Opinion of the European Economic and Social Committee on the Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013

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(2006/C 185/11)

On 5 July 2005 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned proposal.

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 23 March 2006. The rapporteur was Mr Vever.

At its 426th plenary session, held on 20 and 21 April 2006 (meeting of 21 April 2006), the European Economic and Social Committee adopted the following opinion by 47 votes to 0 with one abstention.

1. **Summary**

1.1 The European Economic and Social Committee deplores the fact that the cohesion policy strategic guidelines 2007-2013 were presented one year after the proposals for budgetary programming and Structural Funds regulations for that period, instead of being presented jointly or earlier. In these circumstances, the guidelines are more like supplementary provisions than the real guidance documents which they should be.

1.2 This time-lag is all the more regrettable given the urgent need for such guidelines in the face of cohesion issues which are as varied as they are complex for 2007-2013: measures to accompany enlargements, consolidation of the euro, making up the delays to the Lisbon strategy against the background of accelerating globalisation. Faced with the difficulties of insufficient growth, considerable disparities between Member States and a Community budget which is too limited, the Union has its strong points but they remain more potential than established (consolidation of the enlarged single market, infrastructure designed for the future, reforms for adaptation).

1.3 The EESC takes the view that the links between the priorities of the strategic guidelines and the objectives of the Structural Funds are not explained, and that the conditions for their implementation should be clarified. Thus, the first priority, seeking to make investments more attractive, raises the central question of the necessary strengthening of confidence in the development of the Union itself. The second priority, of support for innovation and entrepreneurship, raises the question of the continuing unsuitability of Community resources (lack of progress on the Community patent, gaps in the legal status of the European company, measures under the Funds too limited to subsidies). The third priority, seeking to create more jobs, raises the question of making up the delays to the Lisbon strategy and a still distant optimisation of the economic and social operation of the single market in the face of the pressures of globalisation.

1.4 Like the European Parliament, the EESC is preoccupied by the limited scale of the Community budget programmed by the European Council of December 2005 for 2007-2013: its fixed ceiling of 1.045 % of the gross national income (only 0.36 % for the cohesion budget) places it at a lower level than before the enlargement from 15 to 25 members, at a time when the challenges of internal disparities and international competition have considerably increased. Thus the central question which the 2007-2013 strategic guidelines for cohesion policy should answer is: how to do better with less? As an answer, the EESC recommends diversifying the resources of cohesion policy, concentrating its measures more and modernising its management methods.

1.5 The EESC recommends diversifying the resources of cohesion policy through an innovative machinery in the Union's financial measures.

1.5.1 The Structural Funds should be able to use instruments other than subsidies and develop, in direct contact with the EIB and the EIF, loans, interest relief, loan guarantees and support in the form of investment capital and risk capital.

1.5.2 A redeployment of this kind, on a much larger scale than the JEREMIE programme alone, would have a multiplier effect on under the Funds which would better complement investment of public and private capital, making up for the modest scale of the budget.

1.5.3 To this end, the EESC is in favour of a substantial increase in the Union's loan and guarantee capacities, of a strengthened partnership with the banking and financial sector, and of corresponding adjustments to the new regulations of the Structural Funds. These three conditions would require urgent proposals on these lines on the part of the European Commission.

1.6 The EESC recommends that measures under the Structural Funds should be more concentrated according to the priority interests of Europe.

1.6.1 Going beyond direct support for the most disadvantaged states and regions, which must be continued and intensified, this implies strengthening the financing of trans-European infrastructure networks and aid to border regions, partly through public/private partnerships.

1.6.2 To this end, the EESC calls for a significant reassessment of the budget of the trans-European networks, which has been ignored in the December 2005 programming despite the objectives of the Lisbon strategy.

1.6.3 It also assumes that Community aid is used more to help Member States better to implement Community guidelines, decisions and commitments, whether this involves transposing directives or implementing the Lisbon strategy. In particular, the training aid budget, also minimised in December 2005, should be reassessed.

1.7 Finally, the EESC recommends modernising the management methods of cohesion policy in order to promote more transparency and interactivity.

1.7.1 This assumes that Community aid, like state aid, can be shown to be fully compatible with European competition policy.

1.7.2 This also requires greater involvement of the actors of organised civil society, primarily the social partners, in the formulation, management and follow-up of European cohesion policy.

1.7.3 The EESC therefore asks that the involvement of the socio-occupational actors should be made the subject of explicit provisions integrated with the strategic guidelines. The conditions for their implementation in each of the Member States should be specified in annexes to the programming and review documents.

2. **Introduction**

2.1 The Communication from the Commission on the Strategic Guidelines 2007-2013, adopted on 5 July 2005, follows on from a series of previous proposals.

2.1.1 The Community budget guidelines for 2007-2013, presented on 17 February 2004, were drawn up on the basis of a rate of 1.14 % of Gross National Income (GNI).

