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(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

472ND PLENARY SESSION HELD ON 15 AND 16 JUNE 2011

Opinion of the European Economic and Social Committee on ‘The role and priorities of cohesion policy within the EU 2020 strategy’ (exploratory opinion at the request of the Hungarian presidency)

(2011/C 248/01)

Rapporteur: **Mr BARÁTH**

On 15 November 2010, Mr Péter GYÖRKÖS, permanent representative of Hungary to the European Union, asked the European Economic and Social Committee, on behalf of the future Hungarian Presidency, to draw up an exploratory opinion on:

The role and priorities of cohesion policy within the EU 2020 strategy.

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 opinion on 31 May 2011.

At its 472nd plenary session, held on 15 and 16 June 2011 (meeting of 16 June 2011), the European Economic and Social Committee adopted the following opinion by 141 votes to 9 with 22 abstentions.

1. Recommendations and observations

1.1 Recommendations

1.1.1 The EESC believes that the European Union’s response to the crisis, **and thinking behind the Europe 2020 strategy, together with its objectives** and flagship initiatives, are setting the right course; it also believes that the proposed measures and instruments are promising. The strategy – together with the Euro Plus Pact - concentrates on the indispensable qualitative changes needed and on the elements of potential growth.

1.1.2 The EU continues to deepen and strengthen the integration process. The EESC thinks that, if the European Union and its Members States want to strengthen integration, they will have to **make decisive changes by 2020, particularly with regard to the quality** of their institutions and legal and financial systems. This requires both sustainable (long-term)

stability, competitiveness (growth potential) and stronger (economic, social and territorial) cohesion, all at the same time.

1.1.3 In several of its opinions, the EESC has emphasised that cohesion policy is a historic EU value, whose **three objectives** – convergence, enhanced regional competitiveness through job creation, and stronger territorial cooperation – should be **preserved and strengthened**. Indeed, the less developed European countries and regions need to increase investment in infrastructure and other capital which is essential to speed up potential growth.

1.1.4 Whilst the EESC is convinced that financial resources invested in support for cohesion policy have, to a large extent, delivered good results, it nevertheless believes that such funding

can and should be further developed and restructured, and that particularly **the effectiveness and efficiency of funding and spending could be improved**. Cohesion policy instruments should be aligned with the Europe 2020 strategy in such a way as not to undermine European cohesion policy.

1.1.5 The EESC recommends that the review of current cohesion policy objectives and instruments look at the option of adapting them in line with elements of the Europe 2020 strategy, as follows:

1.1.5.1 Current cohesion policy objectives and instruments

Cohesion Policy			
Objectives	Structural Funds and instruments		
Convergence/sustainable growth	ERDF	ESF	Cohesion Fund
Regional competitiveness and employment	ERDF	ESF	
European Territorial Cooperation	ERDF		

1.1.5.2 Europe 2020: 3 interlinked priorities

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

1.1.5.3 The EESC suggests that cohesion policy must clearly emphasise societal, social, and solidarity objectives and the use of **Structural Funds for investment purposes, in close cooperation with the other European funds**. Failing this, the focus in Europe 2020 on strong economic growth, which is perfectly acceptable in itself, could overshadow social and territorial cohesion.

1.1.5.4 If the order of Structural Fund competitiveness and convergence objectives were to be changed, and if the **'Multi-Fund'** concept were allowed to become the dominant factor, then the Europe 2020 and cohesion strategy objectives would become quite compatible, and the EU Structural Funds would contribute more effectively to boosting regional competitiveness.

The EU 2020 Strategy		Cohesion Policy (Reformed structure)			
Objectives/ instruments	Flagship initiatives	Objectives/ instruments	Structural Funds and instruments		
Smart growth	A Digital Agenda for Europe, Innovation Union, Youth on the Move	Regional competitiveness and employment			
Research/innovation, Education, Digital society		Greater competitiveness/more attractive location, development of human capital/ education etc., Innovation/knowledge society			
Sustainable growth	Resource efficient Europe, An industrial policy for the globalisation era	Convergence			
Green energies/environmentally aware society, Networking/ small businesses		Growth-generating environmental and infrastructure development, institution building			
Inclusive growth	An agenda for new skills and jobs, European platform against poverty	European Territorial Cooperation			
Equal access/more and better jobs		Local, regional and macro-regional cooperation			

1.1.6 The EESC recognises that the structural harmonisation outlined above would require **radical changes, focussing on defining detailed objectives**: among other things, there is a need to set complementary competitiveness objectives and to widen territorial cooperation to include supporting

macro-regional developments. If there is no possibility for drawing up direct connections between the EU 2020 and the EU Cohesion policy, their goals and means as well as the efficiency of the implementation of the policies may decrease significantly.

