Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013

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On 14 May 2008, the European Commission decided to consult the European Economic and Social Committee, under Article 93 of the Treaty establishing the European Community, on the

‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013’

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 5 March 2009. The rapporteur was Mr CEDRONE.

At its 452nd plenary session, held on 24 and 25 March 2009 (meeting of 25 March 2009), the European Economic and Social Committee adopted the following opinion by 40 votes with one abstention.

1. Conclusions and recommendations

1.1 Lisbon Strategy: The European Economic and Social Committee (EESC) welcomes the link between the structural funds and the Lisbon strategy, including the funding of policies planned under that strategy, but under the conditions set out in point 5.1.2. However, it is important to avoid Lisbon ending up being deprived of independent funding.

1.2 Timing: everything should be done to meet the deadlines for implementing the programmes, avoiding overlaps and delays that end up acting as impediments to achieving the objectives. Moreover, it is important to take account of the different deadlines for Community programmes.

1.3 Deadlines and instruments: it is worth looking at whether the deadlines should be brought into line with each other, bringing them to 10 years. On this subject, the EESC once again emphasises the difficulties with and the obstacles to combined and coordinated use of the instruments that are available at various levels to individual operators. These should therefore be clarified (legal basis, thematic specialisation, geographical areas, implementing procedures), in particular whether or not projects are transnational; whether they start, receive funding and are implemented at the same time; and whether an overarching project can be broken down into sub-projects.

1.4 Parameters: provision should be made for others alongside GDP so as to have a more objective set of criteria relating to the needs of each locality (point 5.9).

1.5 Integrated approach: the EESC considers it necessary to assess the EU's financial prospects – with a view to expanding the funds – and to focus more attention on co-financing by the Member States, together with that by other European bodies. The dedicated sums now seem derisory when compared with the billions of euros earmarked for bank bailouts. The EESC believes that the integrated approach should be strengthened and made compulsory so as to bring back the strategic approach to cohesion policy.

1.6 Coordination: the EESC recommends better coordination between the strategies and programmes of cohesion policy and the Community framework programmes for research and development (FP7), innovation and competitiveness (CIP). It also recommends that their transnational and international network mechanisms be strengthened so as to promote competitiveness, innovation and employment. It is essential that the objectives and procedures of cohesion policy be constantly matched with those of research and innovation policy.

1.7 Results: the EESC believes that more attention should be paid not only to financial control, but also to the quality of the results achieved, particularly as regards the growth and employment generated by the programmes, based on those from the period 2000-2006.

1.8 Evaluation: in order to make cohesion policy work even better and more effectively, the EESC believes that measures should be applied more selectively so as to achieve better results on the ground in terms of development, and that the process of monitoring and evaluation should be strengthened, for example by setting up appropriate independent, supranational committees where these do not yet exist. The evaluation and control mechanisms for the various phases that make up cohesion policy should be more transparent and accessible to economic and social stakeholders.

1.9 Transparency and communication: the EESC believes the issue of transparency to be fundamental – in funding, in information, in local public support for the choices made and the results. This is the best way to raise the EU's profile and make it more relevant to ordinary people. Transparency must be a priority objective of the EU and must apply to all phases relating to cohesion policy.
1.10 **Consistency**: it is essential to maintain a relationship and a consistent vision throughout the various phases of the funds: preparation, implementation, use, monitoring and evaluation.

1.11 **Simplification**: serious consideration needs to be given to simplifying procedures, which often cause programmes to be implemented late or not at all. Attention should be focused instead on evaluating results by means of clear and effective systems, bringing into play the possibility of introducing **penalties** for those who do not abide by the method, content and time frames, starting, for example, with not returning unused allocations to Member States, given the limited size of the EU budget.

1.12 **Multiplier**: cohesion policy, together with EU and Member States’ economic policy, must not be limited to simply redistributing resources, but must be aimed at creating a multiplier effect on the ground by attracting other investments so as to boost growth, competitiveness and jobs and promoting research and innovation. The primary aim must be to improve the so-called ‘public goods’ (water, refuse collection and disposal, services to elderly people, training, pre-school facilities, etc.) as policies of excellence to make the regions in question more attractive.