2.1.2 The draft Regulations amending the provisions of the Structural Funds (ERDF, ESF, Cohesion Fund) for 2007-2013, which were presented on 14 July 2004 [1]: The Commission decided to set three objectives for those Funds:

2.1.2.1 a convergence objective, the successor of the current Objective 1, which would benefit less developed regions in the Union, especially those where GDP is lower than 75 % of the EU average: 78.54 % of funds would be allocated to this objective;

2.1.2.2 a regional competitiveness and employment objective, to succeed the current Objective 2, which would benefit other regions in the EU. This targets, in particular, the implementation of the Lisbon Strategy and improving employment: 17.22 % of Fund resources would be allocated to this objective;

2.1.2.3 a European territorial cooperation objective, to succeed the current Interreg programme: 3.94 % of Fund resources would be allocated to this objective.

2.1.3 On 14 July 2004 the Commission also presented a draft statute for European groupings of cross-border cooperation, aimed at facilitating such intra-Community initiatives [2]

2.2 The Strategic Guidelines on cohesion policy 2007-2013, presented by the Commission on 5 July 2005, set out three priorities. These are different from the abovementioned Structural Fund objectives, but tie in with them:

2.2.1 the first priority of the strategic guidelines is to improve Europe's attractiveness to investment;

2.2.2 the second priority is to encourage innovation and entrepreneurship;

2.2.3 the third priority is to support job creation.

2.3 These strategic guidelines are to be implemented by means of National Strategic Reference Frameworks to be prepared by the Commission, Member States and regions at a later date.

2.4 The presentation of the strategic guidelines represents the final missing element in the discussions on an overall package for cohesion policy 2007-2013. However, it would have been more logical if the Commission had initiated the discussion on cohesion policy by presenting these strategic guidelines, which are intended to establish an overall policy framework. Instead it first presented the draft Regulations on the Funds, which contain the implementing provisions. Without better coordination between the strategic guidelines and the Fund Regulations, ensuring that it is the former which clearly play the guiding role and are not just an adjunct to the latter, there is a risk of diluting the added value of European cohesion policy and encouraging a 'renationalisation' of development strategies. This would be detrimental to coherence, competitiveness and economic and social efficiency in the Union.

(1) EESC Opinions on the Funds (general provisions), Cohesion Fund and European Regional Development Fund, OJ C 255 of 14.10.2005, pages 79, 88 and 91.

(2) EESC Opinion: OJ C 255 of 14.10.2005, p. 76.

2.5 The discussions on the budget guidelines and the Fund Regulations for 2007-2013 began under difficult circumstances, marked by obvious differences in opinion between the 25 Member States as to what the sums involved should be and how they should be allocated. After an initial setback in June 2005, the European Council reached a budgetary agreement on 17 December 2005 on a much more modest basis: it placed a ceiling of 1.045 % of the GNI, with 252 billion euro (82 %) allocated to the convergence objective, 48.5 billion (15.5 %) allocated to the competitiveness and employment objective, and 7.5 billion (less than 2.5 %) allocated to the European territorial cooperation objective.

2.6 On 18 January 2006 the European Parliament rejected this budget programming which fell short of its expectations. Discussions therefore resumed between the Council and the Parliament, resulting on 4 April 2006 in a compromise providing for EUR 4 billion (of which EUR 2 billion in reserve) to be added to this package. This compromise has still to be ratified by both sides.

3. Observations on the challenges for cohesion policy 2007-2013

3.1 The 2007-2013 period covered by the strategic cohesion guidelines will be marked by major challenges:

3.1.1 In the first instance, the process of enlargement will have to be continued and consolidated. Having grown from 15 Member States to 25 in 2004, the European Union will welcome two additional countries in 2007. Others could follow after 2013, if not before, given that the list of candidates for accession is far from exhausted. In all likelihood, even if the enlargements strengthen the single market and its capacities for growth, employment, trade, production, consumption and competitiveness in the face of globalisation, ever increasing economic and social disparities will require a major qualitative leap forward in the coordination of European and national policies, the management and consolidation of the Single Market, and EU spatial planning.

3.1.2 The euro zone also needs to be successfully enlarged, and at the same time strengthened and made more attractive and more efficient in terms of growth and jobs. Only 12 out of the 25 Member States are currently members of that zone. By 2013 it should include a majority of Member States, provided that they have met all the conditions for entry. As with the enlargement of the Union, the extension of the euro zone will require increased convergence, in an environment of competition, mainly at an economic level, but also in a number of other related areas, ranging from taxation, particularly harmonisation of tax bases, to social policy.