1.1.7 Such structural harmonisation could happen if the EU were to acknowledge **cohesion** and cohesion policy in the broader sense as **a priority being on an equal footing with competitiveness**. This would have to be reflected in the funding earmarked for the two priorities. At the same time, this is not just a matter of continuing in future to spend money on cohesion, but of **spending it more effectively**.

1.1.7.1 The EESC urgently calls for the improvement of the proposals for the ex ante and ex post conditionality regime to be set up for monitoring efficiency and effectiveness of the Union's cohesion policy. This regime must not, however, undermine the simplification of cohesion instruments in their entirety; on the contrary, it should reduce implementation costs and enhance predictability. The EESC hopes that the institutional and administrative changes will bring about a simpler and more efficient system. There is a need to develop a model making it possible to assess the interactions at work in realising the objectives of the EU 2020 strategy, national reform programmes and cohesion policy on the basis of the particular circumstances of the various countries and regions benefiting from cohesion policy.

1.1.8 The EESC agrees that **all EU policies should contribute to the success of the Europe 2020 strategy**. The EU budget review outlined a new strategic programming approach for cohesion policy. The EESC fully endorses the development of a **common strategic framework (CSF)** by the European Commission, **translating the targets and objectives** of Europe 2020 into **investment** priorities. The framework would cover all EU funds and furthermore integrate all other EU financial instruments.

1.1.9 The EESC reiterates that the **European Social Fund** should, as an EU instrument promoting investment in human resources, support the three priorities of the Europe 2020 strategy i.e. growth which is smart, inclusive and sustainable. Employment, training, education, active inclusion and equal opportunity policies are all key factors here.

1.1.10 The EESC feels that **achieving the enhanced objectives requires that the ESF's institutional structure be strengthened** and its efficiency improved, without this leading to any increase in administrative burdens. It is important that the ESF play a leading role in improving the situation of particularly disadvantaged social groups (e.g. immigrants, minority groups, people with disabilities, or the Roma population) and in ensuring conditions conducive to their integration.

1.1.11 The EESC points out that the coordination of policies which are financed from different funds of the EU's cohesion policy and Europe 2020 instruments, may impact their original objectives and affect their territorial integrity which can result in changes to them; essential new perspectives can emerge in the course of their implementation. Iterative planning, managing and monitoring mechanisms must be put in place. The key

notion of the iterative process is that in the 'Partnership Agreement' not only the preparative steps of development, but also the full implementation process, its conditions and measurements of efficacy must be defined; however, parties must be also open to the fact that the overall aims of managing committees might be amended based on the continuous monitoring of the beneficiaries.

1.1.12 The Committee stresses the need, from the point of view of achieving the objectives of the EU 2020 strategy, to enhance coordination in the management of each fund, above all the Cohesion Fund, the Structural Funds and innovation funds.

1.1.13 The EESC agrees that, **in the long term**, in order to avoid conflicts, there are many arguments in favour of **integrating** all components of the EU's structural policy (including e.g. Europe 2020, cohesion policy, the CAP or the EIB) **in a fully coherent set of general community policies, which could be called EU 2050**. This would enable closer policy and technical cooperation and coordination, without meaning the end of individual policies. Of course, this will be difficult to achieve as long as competences for the different parts of the relevant policies are divided between the EU and the Member States. Strengthening the regional dimension could be an appropriate means of gradually achieving the desired objective.

1.1.14 Developing a polycentric Europe comprising a network of 'smart' locations needs team work, which will only be possible in the context of cooperation between different stakeholders. Cooperation in transnational areas, as well as macro-regional development strategies that bring together **stakeholders** from different countries and sectors, can be one way forward.

1.2 *Regions and cohesion*

1.2.1 In the EESC's view, **EU competitiveness** depends, to a large extent, on **stepping up regional competitiveness**.