1.13 Given the international financial crisis and its ongoing consequences, and in the light of the plan approved by the European Council of 11 and 12 December 2008 to tackle the economic recession, including the proposals to modify the Community fund regulations, the EESC judges that the moment has come to carry out, at last, a thorough-going review of the mechanisms governing the use of resources earmarked for cohesion policy, in order to make them more consonant with growth and a reinvigorated European economic policy.

1.14 **Financial set-up**: Scattering subsidies around must be avoided. Instead, what is needed are root and branch changes to the financial set-up of the funds, more specifically in order to ensure that credit lines are re-opened, especially for SMEs (1) and local authorities, by choosing more appropriate policies, and adding contributions from the European Investment Fund (EIF) and the EIB.

1.15 **Patronage**: the Commission must adopt appropriate instruments to eliminate the forms of patronage that impact on cohesion policy. In particular, the various forms of subcontracting should be eliminated or at least reduced so as to avoid waste and abuses.

1.16 **Social and cohesion policy**: it is also necessary to put social policy back at the heart of cohesion policy as one of its main objectives. This is all the more necessary at a time when the economic and social crisis that has followed on from the financial crisis is having a severe impact on the most vulnerable sections of the population.

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(1) See the Commission’s JEREMIE programme.

1.17 **Labour market**: cohesion policy must promote greater integration of the European labour market, with particular reference to women, including by experimenting with new forms of employment relationship that promote growth and employment.

1.18 **Good practices**: the Commission should facilitate the proliferation of those programmes that have achieved the best results across Europe’s various regions. It would also be helpful to draw attention to those programmes that did not achieve the expected results so as to avoid them being repeated.

1.19 **Small and medium-sized enterprises**: SMEs must always be at the centre, as the main beneficiaries, of cohesion policies, with a view to developing and increasing competitiveness, including that of the social economy. SMEs are central to growth and employment, and it is therefore vital to facilitate their access to credit during this period of recession.

1.20 **Partnership**: The Commission should pay more attention to the issue of social partnership. It should not limit itself to the formal interpretation of Article 11 of the regulation, but should get back to the spirit of the idea of partnership, which is at the heart of European social culture. Partnership should not therefore be practiced as a concession, as a mere formality, but as genuine agreement on procedures, on the substance, on the implementation and on the evaluation of programmes and on their transparency.

1.21 **Political Europe**: there is one recommendation in addition to those already made, but it is the most important one: the Commission, the Member States, the regions and the social partners can and must do much more to improve cohesion policy; indeed, they are seeking to do so.

1.22 The EESC must help the European Union to decide its future, to identify the legal and political instruments that will give it decision-making powers for certain policies, make its action more effective, and put an end to the illusion of being able to remain immune from everything, whilst watching passively from the window.

2. **Proposals**

2.1 **Produce rules for improving institutional governance**, drawing up procedures to facilitate the creation of effective partnerships for reaching agreement with the social partners, establishing guidelines for agreement on procedures, not least on the basis of prior experience, for the purpose of discussing and negotiating programmes, content, procedures, etc.

2.2 **Introduce new evaluation criteria, valid for all countries**, to help the relevant stakeholders by facilitating objective evaluation by appropriate committees of the results and the quality of actions, making **effectiveness** a means of measuring the impact of cohesion policy.
2.3 Promote, to this end, a common European training programme for the purpose of creating actors for cohesion who are capable of using the same method to work throughout all the phases of operations involved in the use of the funds. In addition, the mechanisms for technical assistance such as JASPER should be made available to all the convergence regions and all the interested stakeholders.

2.4 Simplify and streamline the procedures throughout all phases involved in the funds, as the EESC has asked on several occasions, almost always in vain.