3.1.3 Structural change will continue to accelerate throughout the period:

3.1.3.1 globalisation and the growing strength of newly emergent economic powers will increase competitive pressures and intensify company relocation;

3.1.3.2 technological change will accelerate, spurred on by the innovations of a globalised information society;

3.1.3.3 the effects of the ageing of the European population will become even more apparent, especially when the ‘baby boom’ generation of the post war years moves into retirement. This will impact on living and employment conditions and the equilibrium of Member States’ social benefit systems;

3.1.3.4 the migratory pressures from less developed third countries will probably continue to increase. There is a need to regulate them better, partly by improving adaptation to the Union’s needs and integration capacities, and partly by increasing very significantly the effectiveness of development aid for the countries of origin, in order to create more jobs and more economic and social progress in those countries. It will also be necessary better to integrate the need for adaptation to immigration into schooling and training programmes at the various levels.

3.1.3.5 The struggle against social exclusion and poverty, whether affecting job seekers or ‘poor workers’, will remain an important requirement for European cohesion policy. If a solution is not found to problems of this type, which go beyond employment questions as such, it will be difficult in practice to ensure cohesion in both social and economic terms.

3.1.4 The Lisbon Strategy’s 2010 deadline, as set by the European Council in 2000, will come in the midst of this period of profound change. Yet, implementation of this strategy is behind schedule. Catching up on Europe’s failure to maintain competitiveness will become more urgent, but at the same time more difficult.

3.2 In dealing with these challenges over the coming years, European cohesion policy can fall back on several important factors which work in its favour:

3.2.1 the scale of the European internal market, which comprises more than half a billion Europeans, and its economic, commercial and human potential which is still under-exploited in terms of both economic supply and demand and the labour market;

3.2.2 the European model of social relations and the European social dialogue, which emphasise making the most of human resources in the face of the challenges of employment, development, health and quality of life in the context of globalisation;

3.2.3 dynamic economic growth in the new Member States, which in many cases is double the Community average, should help close the substantial gaps in development and boost the Union’s economic and commercial growth;

3.2.4 new opportunities for planning and investment which unification of the whole European continent will open up, making it possible to revamp its internal economic organisation and implement innovative infrastructure and spatial planning programmes;

3.2.5 the economic and social reforms of the Lisbon Strategy, insofar as they take root and have a knock-on effect, with an active contribution by the social partners, should also give crucial support to cohesion policy.

3.2.6 In short, aid under the European cohesion policy should above all seek to promote a virtuous circle of growth and employment by developing positive interactions between these various factors (deepening and broadening of the internal market, investments and regional development, reforms in the Member States).

3.3 However, European cohesion policy also faces substantial difficulties, which will make it harder for its objectives to be achieved.

3.3.1 First there is the continuing difficulty in reviving strong economic growth in Europe. Far from catching up on its competitors, the European Union is continuing to lose ground. Economic growth is generally lacklustre, unemployment is high in numerous Member States, affecting both young and old, too few jobs are being created, the research deficit persists, ever more companies are relocating. Europe's current ranking in global economic performance hardly reflects the ambitious targets that were set five years ago and no significant improvement in the situation seems to be in sight.

3.3.2 Another major challenge for cohesion policy lies in the scale of the economic and social disparities following enlargement. These will take a long time to iron out. An innovative approach is needed in cohesion policy compared with previous years when the development differentials between the Member States were not as great.

3.3.3 Cohesion policy is weakened by inadequate economic policy coordination, including fiscal policy coordination, which is still too lax, even between countries that have adopted the euro. The increase in the number of Member States makes a solution to this problem both more urgent and more difficult. Greater economic coordination should be accompanied by better- structured consultation on social approaches.

3.3.4 The dysfunctions to be corrected include insufficient involvement of civil society actors in a process where public administrations take the leading role and cohesion policy is largely managed bilaterally by the Commission and the Member States ([3]).

([3]) EESC Opinion on the Communication from the Commission to the Council and the European Parliament — Building our common future: Policy challenges and budgetary means of the enlarged Union 2007-2013, OJ C 74 of 23.3.2005, p. 32.

3.3.5 Compared with the ever-increasing needs, the European Funds are still and will remain relatively modest. The agreement of 17 December 2005 limiting the European budget to 1.045 % of the gross national income reduces the cohesion policy budget to 0.36 % of the GNI. European budgetary resources are thus reduced to a level below that which prevailed before the enlargement from 15 to 25 members, which concerns the EESC as it does the European Parliament. Such a low percentage figure, which of course has nothing in common with that of a federal budget (the US budget represents more than 20 % of GDP), also seems excessively small in relation to the Union's cohesion objectives.

3.3.6 Thus the central question which the strategic guidelines for 2007-2013 have to answer is: how to do better with less? The very limited funds that are available will therefore have to be put to best possible use, by ensuring not perennial assistance but the conditions for autonomous, sustainable development. This will require, firstly, a maximum of convergence and complementarity with national budgets. Secondly, it means that funds will have to play a pump-priming role and support market forces. Together public funding and market forces can mobilise resources on the scale required for the development of Europe as a whole.

3.3.7 To meet all these challenges, it will be advisable to diversify the resources of cohesion policy, to concentrate its measures more effectively and to modernise its management methods. These various aspects are developed in the following paragraphs.