1.2.2 The EESC believes that emerging forms of macro-regional cooperation are crucial in many respects. As it has already stressed in several opinions (on the Baltic Sea and Danube regions), aid granted under the Structural Funds can make it possible to define strategies within the framework of **both physical and non-physical trans-European networks** which are needed by the European Union to consolidate its competitiveness and its attractiveness as a location.

1.2.3 The EESC considers that the future of the European Union and the consolidation of its political unity also depend on **its capacity to transcend the statistics-based regional approach confined by national borders**. It is clear that progress over the past few years towards a regional approach, complex programmes and horizontal links, as well as the consolidation of clusters, will enable the social and territorial dimensions of the European economy to flourish.

1.2.4 In the Committee's view, **there is no point in implementing parallel and at times wholly identical objectives through different policy areas**, nor in developing a different set of tools than the relatively well-established cohesion policy instruments.

1.2.4.1 Increasingly, the coming decade will have to be a decade of functional regions. Regions may have one or more centres, with cross-border horizontal regional and vertical economic links, supported by the legal, financial and institutional potential of **'enhanced cooperation'**. Thus a new meaning for the term 'regional' can bring a new dimension to a smart Europe. However, given that some regions lag behind – and will continue to do so – a programme is needed to help them catch up.

1.2.5 The EESC believes that transforming the European economy to be a successful global player, enhancing the potential of growth, reducing regional disparities, supporting micro-, small and medium-sized enterprises operating in peripheral areas, freeing up new resources, raising awareness about the environment and healthy lifestyles, improving the quality of education, motivating young people, promoting innovation, encouraging people to participate in the various processes and strengthening European identity **are all areas which should be addressed**.

1.3 Cities and conurbations

1.3.1 The EESC emphasises that Europe's competitiveness depends greatly on its metropolitan cities and metropolitan regions, where enterprises can benefit from agglomeration economies and networks linking global market places. **Urban areas can, in a general way, be engines of growth** and hubs for creativity and innovation. Higher growth levels and new jobs can be created provided a critical mass of players like companies, universities and researchers is established. Urban problems, whether related to environmental degradation or to social exclusion, call for a specific response and for direct involvement of the level of government concerned.

1.3.2 In the EESC's view, **an ambitious urban agenda** should be developed where financial resources are identified more clearly to address urban issues and where urban authorities would play a stronger role in designing and implementing urban development strategies.

1.3.3 Urban systems are, depending on their geographical location, complemented by various **catchment areas**. The EESC cannot accept a continuation of the 'traditional' antagonism between town and country. The benefits that can be achieved by **rural-urban partnerships** are highly dependent on local, and ultimately unique, contextual factors.

1.4 Rural areas and agriculture

1.4.1 The EESC feels that in the context of the path being taken with the **Europe 2020 strategy, cohesion policy** on the one hand and the **common agricultural policy** on the other

are pivotal, particularly when it comes to **integrated territorial development**. Farming, an important source of economic dynamism, continues to be a strategic sector for the EU, in terms both of food security and its potential when it comes to growth and employment in rural areas, and on account of its contribution to the battle against climate change.

1.4.2 In this light, these two policies must **gear their combined efforts towards serving those common, cross-cutting objectives** that aim to transform the EU into a smart, sustainable and inclusive economy, characterised by high levels of employment, productivity and social cohesion.

1.4.2.1 The EESC feels that smart and globally connected places in rural areas have a role to play in delivery of the recovery envisaged in Europe 2020. Just as in the urban areas, networks are a crucial organisational form for business and for regional development.

2. Conclusions

2.1 The EESC approves the fact that policy references in the Europe 2020 strategy which refer to the need for innovation relating to climate change, energy efficiency, renewable energies, health and demographic change are structurally linked to cohesion objectives set in the areas of education, research and development and the digital society. These represent, not least in regional terms, **a bridge between cohesion objectives and the Europe 2020 strategy**.

2.1.1 The EESC also notes that there is a **contradiction** between the various theoretical approaches and the concepts used in practice. By giving territorial aspects a legitimate role in the cohesion process, the Lisbon Treaty has added a new dimension to the meaning of 'regional'. The way that the 'region' will be defined in regional policy in the future is not a trifling matter. What is needed is a definition to find a common picture, whether from a regional and institutional point of view or from the perspective of the relevant legal and financial instruments in order to secure renewed, sustainable growth in Europe.