2.5 Provide for penalties in the event of non-compliance and/or failure to achieve results, so as to avoid waste, the repetition of mistakes and various types of patronage.

2.6 Put in place a safeguard clause for the poorest and least structured regions to ensure that the best use is made of the resources that are targeted at them.

2.7 Promote more inclusive citizenship and greater economic and social cohesion for all, using cohesion policy complemented by national policies.

2.8 The EESC asks that the institutional partnership between the Commission, Member States, and regions be distinguished from the partnership with the social and civil partners. This latter partnership should be actively pursued at all levels: European, national and regional, through the partners’ actual, rather than formal, participation.

2.9 Set up a commission (working group) made up of representatives of the different Community institutions (EC, EP, EESC, CoR) to examine and propose a radical overhaul of the mechanisms that currently govern cohesion policy.

3. Introduction

3.1 The principle of social cohesion is one of the pillars of EU policy, Treaty Article 158, which Lisbon extended to include territorial policies. This brings together economic cohesion and social cohesion in a way that represents the essence of the basis on which the EU is founded. This principle should apply at all times, in all places, across all policies, but is often forgotten. Cohesion and political solidarity should be a defining characteristic of everything the EU does. All too often this is not the case, as has been shown by the events of recent days in connection with the financial crisis.

3.2 Cohesion policy, as it is presented, still looks like a policy of mere redistribution and not like something that adds value to economic policy, monetary policy and the single market, reducing the gap between regions and countries and militating against destructive competition.

3.3 The limits of cohesion policy, which are clear from the communication, depend not only on budget constraints, but also on the lack of coordination between cohesion policies and other economic policies, which are still in the hands of the Member States, who are often unwilling to go beyond coordinating action between European and national policies. The communication reflects these weaknesses, which, sadly, are inherent to the decision-making system and therefore to the European Commission’s own ability to act.

3.4 The Commission is currently limiting itself to acting as a guardian of the procedural mechanisms and to making them work, to representing the formal aspects (mere compliance), whereas what is needed is a guiding role that is more relevant to and more targeted towards, the achievement of tangible, effective results. A role, in other words, in which it is able to reinterpret the original spirit of cohesion policy, whereas the Commission has been fulfilling a guiding role aimed at improving the professionalism of those who should use the funds.

3.5 The communication, together with the Fifth Cohesion Report, is emblematic of this. The EESC must therefore make an effort to put the strategic approach back into cohesion policy by making concrete suggestions and proposals; more importantly, it must ensure that these are taken up.

3.6 In this opinion, we would like to avoid covering every aspect of cohesion, which has already been done many times in the past. We would like to limit it to a few basic comments and a few practical proposals.

4. Communication from the Commission: summary

4.1 At the end of the consultation and negotiation process that has taken place at various levels on the programmes relating to the 2007-2013 plan, the Commission has presented a report highlighting the ‘successes’ arising from the negotiations, with not a word of criticism.

4.2 The report emphasises the quantitative (EUR 347 billion in investment) and ‘qualitative’ aspects of the choices made, in a very formal way, with ‘perfect’ tables and diagrams. Cohesion policy for 2007-2013 is based on four areas aimed at achieving the following objectives:

   — cohesion policy and the Lisbon agenda;

   — globalisation and structural change;

   — demographic change and more inclusive labour markets, societies and economies;

   — sustainable development, climate change and energy.
It also talks of governance and the negotiations that have taken place (the method).

4.3 The specific objectives of the programme are mentioned, along with the numerical data, the allocation of funds (1), etc. In summary:

— priority is given to research and innovation (86 billion), equivalent to 25 % of the available resources;

— 15 billion to services and infrastructure;

— 27 billion (8 %) to SMEs;

— 26 billion to education and training;

— policies to support employment, particularly of young people, women, migrants, etc.;

— help for people below the poverty line who are unable to enter the jobs market;

— environment and sustainable development, with an expenditure allocation of 102 billion.