4. Observations on the priorities for cohesion policy 2007-2013

4.1 The main priority of the 2007-2013 cohesion policy guidelines is 'growth and employment'. They refer to the partnership for growth and employment proposed by the European Council in March 2005 and to the integrated guidelines proposed by the Commission in June 2005, which also focus on growth and employment.

4.2 So that cohesion policy contributes to the general 'growth and employment' priority, the Commission Communication highlights three specific priorities: Improving the attractiveness of Europe to investment, encouraging innovation and entrepreneurship, boosting employment and training. These three priorities are complemented by a cross-cutting concern to improve spatial planning in the Union, both in rural and urban areas, and in terms of cross-border, national and regional link-ups.

4.3 The first priority, which is to make Europe more attractive to investment, seems to be particularly appropriate. It should be pursued particularly in the less developed regions of the enlarged Union which deserve to be given priority, while making sure that there are transitional measures to assist former priority regions. In view of the inherent limits on the European Funds, the requirement has to be to encourage capital investment in priority areas for the development of the European economy, especially by the private sector.

4.3.1 Despite the progress already achieved in completing the internal market, in implementing economic and monetary union, and in some of the Lisbon Strategy reforms, the European Union has nonetheless not yet succeeded in developing an autonomous and effective mechanism for growth that capitalises on the synergies and complementarity between national economies. It will therefore be difficult to pursue an effective cohesion policy without first restoring confidence on the part of all the groups concerned (businessmen, employees, investors) both in the future direction of economic and social development in the Union, and in its political and institutional future.

4.3.2 Hence the need, over the coming years, to dispel some of the uncertainty that currently hangs over such crucial issues as completing the internal market, consolidating the competitiveness of an economy integrated around the euro, strengthening growth and employment, improving living conditions, successfully implementing the Lisbon Strategy, effective governance of the Union's institutions, and optimal and sustainable planning in the enlarged Europe with a view to harmonisation of economic, social and environmental progress.

4.3.3 The Commission Communication focuses on investments in infrastructure networks, in particular transport. However, it does not examine the reasons for the persistent delays in these projects. To address these delays, greater priority needs to be given to the financing of trans-European infrastructure for transport, energy and telecommunications, which influence the Union's cohesion. One can only deplore at this point the drastic reduction in the financing of these networks under the 17 December 2005 agreement: the fact that this priority was sacrificed by the European Council is in direct contradiction with the Lisbon commitments which were intended to be met by the middle of the 2007-2013 period. The EESC therefore asks, in line with the views expressed by the European Parliament, that a clearly reassessed budget be agreed to finance the trans-European networks.

4.3.4 The Communication also highlights two other priority investment areas for cohesion policy: firstly, encouraging investment in the environment, secondly, strengthening Europe's energy self-sufficiency.

4.3.4.1 A direct link needs to be established between these priorities and the abovementioned support for European infrastructure networks.

4.3.4.2 Beneficiaries of European aid must also comply with environmental requirements.

4.4 The second priority for cohesion policy is to improve innovation and entrepreneurship. By doing so the Commission is directly incorporating the priorities set out in the Lisbon Strategy as regards the promotion of a European knowledge society.

4.4.1 Achieving this priority will, in the first instance, require an increase in research investment.

4.4.1.1 However, Europe as a whole is losing ground in this area compared to its major technological partners. Member States' research funding, which is often more than a third below the target of 3 % of GDP set by the Lisbon Strategy, has not risen but plateaued, in some cases even been cut over the last few years. The European budget for the R & D Framework Programme (RDFP) remains weak in comparison to the research budgets of Member States, and fails to provide adequate coordination of national programmes. Moreover, there are still major bottlenecks in the Community institutional process, some at the highest level. This sends out the wrong signal. The persistent failure over the past thirty years to introduce a Community patent points to a worrying inability on the part of the Union to give itself the means to fulfil its ambitions.

4.4.1.2 Therefore, what is needed is a genuine, credible European research policy. This will require a substantial increase in European research funding, with the Community budget being adjusted accordingly. At the same time this funding must lead to more effective coordination of national programmes. The way has finally to be cleared for the Community patent, even if, initially, it is not adopted by all Member States for want of unanimity. Where would the euro, Schengen or European social policy be if in the same way their introduction had been dependent on unanimous implementation?

4.4.2 Another need highlighted by the Commission Communication is to encourage the creation and development of enterprises, especially at the cutting edge of technology, and to support networking at European level.

4.4.2.1 It is regrettable that small companies still lack the option of a simplified European statute facilitating their cross-border activities.

4.4.2.2 The EESC therefore reiterates the call it made in its own-initiative opinion on a 'European Company Statute for SMEs' ([4]) for the Commission to present and adopt such a European statute for small and medium-sized companies without further delay.

([4]) OJ C 125 of 27.5.2002, p. 100.

4.4.2.3 The EESC also deplores the Commission's withdrawal in autumn 2005 of the proposals on a European statute for mutual insurance companies and European associations, the need for which is greater than ever.