2.1.1.1 The EESC recognises that **the emergence of macro-regional strategies is a very positive process**, closely linked to the concept of territorial cohesion introduced by the Lisbon Treaty. Regional policies in the strict sense of the term need to effectively complement cooperation between regions which are larger or further apart from each other, but which have common interests in terms of cooperation.

2.2 The intersection between 'groups' of programmes defined inter alia in spatial (i.e. regional, territorial, interurban) terms reflects zones with development-encouraging activities which of course have one or more major urban centres, without necessarily excluding or marginalising others. European **'centres of excellence'** which are defined on the basis of innovation skills, are characteristic of certain economic sectors are

not a fortuitous accumulation of individual skills and abilities in a given urban centre, but are rather **knowledge brought together by links which are clearly defined in physical space**.

2.2.1 'Excellence' is only possible thanks to quantitative developments expressed in the cohesion target system relating to the environment, infrastructure, education or training. What is characteristic of such areas is their openness. Participation is possible anywhere, but for reasons of quality, opportunities arise in the long term around centres of gravity. Predictability is rightly based on the historically predictable stability of regional multi-dimensional capacities.

2.3 For innovation to succeed, it is vital to support new forms of democracy. The usual forms of social consultation need to be developed and, with the help of tools based on **participatory democracy**, skills must be freed up to encourage organised civil society to be more inclined or 'willing' to be involved in accordance with the core principles of the EU Treaties.

2.4 Innovation is all about putting into practice new ideas and suggestions, anticipating competition, and getting ahead of foreseeable processes by making use of knowledge. Its complexity means that it is able to combine human skills, technical aptitude and economic relations in all their diversity. Naturally, urban centres, as **hubs**, provide the right conditions – the vital framework – without which everything remains mere theory.

2.5 This is why, **based on territorial analyses**, an integral part of financial support systems and policies must be to offer coordinated parallel support for innovation and measures for catching up.

2.6 Although it is true that the Europe 2020 strategy is a comprehensive programme for growth, competitiveness, sustainability and structural policy, from a wider, global perspective, it is also a **programme for helping Europe to be competitive in the global market**.

2.7 The objectives of both the Europe 2020 strategy and cohesion policy tie in with the above. However, with regard to Europe 2020, the institutional framework for their implementation **lacks** shared, new financial and legal elements whose interplay could enable them to become factors contributing to higher efficiency. There is a valid argument that reshaping and incorporating cohesion instruments would speed up the development of an innovation-oriented, 'smart' Europe, but only if **the financial range of instruments were to be expanded**, by drawing on the synergies created by the integration of different sources.

3. Debate

3.1 European political and economic renewal has been accelerated by the crisis which started at the end of the last decade.

3.1.1 Partly because of the global crisis, the European Union needs **stronger economic integration**. In the Committee's view, this is a positive process in that it strengthens the EU, but a difficult one in that cooperation between 27 countries does not progress smoothly. In spite of all the accompanying problems, one of the main ideas underlying this stronger economic (and consequently political) integration is the development of an 'EU economic policy'. **There are three main aspects to it** ⁽¹⁾:

a) Stability

By means of the Stability and Growth Pact, the EU is expanding the scope of common control on sectors involving stability risks and establishing a crisis management mechanism (EFSM and ESM).

b) Growth and competitiveness

To this end, the EU has adopted the **EU 2020 strategy** and the **Euro Plus Pact**.

c) Cohesion

The EU implements **cohesion policy** and the **common agricultural policy** in order to reduce social, economic and territorial disparities.

3.2 The changes and basic documents and strategies which have been adopted set out a **recipe for renewal**, establishing conditions and tools which EU and national political leaders are jointly responsible for using. The various instruments are available, to be used **together**, to bring about stability, growth and competitiveness and to implement cohesion.

3.3 The very task of reconciling the EU 2020 and cohesion policy reflects a dichotomy. It gives an idea of the danger inherent in the opposition between market freedom and social/territorial levelling. **Right now, at a time of limited funding, with support for one coming at the expense of the other, the danger is all the greater. Strengthening cohesion should be accomplished by improving the circumstances for growth and competitiveness. The less developed Member States or regions must not lose any more time in the current global context.**

⁽¹⁾ See Art. 3.3 TEU and Art. 174 TFEU.