5. Comments

5.1 Policies

5.1.1 The first part of the Commission communication refers to the Lisbon strategy, which is considered as a key aspect of cohesion policy. The EESC considers that it would be difficult today not to look for a national or international institution that did not fully support this economic policy strategy aimed at bringing about a satisfactory rate of economic growth combined with a high employment rate. However, the document in question does not address the question of how to implement these strategies in an economic situation involving 27 countries that are very different in terms of their economic, financial and social resources, and above all in terms of territorial development – even though no provision was made for doing so.

5.1.2 If it is to attract public support, the Lisbon strategy must be appropriate to the different situations on the ground in relation to cohesion policy and, for each different situation, economic policy measures need to be identified that, drawing on the (human, infrastructure etc.) resources available in the areas, are able to promote growth in income and employment. This means not only having a vision for development of these territories in the short to medium term (for diversification and retraining, for strengthening the local institutions, for identifying and training the human capital necessary for managing change, for attracting new investment, etc.), but also the ability to use economic policy measures, in terms of both regulation and action, that are capable of having the desired effect on the local economy.

5.1.3 In addition, the communication speaks, in very general terms, of the successes, and limits itself to listing the financial resources provided by cohesion policy for each sector of activity (accessibility of the European market, expenditure on R & D and innovation, entrepreneurship, labour market, environment, etc.). It would have been appropriate to make a reference, on the basis of past experience and more recent experience in the 12 new Member States, to the effective spending power demonstrated by individual territories and on the measurable impact of the use of Community resources on the main macroeconomic variables (growth in income and investment, increase in employment, falling inflation).

5.1.3.1 The availability of resources set aside for a specific objective is the necessary prerequisite for ensuring change, but is not in itself sufficient to guarantee that it happens in practice. It would also have been helpful to mention the key issues arising from the management of cohesion policy, including the complexity of the procedures involved in managing Community programmes, and also to refer to the deterioration in the international macroeconomic climate, which certainly did not help the development of the most disadvantaged European regions.

5.1.4 In addition, one simple piece of data calls into question the emphasis placed on the successes of cohesion policy. In recent years, notwithstanding the significant resources invested by the Structural Funds in the years 2000-2006 (260 billion euro), the pace of development in European countries has been considerably lower than that in the main competitor countries (United States, Canada and, to a lesser extent, Japan). This phenomenon has been particularly noticeable in the regions that are furthest from the Community average. The first two years of the new programme cycle (2007-2013), thanks to the recent worsening of the economic and financial crisis, confirm that many of Europe's regional economies continue to suffer a significant slowdown in growth, if not stagnation.

5.1.5 On the basis of these observations, the EESC believes that cohesion policy for the period 2007-2013 should not have offered a single 'one size fits all' strategy for all Member States targeted towards the three objectives set out in the Community programme (convergence, regional competitiveness and European territorial cooperation), but a twin-track strategy, the first aimed mainly towards the European regions that are furthest below the Community average (meaning the regions of the 12 new enlargement countries), the second aimed at those regions which, whilst remaining some way below the average, have made significant progress in recent years towards convergence with the most developed regions of the EU.

5.1.5.1 The reason for proposing a strategy tailored to the state of development of the 27 Member States is based on the idea that those regions that are well below the 75 % threshold need a very different kind of intervention and measures from those that have drawn closer to the Community average. Lumping them all together as 'Convergence regions' is not helpful to understanding the different intensity, direction and flexibility that needs to apply to the proposed policy measures.

(1) See appendix.
5.1.5.2 The same could be said about the Competitiveness regions and the Territorial Cooperation regions. An analysis tailored to each region, based on more representative indicators than those taken into consideration by cohesion policy (as has already been highlighted in the EESC opinion on the fourth report on economic and social cohesion) might lead to a major review of the distribution of resources under each objective, and thus give a different complexion to the development policies selected for each region. We believe that more attention should be paid to this matter in the debate the Commission has opened on the priorities, organisation and governance of cohesion policy.