4.4.3 The Commission Communication also stresses the important issue of company financing and the need to make access to financing easier, especially for innovative businesses.

4.4.3.1 It needs to be emphasised here that the capacity of the Structural Funds to significantly improve companies' access to financing inevitably remains limited and, indeed, marginal, under the current arrangements. However, limited support and co-funding for pilot projects has proven to be useful in sufficiently targeted areas where they have a real demonstration value. The EESC is pleased to note the launching of the JASPERS and JEREMIE initiatives, in partnership between the Commission, the European Investment Bank, the European Investment Fund and the European Bank for Reconstruction and Development. The JASPERS initiative is intended to help the national and regional authorities of states eligible for the convergence objective in preparing large infrastructure projects. The JEREMIE programme aims to improve access to financing for small enterprises. The EESC hopes that these initiatives are made effectively operational and prominent at local level, so that this new framework for action has maximum effect in terms of economic development and creation of activities and hence jobs on the spot.

4.4.3.2 In order for the Funds to have a more direct and noticeable impact on company financing, their remit has to be widened to encompass facilities for bank loans, for making risk capital more available and for giving small companies better access to micro-credit and guarantees. This would mean taking a new look at the Funds' resources and their financial engineering — currently limited to the granting of subsidies. It would be a matter, along the lines of the JEREMIE programme but on a much larger scale, of transforming these subsidies into financial products: one euro set aside to guarantee a risk capital loan would thus make it possible to finance five to ten euro of an SME's investment, thus ensuring that the measures taken under the European Funds have a multiplier effect. The EESC's recommendations on this key issue are developed further in chapter 5 of this opinion.

4.4.3.3 Swift and effective completion of the single financial market in Europe, together with an efficient competition policy and consolidation of economic and monetary union, would lead to a decisive improvement in access to financing for companies of all sizes. However, this issue is barely referred to in the Communication, even though it is one of the Commission's main responsibilities to ensure that these objectives are met in the coming years.

4.5 The third priority set out in the Communication is to generate employment and improve the quality of jobs.

4.5.1 The first prerequisite for boosting employment is to strengthen economic growth and against this background to facilitate job creation. This objective presupposes a more dynamic economy in terms of both supply and demand, combined with an administrative, fiscal and social environment more favourable to job creation, especially as regards the situation for small companies, the self-employed, craftsmen and occupations which promote vocational skills. As already mentioned above, the Structural Funds can have only a limited direct effect in such areas, and are most useful in supporting targeted initiatives and pilot projects, while promoting best practice.

4.5.2 As the Commission emphasises, adjustments to the labour market are a key requirement. The Structural Funds should focus in particular on improving the functioning of the Single Market in this area. This requires strengthening mobility, including the transferability of pension schemes, and removing barriers to the European employment market, especially in the services sector ([5]) where more than two thirds of new employment is created, while respecting social conditions laid down in laws and collective agreements.

4.5.3 The Commission highlights the need to improve training for jobs. The EESC is nonetheless very concerned by the halving, decided in December 2005, of the lifelong learning budget proposed by the Commission. The EESC calls for it to be raised to a level appropriate to the Lisbon strategy commitments. In this field, new skills will be needed, with increased responsibilities and calling for more initiative. With this in mind, future programmes will have to allow regional priorities to be taken into account. Indeed, it is essential for funding under the European Social Fund to be as well adapted as possible to regional needs and not limited to the cofinancing of national policies.

4.5.3.1 In general, the EESC emphasises that no efforts should be spared to make the provisions as complementary and efficient as possible and to mobilise public and private players in a long-term partnership centring upon regional strategies based on the following priorities: promoting access for all to innovation and life-long training, improving the management and development of human resources in all companies, increasing the percentage of women employed, improving the level of activity up to retirement, gearing career guidance and training policy to the needs of the economy, promoting vocational training and apprenticeship at all levels, particularly in those trades which have recruitment difficulties, and focusing on training courses which lead to active involvement in the economy of a growing number of excluded people.

([5]) EESC Opinion on the Proposal for a Directive of the European Parliament and of the Council on services in the internal market, OJ C 221 of 8.9.2005, p. 113.

4.5.3.2 The Structural Funds should also prioritise the cofinancing of training programmes at European level along the lines of the successful Erasmus and Leonardo programmes. These programmes should henceforth shift into a higher gear, to enable them to support two to three times as many young Europeans.

4.5.4 There should also be a special mention of the ageing of the population, which requires special adaptation of the various aspects mentioned above linked to job creation and welfare systems (administrative, fiscal and social conditions, child care including childminding at a reasonable price, labour market, training and human resources).

4.6 The three priorities of the strategic guidelines are rounded off by a cross-sectoral call for the territorial dimension of cohesion policy to be taken into account. This constitutes a kind of fourth priority.

