also be a reason for lack of coherence. The Committee therefore recommends that a single fund be set up for those countries and regions whose development lags behind. The fund would be complemented by an instrument intended for all stakeholders — including economic and social organisations — across the EU, in order to develop partnerships and cooperation networks and to spread best practice. Other instruments could be created to administer other policies — e.g. fighting exclusion, developing trans-European networks or addressing specific issues such as long-term natural disadvantages.

⁽¹⁾ Opinion of the European Economic and Social Committee: 'Combating tax evasion in the single market' (CES 808/2000) and opinions presented to the EU/Bulgaria Joint Consultative Committees, refs.

5.3.4.2. The single fund would continue to function on a multiannual basis, a system that has helped to promote the stability of development projects. However, experience has shown that the system of 'budgetary envelopes' granted to each country has the disadvantage of freezing a situation for several years without taking account of political, economic and social developments, and of implying that the amounts granted are automatic entitlements. The Committee therefore calls for consideration of a new method of allocation under the single fund, with national multiannual indicative envelopes, but with no guaranteed right to draw assistance. An adjustment could be made each year in accordance with the additional budget available. Funds would be allocated according to the ability of regions or players to propose good projects in line with the contracts of objectives. When contracts of priority objectives are being drawn up, contributions from national and local resources, along with private sector investment and private sector refundable aid, should be considered, depending on the measures proposed and using a method of calculation that takes into account the public budgetary capacity and overall level of development of the country in question.

5.3.4.3. The Committee suggests that one option to consider should be fixing the total multiannual budget of the single fund at a minimum level and using any surplus due to growth, lack of good quality programmes presented or payment delays could be used to build up reserves for more difficult economic situations (i.e. requiring additional measures) or for future enlargements. This option would form part of the more radical reform of the Union's system of own resources, ensuring more visibility for the general public and accountability of the European Parliament for revenues.

5.3.5. The single Structural Fund would be complemented by a system intended for all interest groups — including economic and social organisations — across the EU to develop partnerships and cooperation networks and disseminate best practice.

Brussels, 17 July 2002.

The President
of the Economic and Social Committee
Göke FRERICHs