5.1.6 With a view to ensuring the best and most effective use of Community resources, it would have been useful to make provision, particularly for those regions which have been unable to make best use of the resources made available under cohesion policy or are still in a period of transition, for some form of substitute and/or integration measures to be taken by the Commission itself in compliance with the subsidiarity principle.

5.1.6.1 The issue here is the risk that the poorest and least (institutionally, politically, culturally) structured regions may run, both in terms of inefficient use of resources and of repaying resources that were allocated but not spent, to the severe economic and social detriment of the people concerned by those funds.

5.1.6.2 For the regions in such a position, a 'safeguard clause', to be activated with the support of the Commission to ensure more efficient use of Community resources, would be socially and economically much more helpful than risking seeing those resources wasted through poor management or simply returned.

5.1.7 Another comment relates to funding provided for under the ESF for improving the quality and provision of education and training. The EESC believes that improved skills, better integrated Community instruments and greater participation in the labour market are required in order to ensure greater competitiveness and productivity of local economies.

5.1.7.1 The results achieved in this area have been below expectations, as has been stated many times in EU documents. In this sector, too, training and skills schemes operating in many European regions should be rethought.

5.1.7.2 The resources earmarked for that sector by the new programme are numerous, and the risks arising from their suboptimal use mean that provision should be made for corrective measures capable of preserving the autonomy of local authorities where the level of professionalism and administrative organisation is sufficient. Moreover, it is essential to make good use of the available resources, but also to come forward with alternative proposals (less local training and more centralised training at the EU institutions, to create better and greater links with domestic and foreign academic institutions, and to take joint initiatives with qualified partners to spread best practice, etc.) wherever the basic conditions necessary to ensure efficient management of the training programmes are not fulfilled.

5.2 Moreover, the plan changes course compared to the original principles of cohesion set out in the Treaty – a course that should have been maintained. With the connivance of national governments, we are seeing the legitimacy of those principles being undermined under the pretext of pursuing the ‘new’, as the ‘challenges’ require.

5.3 This risks reducing cohesion to being a cash source for other European agendas or policies without funds, like a menu that varies in accordance with the requirements of the moment. Cohesion is thus becoming a redistributive policy devoid of any strategic approach.

5.4 Thus, the philosophy has been to scatter subsidies around when it in fact it was and is necessary to make root and branch changes to the financial set-up of the funds, to boost their multiplier effect by choosing more appropriate policies, adding contributions from the European Investment Fund (EIF) and the EIB in order to ensure access to credit for businesses.

5.5 Cohesion policy should be put in a position to help boost the growth and competitiveness of the regions involved, by all means investing in research and innovation, but first and foremost aiming to improve the so-called ‘public goods’ (water, refuse collection and disposal, services to elderly people, training, pre-school facilities, etc.) as policies of excellence to make the regions in question more attractive.

5.6 The identification of choices to be made at national or regional level cannot be passed down from on high through top-down mechanisms with no regard to the needs and the situation on the ground, often using simplifications that risk being severely detrimental to the situation in many regions, leading to a widening of the development gap and undermining the Community's financial strength. The defining characteristic of cohesion policy is precisely that it adapts to real local needs without losing sight of innovative actions and coordination with other Community programmes.

5.7 The Commission played an important role in the early phase of cohesion policy. It helped the Member States and the regions to improve their approach and their action in terms of choices and objectives. This approach now seems to have been reversed: style prevails over substance, with a disproportionate amount of energy and money being expended to the detriment of investment.
5.8 The EESC believes that control is important, but not at the expense of content. A distinction needs to be made (not least by the Court of Auditors) between irregularities and fraud, and the impression that this is the Commission’s sole concern should be avoided; the Commission is often seen, along with the other institutions, as an investigator. Moreover, the EU cannot use different weights and measures depending on which policy area it is dealing with.

5.9 GDP cannot be the only criterion for determining whether or not a region is underdeveloped or not; this is especially true since the eastward enlargement; it would be helpful to take account of other parameters, such as the growth trend, competitiveness, employment rates, the state of public services, universities and schools, the rate of population ageing, the situation of young people and women, activity and inactivity rates, the general condition of the Member States, etc.

6. The method: governance and partnership

6.1 The EESC thinks that it would be more appropriate to draw a clear distinction between institutional partnership or governance, which still remains weak, and negotiations with the social partners per se and civil society. As described in the communication, they appear to be one and the same!

6.2 Just as much confusion arises over the participation of the partners, stakeholders in cohesion policy: it is as if participatory ‘democracy’ depends on the number of initials involved in meetings, which are often reduced to a sort of ‘assembly listing’. In short the current procedure of governance and partnership is quite inadequate. It needs a thorough overhaul. It is essential that the requirement for a broad partnership in the planning, implementation and evaluation of Structural Funds Programmes, as laid down in Article 11 of Regulation (EC) No 1083/2006 on the Structural Funds, be applied effectively. The procedures for governance and partnership should therefore be reviewed with a view to enabling greater and real participation by organised civil society.

6.3 Socio-economic partnership is ‘a value’, an opportunity, a necessity; it is not a concession or a favour granted to partners. If partnership, including negotiation, is respected and practised in an active way at all levels and during the different stages, this almost always leads to better choices, programmes, plans and results. It also helps provide more information for the public and bring about greater support for cohesion policies from local and national communities.

6.4 Unfortunately up to now, leaving aside formal procedures, the impression one gets from the communication is that this has not been the case, apart from a few exceptions. Often there have only been hearings, fact-finding meetings, and not actual agreement for developing negotiations. On many occasions the social and civil partners have not been involved either because the preference has been to ‘refer back’ to national practices, which are often non-existent or not applied. For instance, national ESCs could be involved, as is the case in France and Portugal, to guarantee and reinforce the negotiating process. Good examples of the involvement of the social partners and civil society organisations are also to be found in other countries, such as Sweden.

6.5 It is also necessary to mention the huge disparities which exist or have emerged between various countries, particularly those in the last wave of enlargement where trade unions and entrepreneurs have been practically left out altogether. The EESC thinks that the negotiating machinery must be adapted to the different national realities which exist and made more flexible, provided, however, that it is real, concrete and made up of representative organisations. Things cannot be limited, therefore, simply to ‘dialogue’ or consultation, even if there are real difficulties, or to so-called ‘forums’ of partners. The EU ‘must’ promote partnership, conduct real negotiations with the social and civil partners at all levels, starting at European level for reasons that are well known.

6.6 The preparations for the Operational Plans could have been an opportunity to assess the validity of consultation with the partners, but instead it is here that serious problems have been found:

— inconsistency between the short periods for consulting partners and the long deadlines for implementing programmes;

— lack of checks on the consultation process without giving the reasons for the changes made;

— lack of formal partnership agreements, especially at regional level;

— rusted-up consultation (negotiation) system and widespread feeling that points made have not been properly taken into consideration; insufficient involvement in the implementation of programmes, especially at regional level;

— need for capacity building and improving the expertise of social partners (in various countries) to a point where it can compare properly with that of institutions.

6.7 Here too the issue of representative parties’ and stakeholders’ involvement in negotiations re-emerges. The EESC thinks that account should be taken of the social (employers’ associations and trade unions) and the civil partners, who should be involved in accordance with the specifics of their interests and how representative they are. For their part, the Member States should be required to practice genuine and proper partnership among all the interested parties.
6.8 Partnership must also be practised at different levels, whether they be European, national or regional, both horizontally and vertically and at all the stages of the plan (preparation, implementation, verification of programmes, projects and results). The method adopted for the ESF, with appropriate adjustments, could also be used as an example, for regional policies and other funds.

6.9 The Commission, as was the case in the past, should promote training for the social partners and interested NGOs so as to get the best out of their involvement, in particular in the regions and in the new Member States.


The President
of the European Economic and Social Committee
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