4.6.1 The Communication refers to the contribution of cities to growth and employment (better economic, social and environmental management of urbanisation). It also advocates the diversification of the economy in rural areas (maintaining services of public interest, development of networks, promoting local development clusters). It would have been worth explaining more fully the interactions between these requirements and the three priorities of the strategic guidelines.

4.6.2 The Communication also stresses the need for territorial cooperation on three levels:

4.6.2.1 cross-border cooperation, especially for the purpose of developing mutual exchanges and promoting economic and social integration;

4.6.2.2 transnational cooperation, in order to encourage joint action by Member States in areas of strategic importance (transport, research, social integration);

4.6.2.3 interregional cooperation to encourage the spread of best economic, social and environmental practices.

4.6.3 However, the EESC regrets that this reference to the need for European territorial cooperation appears to be only complementary, even accessory, to the priorities of the strategic guidelines, instead of being explicitly integrated with them.

4.7 Overall, this assessment of the three priorities of the strategic guidelines, along with the territorial dimension, raises several major questions:

4.7.1 Firstly, the priorities lack the precision required of a genuine 'strategic' framework for the implementation and management of cohesion policy. Rather, they appear to serve as reminder of good practices to be applied throughout the different policy areas.

4.7.2 In particular, the links between the priorities of the strategic guidelines and the three Fund objectives are not spelt out. This represents a major shortcoming: the strategic guidelines should act as a framework for the use of Funds, not merely flank them. In other words, the strategic guidelines appear more like collateral implementing instructions than the blueprint they are meant to be.

4.7.3 For the strategic guidelines to live up to their name and perform their function effectively, they need to set out more precisely how priority objectives in the following areas are to be achieved:

4.7.3.1 the 'added value' that European cohesion policy provides over and above national and local policies;

4.7.3.2 'territorial concentration' in and along European development clusters and axes, in order to create an overall knock-on effect;

4.7.3.3 providing an overall blueprint for the European Funds, ensuring that the strategic guidelines constitute an efficient and coherent framework, and are not just implementing instructions.

5. Comments on the resources for cohesion policy 2007-2013

5.1 As support for cohesion policy, the Commission draws special attention to the role of the Structural Funds (Regional Fund and Social Fund) and of the Cohesion Fund. It points out that their use, in line with the strategic objectives mentioned earlier, must make it possible to stimulate growth, make better use of the opportunities of the Single Market, promote greater convergence between the Member States, strengthen regional competitiveness and improve the economic, social and cultural integration of the Union.

5.2 The first point to note is that the European Union will be faced with an increasing gap between the limitations on the Funds and the scale of the needs (disparities in development between Member States, delays in setting up infrastructure, delays in the Single Market, lagging competitiveness, delays in implementing the Lisbon Strategy). Internal reorganisation of Community budget priorities is necessary, partly by continuing the current reform of the Common Agricultural Policy. But this will provide only limited scope for increasing the appropriations of the Structural Funds, since the overall amount of the Community budget will remain very limited. At all events, with the Community budget limited to a ceiling of 1.045 % of GDP, the 0.36 % (EUR 308 billion of a budget of EUR 862 billion, subject to the supplement of EUR 4 billion agreed on 4 April 2006, yet to be ratified by the Parliament and the Council) which should go to cohesion policy does not seem to the EESC sufficient in itself to enable the Union to achieve its cohesion objectives for 2007-2013.

5.3 The most careful attention should therefore be given to:

5.3.1 the methods of intervention under the Funds, which should have an increased gearing effect on investment, involving more innovation than in the past in this area;

5.3.2 the real concentration of intervention under the Funds, which should have more of a restructuring effect particularly on a transnational and cross-border scale.

5.4 On the methods of intervention under the Funds, a number of points deserve to be emphasised:

5.4.1 Firstly, intervention under the Structural Funds can only accompany the Union's cohesion policy. It cannot be its exclusive or even dominant instrument. It must essentially promote, in the service of common goals, a mobilisation of the capital available on the markets and more convergent use of national and regional budgets. It is thus above all a matter of ensuring a gearing effect. In this context, the structural instruments of the Union must constitute a central planning tool for the European territory, accompanying Community policies and current economic and social changes.

5.4.2 To this end, the use of EU Funds and of the European Investment Bank should be based on a more flexible and innovative concept of financial engineering. As the Commission rightly acknowledges, the Funds should no longer confine themselves to grants but should support other instruments such as loans, loan guarantees, convertible instruments, investment capital and risk capital. The EESC not only supports this view, but asks that all the appropriate consequences be drawn from it and that the Union's methods of financial intervention be thoroughly reformed.

5.4.2.1 The EESC takes the view that the development of such alternative methods of intervention on the part of the Structural Funds, in close cooperation with the European Investment Fund and the European Investment Bank, would help to increase the impact of Community action considerably, and make it possible to combine it with the investment of public and private capital in a better way. In particular, they would contribute to a public/private sharing of the financing of investments, particularly in SMEs, which are regarded as risky by the traditional financial partners and for which the loan conditions may become even stricter in future following the Basel II agreements. They would be an effective way of mitigating the limitations of the European budget. Indeed, each euro of subsidy would often have been better used to guarantee five to ten euro of loan. This would make it possible in particular to increase the number of beneficiaries, while giving them more responsibility than would granting non-refundable subsidies.

5.4.2.2 These new methods of intervention should be implemented as close as possible to the beneficiaries, to ensure a maximum gearing effect on economic and social development. Other resources could also be mobilised through better coordination of measures between the Structural Funds and other institutions already active in European development, such as the EBRD. One priority field of action should be to promote in a much wider and more active way the public/private partnerships at European level, in conditions of transparent, open competition, particularly to finance the large-scale infrastructure projects which are essential both to the overall cohesion and to the collective competitiveness of Europe. As mentioned earlier ([6]), the budget allocation of the trans-European networks should in any case be raised substantially, because the public/private partnerships for European infrastructure cannot succeed without an adequate commitment on the part of the public Community Funds.

5.4.2.3 A reform of this kind in the intervention methods of the Community funds would call for an increase in the European Union's borrowing and loans capacity. It would also involve greater coordination with the EIB and other financial institutions, entering into a real partnership with the European banking and financial network, and strengthening the conditionality of aid for Member States and for the direct beneficiaries. Finally, it would be desirable to add this aspect to the reform of the regulations of the European funds for 2007-2013, in order to make the new systems of financial engineering fully operational. The EESC therefore calls upon the European Commission to make new proposals in these three areas.

5.4.3 Moreover, it is regrettable that the management of the Structural Funds has itself in recent years been too opaque and too much dominated by bilateral relations between the Community administration and national administrations, with no sign of effective overall coordination or of adequate control or monitoring of the proper use of the Funds. The Union's Court of Auditors has often deplored this situation, but the isolated measures which followed have remained too limited. The general principle of greater transparency in the formulation, adoption and implementation of Community policies has not yet been extended, as it should have been, to the operation and management of the Funds. The strategic guidelines of cohesion policy should henceforth be the basis for a definite change in this direction.

5.4.4 Among the innovations needed to ensure this better governance of European aid, one should mention the need for more systematic checks on the compatibility of Community aid with competition rules. Some poorly monitored measures using the Funds in the past, intended to reduce regional disparities, have caused serious and damaging distortions to the principles of fair competition, although it is perfectly possible to reconcile these two objectives. The Union's subsidies are public ones, comparable to state subsidies, and should therefore be subject to the same checks. This principle also leads to the necessary

([6]) See point 4.3.3.

aim of better mutual coordination between European subsidies and national and regional subsidies. The Commission's annual competition report should therefore include in future a chapter on the conditions for monitoring Community aid in accordance with the Union's competition policy. The EESC has made this recommendation on previous occasions, but so far with no result.

5.5 On the concentration of intervention, the Commission should seek to ensure that the European Funds' intervention is driven by a more European dimension of spatial planning in the Union, which is far from being the case at present, apart from isolated progress initiated by Community action plans.

5.5.1 Indeed, the Structural Funds have so far hardly sought to encourage a transnational dimension in their measures, despite the regulatory and economic establishment of the large European internal market, now covering 25 Member States. The Structural Funds have been managed mainly by the Commission on the basis of the national priorities presented by the Member States, with no direct reference to the new cooperation needs resulting from the removal of physical, technical and fiscal barriers to trade, at the same time as economic and social disparities have increased, making it necessary to strengthen transnational links and networks.

5.5.2 This situation should be remedied by developing clearer intervention priorities to consolidate the links between Member States at transnational, interregional and cross-border levels. The apt comments made on these aspects by the Commission deserve to be reassessed, developed and incorporated in the priorities for intervention under the Funds, instead of being added on as a supplement to them.

6. Comments on integration in national and regional policies

6.1 Integration of cohesion policy into national and regional policies is a central imperative, rightly emphasised by the Commission. There is a need to make progress in two areas:

6.2 Firstly, it must be ensured that Community aid is effectively used to support the optimal implementation of Community guidelines, decisions and commitments in the various Member States. The main priorities are:

6.2.1 correct and timely transposition of European directives;

6.2.2 strengthening of administrative cooperation at European level, particularly to ensure the proper functioning of the Single Market;

6.2.3 better application of both components of the stability and growth pact, which should not remain merely a restraint on deficits but should open the way to common economic governance.

6.3 Secondly, steps should be taken to ensure that Community aid does indeed help to strengthen consistency between European and national policies, particularly with a view to more effective implementation of the Lisbon Strategy. Special mention should be made of:

6.3.1 assisting economic, social and administrative structural reforms;

6.3.2 simplifying the regulatory framework and developing European approaches to socio-occupational self-regulation which deserves to be supported ([7]);

6.3.3 speeding up the completion of the European financial area, thereby optimising the advantages of the euro;

6.3.4 convergence of tax systems on a basis which is attractive to investment and innovation, to provide a better framework for competition under the Member States' different systems.

6.4 Finally, one should as far as possible avoid adding further national or regional criteria to the framework laid down by the EU, in order to retain the necessary flexibility in defining the content of future programmes. By the same token, one should avoid setting up procedures likely to fix a priori the allocation of appropriations for a period of seven years or to preclude the possibility of easily adapting the current programmes.

6.5 The EESC hopes that Community aid will help to promote a European industrial approach, making it possible to coordinate at the various levels (European, national and regional) the public authorities and the actors of organised civil society ([8]).

6.6 Finally, the EESC is pleased that the European Council of December 2005 gave its agreement in principle to the setting up of a European Globalisation adjustment Fund 'designed to provide additional support for workers made redundant as a result of major structural changes in world trade patterns, to assist them with their re-training and job search efforts.' The Heads of State or Government invited the Council to define the eligibility criteria for this Fund. The EESC takes the view that the European social partners could be involved in their definition on an interprofessional or even a sectoral basis.

7. Comments on the involvement of the socio-occupational actors

7.1 It is very necessary to involve the socio-occupational actors in cohesion policy. The EESC has called for this involvement to be strengthened, e.g. in its opinion of 2003 on the partnership for the implementation of the Structural Funds ([9]). The Commission acknowledges this need, emphasising that it is playing a decisive role in ensuring better adoption of this policy at local level. However, it does not present any proposals for organising ways of doing this and integrating them in the strategic guidelines for cohesion.

([7]) Information Report of the Section for the Single Market, Production and Consumption on the Current state of co-regulation andself-regulation in the Single Market.

([8]) See EESC opinion on Modern Industrial Policy, OJ C 110, 9.5.2006.

([9]) OJ C 10 of 14.1.2004, p. 21.

7.2 The EESC therefore proposes that the strategic guidelines for cohesion policy 2007-2013 be supplemented by specifying a real framework for the involvement of socio-occupational actors. Like the provisions of the Cotonou Agreement in favour of the non-state actors of the African, Caribbean and Pacific countries, explicitly consulted and associated with the management of European subsidies, this framework should be fully integrated in the strategic guidelines, and be binding on the Member States.

7.3 The framework should include the following objectives:

7.3.1 involving the socio-occupational interest groups and the social partners in the European definition of the main guidelines (particularly the overall strategic document) and their decentralised implementation at national level (particularly the national strategic reference framework established by the Member States), and at regional and local levels;

7.3.2 deepening the economic, social and environmental components of this dialogue, in the service of effective, participatory and lasting development;

7.3.3 involving the socio-occupational actors directly in improving employment, especially through contractual arrangements between the social partners aimed particularly at modernising vocational training systems and facilitating a better adaptation of the labour market;

7.3.4 encouraging the actors of civil society to make better use of the European Single Market by intensifying trans-European production, trade and infrastructure networks and setting up socio-occupational self-regulation and co-regulation arrangements which help to complete the Single Market;

7.3.5 defining with the socio-occupational actors effective models of public/private partnership, with adapted arrangements for concessions, incentives, guarantees and subcontracting;

7.3.6 developing on this basis more public/private partnership programmes, particularly for infrastructure and financing SMEs at local level;

7.3.7 encouraging the socio-occupational actors to intensify European cooperation initiatives on research and technological innovation;

7.3.8 supporting the innovative approaches of the socio-occupational actors who contribute to the outlook for sustainable development.

7.4 To be effective, such a dialogue will have to be better organised and better structured, both in Brussels and in the various Member States and regions. The framework for involvement should thus include the following provisions:

7.4.1 basing the dialogue on effective information, well communicated by the public authorities of the Member States, on the strategic guidelines and their implementing arrangements;

7.4.2 beginning consultations at a sufficiently early stage, allowing for the socio-occupational actors to be involved in the impact studies;

7.4.3 informing the socio-occupational actors on the follow-up given to the consultations and to their proposals;

7.4.4 enclosing with the official programming or revision documents a summary of the conditions for consulting the socio-occupational actors;

7.4.5 promoting, in the case of cross-border or interregional programmes, joint consultations and socio-occupational partnerships which are also cross-border or interregional;

7.4.6 encouraging in particular social dialogue initiatives on these cross-border and interregional plans, particularly by setting up the optional transnational framework for collective negotiation as announced in the 2005-2010 social agenda.

7.5 The EESC also reiterates its support for the Commission proposal to devote 2 % of the European Social Fund's resources to the development of capacities and activities undertaken jointly by the social partners.

7.6 The EESC has agreed, with the explicit support of the European Council of March 2005, to develop a European information and support network for the initiatives of civil society actors taking part in the implementation of the Lisbon Strategy. This network will fully incorporate the initiatives which these actors will take to make European cohesion policy more effective in the 2007-2013 period.

Brussels, 21 April 2006

The President

of the European Economic and Social Committee

Anne-Marie SIGMUND