3.4 Public finances have been weakened on a lasting basis by the crisis in several Member States and will be hard to consolidate at a time when the costs of an ageing population will also be kicking in. In short, most EU countries face a difficult future.

3.5 The Europe 2020 strategy quite rightly refrains from drawing a distinction between structural reforms, which can only be implemented over the long term, and measures to promote short-term recovery.

3.6 The success of this strategy should not be dependent on short-term economic trends. It is precisely the resources invested in slow structural changes which 'steer' the sectors which in turn, thanks to their competitive innovation, are well-placed to renew the system itself.

3.7 Potential growth elements tie in with several of the strategy's objectives (and rightly so); however, there are several unintentional discrepancies.

3.7.1 Among the objectives of the Europe 2020 strategy – from the point of view of growth potential – higher employment rates and educational levels cover the quantitative and qualitative aspects of the work force. Research and development expenditure objectives, as well as energy and climate goals, are connected to the quality of capital invested and environmental sustainability. At the same time, the strategy lacks some of the factors determining the quantity and quality of capital (investments and their technical standards), as well as total factor productivity. The strategy attaches great importance to research and development expenditure, but does not deal adequately with innovation processes in companies or with economic and social innovation, which is not the same as research and development.

3.7.2 In view of the above, the Europe 2020 strategy reflects an economic approach which is **in line with the needs and characteristics of slow-growing, developed economies** with their significant research and development capacity and relatively low investment rates; over the long term even such low rates have proven sufficient for securing the requisite structural changes. In developed countries, there is no doubt that research, development and innovation have a key role to play in economic growth. When seen from this perspective, cohesion, though not necessarily in contradiction to competitiveness, does take second place to it.

3.7.3 However, for new EU Member States with lower levels of economic development to catch up, investment in infrastructure and other areas is needed. In such countries, research and development is less likely to be the main driver of growth than investment. Although the Commission document ⁽²⁾ mentions cohesion in this respect, the draft does not sufficiently emphasise helping the less developed countries to catch up.

3.8 The Europe 2020 strategy **cannot be understood without knowing how funding is allocated**. On the one hand, there is a 'grey zone' between 2010 and 2013, during which the current financial perspective continues to apply but not always in line with Europe 2020 goals (e.g. the digital agenda). On the other hand, the objectives adopted within the context of the Europe 2020 strategy largely determine expenditure in the next EU budget. **In view of this it would be advisable to link the objectives of this strategy to the priorities of the financial framework.**

3.9 Analyses show that energy invested in catching up is repaid many times over, alongside numerous other benefits:

- firstly: it can be shown that investments from the EU budget deliver higher than average growth in the financial results of the EU economy (GDP), thanks to advanced technological transfers, a high percentage of imports in investments, a skilled labour force, the benefits of a cheaper infrastructure, and investments benefiting from financial support and building on modern infrastructure;
- secondly: extension of the Single Market, more widespread service activities and growth in the knowledge base are all factors which in themselves already contribute substantially to innovation activities;
- thirdly: for the SME sector, Structural Fund financing often means markets, access to markets or development funding;
- finally, the potential beneficial impact of integration and catching up for the most disadvantaged social groups, excluded from the labour market in various ways, is considerable.

3.10 The EESC regrets that the Commission has not set out a growth scenario that **maximises the potential of the single market**, but concentrates instead on drastic fiscal consolidation as the prerequisite for growth. Much more attention should be focused on growth drivers that will enable Member States to consolidate while being on a sustainable growth path. To do so, the Committee believes that a balanced macroeconomic policy that duly combines supply- and demand-side aspects must constitute an integral part of any future-oriented economic strategy.

3.11 It would be particularly good if programmes were determined by the existence of **'financial hubs'** defined on the basis of expected results and risk analysis. This is certainly a necessary step, since globalisation goes far beyond territorial constraints, and the global spread of innovation 'levers' which are developing in certain areas, as well as their clustering function, will continue to strengthen.

⁽²⁾ COM(2010) 2020 final.

3.11.1 Such areas need to have control over their own financial resources and be able to decide themselves what priority to give the various development factors in allocating these resources; by means of long-term involvement in innovative processes and by virtue of the added value generated, they need to be able to decide on whether to approve or withdraw financial support.

Brussels, 16 June 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON
