Opinion of the European Economic and Social Committee on the Impact and consequences of structural policies on EU cohesion

(2007/C 93/02)

On 20 July 2006 the European Parliament decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Economic Community, on the *Impact and consequences of structural policies on EU cohesion*.

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 7 December 2006. The rapporteur was Mr Derruine.

At its 432nd plenary session, held on 17 and 18 January 2007 (meeting of 18 January 2007), the European Economic and Social Committee adopted the following opinion by 164 votes to two, with one abstention.

1. Conclusions and recommendations

1.1 This exploratory opinion is in response to the letter from the European Parliament President of 20 July 2006, requesting the EESC's input into the EP's report on the impact and consequences of structural policies on EU cohesion.

1.2 The EESC points out that, as laid down in the Treaty (Articles 2, 158 and 159), all policies are required to contribute to the objective of cohesion, which must not be solely dependant on structural policies. This message was underlined by the European Council of March 2006.

1.3 In the Committee's view, cohesion should not be understood solely in terms of GDP. It therefore calls for a *'more representative indication of cohesion [which should include] in addition to GDP, parameters such as employment and unemployment levels, the extent of social protection, the level of access to general interest services etc.'*

1.4 Measures taken to strengthen cohesion, including its territorial dimension, should be given more prominence in the Lisbon Agenda national reform programmes and the Community Lisbon Programme, as well as in the Commission's impact analyses and proposed integrated guidelines.

1.5 The Structural and Cohesion Funds effectively amounted to an early incarnation of the Lisbon Strategy, in all of its dimensions: growth, cohesion, more and better jobs, environmental sustainability, etc. They helped consolidate the European social model.

1.6 The Funds have had an undoubted impact, helping the least favoured countries/regions to catch up in terms of employment, growth and infrastructure; they created a leverage effect, established the (still developing) principle of grassroots partnership, helped to impose discipline on local authorities and to raise the EU's profile.

1.7 Structural policy also bolsters the internal market by means of the trade and jobs generated from the conception and implementation of Structural Fund-based projects which, moreover, would often never have come about without the catalyst effect of EU intervention.

1.8 Despite this, the EESC points out that the general consensus that previously existed to develop structural policy (instruments, appropriations, etc.) in tandem with the internal market and EMU has broken down in recent years.

1.9 Over time, a zone known as the *pentagon*, taking in London, Hamburg, Munich, Milan and Paris, has emerged, comprising 20 % of the EU's surface area, 40 % of its population and 50 % of its wealth, and has acted as a driving force for the other EU regions. In light of recent and planned enlargements, we should consider developing other dynamic regional hubs throughout the whole EU area.

1.10 Infrastructure would be needed to interconnect these hubs and link up their urban centres and outlying rural areas. However, budget cuts agreed under the financial perspectives and the constraints imposed by the Stability and Growth Pact make such modernisation more difficult.

1.11 The EESC believes that consideration should be given to the budgetary criteria laid down by the Stability and Growth Pact, and to their impact on the funding of trans-European networks, and specifically on the missing sections, in view of the fact that projects eligible for EU funding need to be cofunded by national governments.

1.12 The Committee reiterates its proposal for the financial engineering of the Structural Funds to be improved and calls for an end to the practice of refunding unused EU budget appropriations to the Member States, thereby reducing their contribution.

1.13 The EESC repeats its call to the Commission to draw up (1) proposals for organising ways of involving socio-occupational actors in structural policy, which would be binding on the Member States and (2) indicators on the consultation process in the Member States. It believes that the Member States should explain, in any case, how they organise feedback on how the partnership principle is implemented in the context of the monitoring committees.

1.14 The EESC asks for the support of the European Parliament to ensure that this opinion is duly taken into account when the Commission presents its EU budget reform document in 2008/9 and in future reflection on the EU's future and the contribution of regional policy.

2. **Cohesion in the Treaties**

2.1 Back in 1957, the Treaty of Rome set the objective of *'reducing the differences existing between the various regions and the backwardness of the less-favoured regions'*. Amsterdam specified *'balanced and sustainable development as one of the basic principles of the European Community'*. This is also laid down in Article 158: *'In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas'*.

2.2 Article 159 stipulates that *'Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 158. The formulation and implementation of the Community's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 158 and shall contribute to their achievement. The Community shall also support the achievement of these objectives by the action it takes through the Structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), the European Investment Bank and the other existing financial instruments'*.

2.3 At this point, it is important to emphasise that, as laid down in the Treaty, all policies are required to contribute to the objective of cohesion, which must not be solely dependant on structural policies. This message was underlined by the European Council of March 2006 ([1]).

2.4 Before proceeding, it may be helpful to establish what is meant by *cohesion*. This term is often understood in terms of per capita GDP. However, in its opinion on *The contribution of other Community policies to economic and social cohesion* ([2]), the Committee called for a*'more representative indication of cohesion [which should include] in addition to GDP, parameters such as employment and unemployment levels, the extent of social protection, the level of access to general interest services etc.'*.

2.5 The draft Constitutional Treaty broke new ground by enshrining the *territorial* dimension of cohesion policy. This aspect of cohesion has been neglected to date, despite the adoption of a European Spatial Development Perspective (ESDP), whose experience is, in fact, very instructive; it should be updated under the German Presidency to take account of recent and planned enlargements.

([1]) Paragraph 70.
([2]) OJ C 10 of 14.1.2004, p. 92.

2.6 In line with the conclusions of the informal Council meeting on territorial cohesion ([3]), the territorial dimension should therefore be incorporated in the Lisbon Agenda national reform programmes as well as in the Community Lisbon Programme. It should also be given greater consideration by the Commission in both its integrated guidelines and its impact analyses, which have so far focused primarily on competitiveness, to the detriment of other issues.

3. **The purpose and nature of structural policies**

3.1 When they drew up the Treaty of Rome in 1957, the six founding members were aware that to achieve economic integration, the strategic coal and steel industries would have to be restructured. This led them to establish the European Social Fund (ESF) which aimed to mitigate the effects of such industrial change by funding recruitment and training schemes.

3.2 The European Regional Development Fund (ERDF) was set up in 1975, following the first wave of enlargement, which saw the accession of a group of countries that were poorer than the founding members, and following the oil crises and the ensuing economic fallout. It was founded following a specific request from the UK, which was then in the throes of major industrial restructuring. Revised in 1988 (and further developed in 1994), the ERDF was intended to supplement the ESF and the EAGGF — Guidance section by providing financial aid to less-developed regions through productive investment to create and safeguard sustainable jobs, investment in infrastructure, aid for SMEs, transfer of technology, development of financing instruments, direct aid to investment and aid for local services.

3.3 The mid 1980s were marked by the accession of young democracies in need of strengthening. The EUs' political leaders were keen for those countries to attain the same level of development as the existing Member States and were prepared to step up their financial solidarity accordingly by doubling appropriations for the Structural Funds (as well as for the EAGGF — Guidance section, former Objective 5b). Economic and social cohesion became a new Treaty objective and regional policy expenditure was doubled in order to facilitate their convergence. The idea that such catching-up would be achieved without social dumping but by adhering to the Community acquis and implementing regional development programmes involving the social partners was central to their vision. It was also recognised that the laissez-faire approach to market forces would not by itself create the cohesion sought by the founding fathers and that achieving such cohesion would necessitate public intervention aimed at redressing the balance between the regions. From 1988 on, cohesion policy came into effect, with the aim of reducing disparities between the levels of development of the EU's regions. It aimed to offset the tensions and disparities arising from efforts at national level to comply with the rules of EMU.

([3]) Presidency conclusions, EU Informal Ministerial Meeting on Territorial Cohesion, 20/21.05.2005 (cf. §2.3 *et seq*).

3.4 It should be clear from the previous paragraphs that the Structural and Cohesion Funds effectively amounted to an early incarnation of the Lisbon Strategy, in all of its dimensions: growth, cohesion, more and better jobs, environmental sustainability, etc.

3.5 The Cohesion Fund was set up in 1994. Unlike the ERDF, this fund is directed at countries rather than regions. It is specifically aimed at countries whose GNP per capita is less than 90 % of the EU average and funds environment and transport infrastructure projects.

3.6 When the European Commission was drawing up its proposals on the 2007-2013 financial perspective, Commissioner Barnier warned that given the increased disparities following the 2004 enlargement, resources allocated to structural policy would need to amount to at least 0.45 % of EU GDP, or cohesion would be jeopardised. In the end, expenditure was fixed at 0.37 % of GDP ([4]) — a decision deemed unacceptable by the EESC. The governments were not willing to step up their solidarity towards the new Member States.

3.7 This brief review of the past has shown that up until a few years ago there was a general consensus to develop the Structural Funds (in terms of their remit and their scale) in response to the challenges facing the EU (deepening of the internal market, single currency, enlargement). The EESC points out that this consensus traversed all political groupings involved in decision-making across the EU institutions. The breakdown of this implicit agreement puts in perspective all pompous rhetoric on the importance of the 'European social model'.

4. **Impact of the Structural Funds and cohesion**

4.1 It is difficult to assess the impact of structural policies on cohesion because of a gap in the Eurostat statistics on GDP and on employment at NUTS-2 and NUTS-3 levels. However, there is generally an interval, possibly of several years or even up to a decade, between the point of investment co-financed by the EU and the point when projects become operational and profitable. This timescale issue does not mean, however, that the Structural Funds are ineffective in the short term.

4.2 *'Between 1994 and 2001, growth of GDP per head in the cohesion countries, even excluding Ireland, was 1 % a year above the EU average [3 % as against 2 %], and the proportion of working-age population in employment in all apart from Greece increased by much more than the average. In Greece, on the other hand, as in Ireland, growth of labour productivity was over twice the EU average over this period and it was also well above average in Portugal.'* ([5])

4.3 *'In Spain, GDP in 1999 is estimated to have been some 1½ % higher than it would have been without intervention, in Greece, over 2 % higher, in Ireland, almost 3 % higher and in Portugal, over 4½ % higher. In addition, GDP in the new German Länder is estimated to have been increased by around 4 % as a result of intervention.'* ([6])

4.4 It would be easy to play down the real impact of the Structural Funds by attributing this success to economic conditions, national policy direction, other EU sectoral policies etc. However, the following findings support the theory that structural policy brings real added value in terms of cohesion and convergence.

— *'Each euro spent at the EU level by cohesion policy leads to further expenditure, averaging 0.9 euros, in less developed regions (current Objective 1) and 3 euros in regions undergoing restructuring (current Objective 2).'* ([7])

— With regard to Structural Funds overall, *'The evidence suggests that, on average, around a quarter of structural expenditure returns to the rest of the Union in the form of increased imports, especially of machinery and equipment. This 'leakage' is particularly large in the case of Greece (42 % of expenditure) and Portugal (35 %).'* ([8])

4.5 Despite this evidence, pointing to a gradual convergence in the socio-economic performance of Member States, these comments must be qualified by the fact that this trend is occurring much more slowly at regional level.

4.5.1 *'FDI (Foreign Direct Investment) tends to go disproportionately to the stronger rather than the weaker parts of the Union. Within countries, FDI is generally concentrated in and around large cities, especially national capitals, with very little going to lagging regions'*. ([9])

4.6 Between 2000 and 2004, approximately 3 600 large-scale projects were approved within the framework of cohesion policy, including almost 1 600 involving the European Investment Bank (EIB). With a view to promoting cohesion and the Lisbon/Gothenburg strategy the EIB intervenes in five specific areas: economic and social cohesion, i2i (*Innovation 2010 initiative*), trans-European networks, protection and improvement of the environment, and support for SMEs. Its input is particularly effective in large-scale high-risk projects (major infrastructure projects, R&D, etc.). The EIB's method of funding innovative programmes also generates a leverage ratio of between 1:3 and 1:6.

([4]) Fourth Progress Report on Cohesion, COM(2006) 281, p.10.
([5]) Third report on economic and social cohesion: A new partnership for cohesion: convergence, competitiveness, cooperation (February 2004), p. VIII.
([6]) Ibid, p. XIX.
([7]) Community Strategic Guidelines, 2007-2013, COM(2005) 299, p. 8.
([8]) Third report on economic and social cohesion: A new partnership for cohesion: convergence, competitiveness, cooperation (February 2004), p. XIX.
([9]) Ibid, p. XIV.

4.7 Another important point that should be made is that structural policy is not merely limited to helping the EU's regions and countries exploit their development potential by investing in physical and human capital and technologies, in order to mitigate any negative effects of close economic or monetary integration (common interest and exchange rates, liberalisation, increased competition, etc. and the ensuing restructuring and redundancies); it also bolsters the internal market by means of the trade and jobs generated from the conception and implementation of Structural Fund-based projects which, moreover, would often never have come about without the catalyst effect of EU intervention.

4.8 As well as examining the financial element of structural policy, we must also consider other effects of cohesion policy:

— a seven-year financial framework is established, which provides a certain stability and enables planning;

— the grassroots partnerships that arise from Structural Fund projects (though these need further development) ([10]);

— the discipline cultivated within local authorities when managing projects partially funded by the EU;

— projects carried out help raise the EU's public profile (even though governments sometimes stand in the way of this by 'forgetting' to mention the source of (at least part of) their funding).

5. **A model ill-suited to an expanding Europe?**

5.1 While over the last fifty years the European project has seen only minor adjustments, today's Europe now bears little resemblance to the Europe of 1957.

5.2 In the course of fifty years, more than twenty countries have shown an interest in the EU project — often unappreciated and discredited by its existing members — to the extent of requesting membership. Following several waves of enlargement, the EU's surface area has more than tripled and its population has doubled. Its original uniformity (in terms of levels and territorial distribution of socio-economic development) has been diluted and its social, economic and territorial cohesion has been eroded by the accession of generally poorer countries.

	Year of enlargement	EU surface area		Average population density of new Member States	% difference in per capita GDP in PPS between the existing and new Member States	where per capita GDP in PPS=100 before the enlargement, the new Member States bring a change of … %
		in km² (000s)	% change from previous enlargement			
EU-6	1957	1 284	—	241,3	–	–
EU-9	1973	1 641	+ 27,7	143,7	17,2	5,72
EU-10	1980	1 773	+ 8,0	84,0	25,0	2,50
EU-12	1986	2 371	+33,7	99,5	37,4	6,23
EU-15	1995	3 243	+36,8	53,8	2,5	0,50
EU-25	2004	4 297	+ 32,5	204,8	49,2	19,68
EU-27	2007	4 646	+ 8,1	80,5	65,5	4,85
EU-29	???	5 486	+ 18,1	87,0	??? (depends on date of accession)	

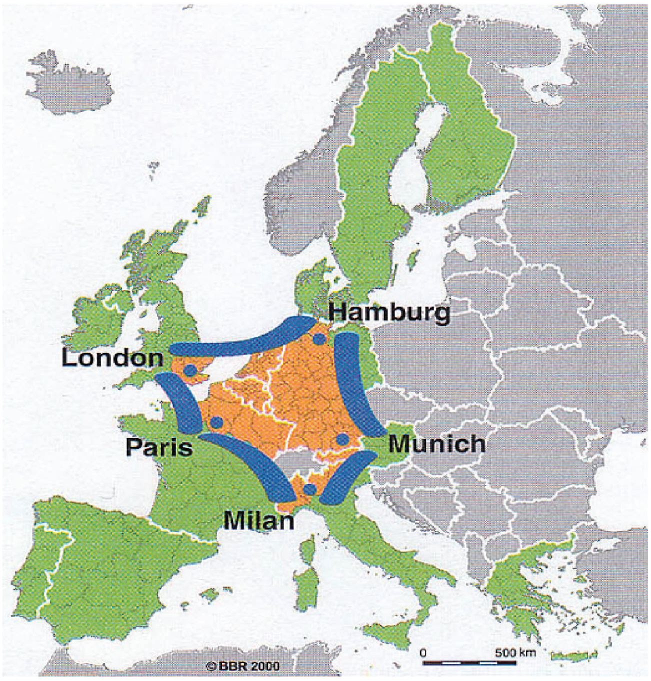
NB. EU-29 = EU-27 + Turkey + Croatia

Sources:

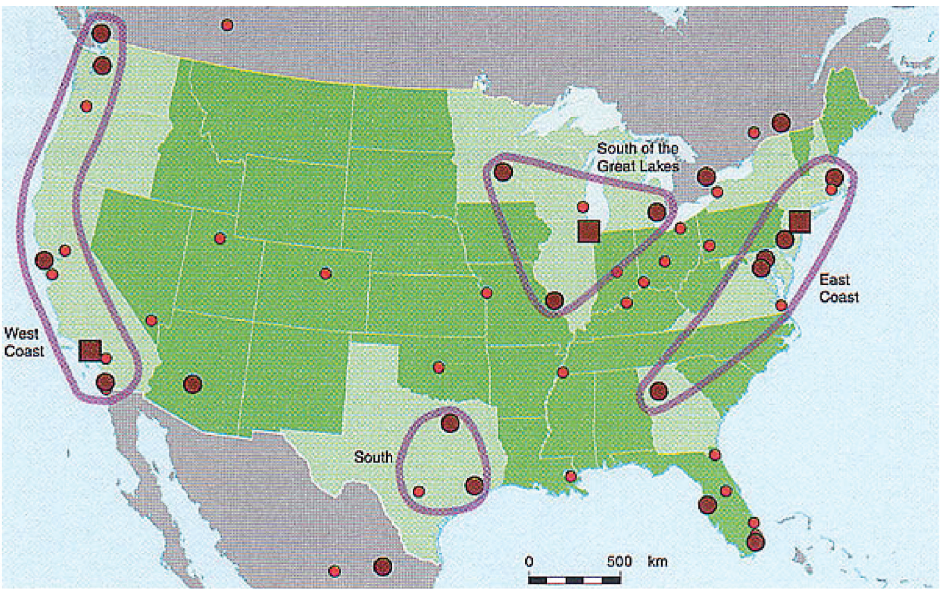
— Economic data: Ameco (re per capita GDP in PPS)
— Geographic and demographic data: United Nations World Population Prospects, 2004
— Own calculations

([10]) EESC opinion on *The role of civil society organisations and cohesion policy*, OJ C 309 of 16.12.2006, p.126, and EESC opinion on *Strategic guidelines for cohesion policy* (2007-2013), OJ C 185 of 8.8.2006, p.52.

5.3 As a result of various factors including its 'historical heritage', a pentagon of economic growth taking in London, Hamburg, Munich, Milan and Paris has emerged as an economic hub comprising 20 % of the EU-15 surface area, 40 % of the total population and generating 50 % of wealth. This backbone of Europe incorporates 7/10 of the EU's decision-making power and over 85 % of its cities have good transport links [11]. This backbone is referred to as a *pentagon*.



Europe: the pentagon



United States: the 4 economic integration zones

Maps from *European Spatial Planning,* edited by Andreas Faludi, 2002 and available at:

http://www.planum.net/showspace/bookreview-esp_images.htm

([11]) G. Baudelle, B. Castagnède, *Le Polycentrisme en Europe,* 2002, pp. 160-161.

5.4 While their economic strength is only 5 % of the EU total, the countries that joined the EU in 2004 have increased the EU's surface area by 33 %. In this new context, the pentagon alone cannot act as a driving force for the peripheral regions. *'The concentration of economic activity in relatively strong regions can, in the short term, bolster the EU's economic production. But in the long term, it may damage the production potential of the weakest regions and reduce their ability to exploit their comparative advantages. An excessive concentration of enterprise and population in certain regions also goes against the objective of sustainable development. In some of these regions this concentration can create congestion and put great pressure on the environment, while in others, it can cause decline and depopulation'* ([12]) (see also 4.5). Following the example of the USA, where several economic hubs have developed, we should promote the emergence of similar zones, spread evenly across the EU, adopting what specialists refer to as *polycentrism*.

5.5 Furthermore, technological progress, globalisation and mobility give rise to an increasing number of city-regions and metropolitan areas across Europe outside the traditional pentagon but comparable to it, such as Copenhagen-Malmö, Dublin, Madrid, Vienna-Bratislava, Katowice and others. This change of the European landscape also fosters new ambitions and new challenges among regions. These ambitions and challenges will also (hopefully) progressively affect EU views and policies ([13]).

5.6 While regional planning is not within the EU's remit — given the subsidiarity principle — there is no doubt that managing the EU's territory is a shared responsibility. On this basis, the EU-15 and the Commission drew up the European Spatial Development Perspective (ESDP) which was adopted at the Potsdam Council of Ministers of 11 May 1999 and followed up that same year in Tampere with a programme of twelve measures ([14]).

5.7 In line with Article 159 of the Treaty, the ESDP is aimed at increasing the coordination of EU policies that have a spatial impact, such as regional policy or certain sectoral policies (agriculture, transport, etc.).

5.8 Identifying areas where the links between cities and between the centre and the periphery need to be reinforced falls outside the scope of this opinion. However, it is the Committee's duty to stress the importance of seriously tackling this problem, failing which Europe is destined to slow down and fragment.

6. The key to success: modern infrastructure throughout the whole of Europe ([15])

6.1 Of course, this polycentric structuring of the EU (emergence of major regional hubs that boost surrounding areas, strengthened links between rural and urban areas), ensuring renewed and stronger cohesion, is dependant on the upgrading of infrastructure: transport, energy, telecommunications, etc.

6.2 Delays in the implementation of the 14 priority projects identified in Essen (1994), particularly regarding the cross-border sections and the drastic reduction in the TEN heading in the 2007-2013 financial perspective ([16]) do not bode well for the sustainable development and territorial cohesion of the EU.

6.3 However, the effectiveness of the Structural Funds in the upgrading and interconnecting of infrastructure in the cohesion countries and poorest regions, aimed at opening up the full benefits and opportunities of the internal market, is beyond doubt.

6.3.1 The density of the motorway network in the four cohesion countries increased from 20 % below the EU-15 average in 1991 to 10 % above in 2001. In the other Objective 1 regions, progress (on a more modest scale) has also been made.

6.3.2 Some modernisation of the rail network across the Union has occurred over the past decade, but the rate of electrification of lines and conversion to double track has occurred at much the same pace in the lagging parts of the EU as elsewhere, so the gap remains large.

6.4 In order to consolidate the 2004 and 2007 enlargements, it will be crucial to ensure that sufficient resources are allocated to infrastructure linking the old and new Member States, for four specific reasons:

— while EUR 21 billion was provided in loans by the EIB, the World Bank and the EBRD (European Bank for Reconstruction and Development) for upgrading infrastructure to EU-15 standards between 1990 and 2001, there is still a great

([12]) DATAR (the French state secretariat for spatial planning), 'European Spatial Development Perspective', 2002 (Unofficial translation).

([13]) See also EESC Opinion on European Metropolitan Areas: Socio-economic implications for Europe's future, July 2004, OJ C 302 of 7.12.2004, p. 101.

([14]) It should be pointed out that some of these measures — including some major ones — have never materialised, such as spatial impact studies, and others have not been sufficiently followed through, such as support for cross-border, interregional and transnational cooperation (*Interreg*, whose budget allocation was revised downwards in the course of agreement on the financial perspectives). Fortunately though, others, such as setting up a European Spatial Planning Observatory Network (ESPON) have been implemented, although such work remains undervalued.

([15]) For the sake of simplicity, we shall, where necessary, consider the Cohesion Fund as part of the Structural Funds, though this is not technically correct.

([16]) The EUR 20 billion proposed by the Commission was whittled down to just over EUR 8 billion while the total cost of completing the 30 priority projects by 2020 was estimated in 2004 to be EUR 225 billion..

need for investment in communications infrastructures (road and rail). The investment needed was estimated at no less than EUR 90 billion (at 1999 prices) ([17]);

— the new Member States are experiencing faster economic growth than the majority of old Member States and with increasing trade, their growth gives a knock-on boost to the more stagnant old Member State economies;

— in return, the new Member States will benefit from improved access to the internal market;

— '*In the least developed regions and countries [particularly the new Member States], international and interregional connections may offer higher returns over the longer term in the form of increased business competitiveness and also facilitate labour mobility* ([18]).'

6.5 The redeployment and upgrading of this infrastructure is a key issue for the new Member States given that in the COMECON era, the bulk of their infrastructure converged towards Moscow; between 1993 and 2003, trade with the EU-15 increased threefold to the extent that it now represents the majority of their trade, and their infrastructure is below EU-15 standards.

6.6 With regard to energy ([19]), there is a clear need to deal with '*insufficient investments in relation to increased transmission demand and distances. The interconnection of both electricity and gas grids throughout Europe has advanced, but important structural bottlenecks exist between Member States.*' To this end, the European energy markets observatory which will be set up in 2007 could provide useful pointers for the way forward.

6.6.1 In the case of electricity, '*the period of overcapacity is ending and investments of 600-750 GW of power generation capacity are needed until 2030 in order to meet rising electricity demand and replace ageing plants. The need for investment in additional generation capacity, in particular for peak load, could be partly counteracted by fully interconnected grids*'.

6.7 Generally, the upgrading of infrastructure poses a challenge in terms of environmental sustainability. The EESC reiterates its view that fully comprehensive sustainable development criteria should be built into assessments of Structural Fund eligibility and ex-post evaluations. It also reaffirms its support ([20]) for the goal of creating sustainable communities (Bristol Accord ([21])).

6.8 Investment in infrastructure is complicated by the budgetary constraints imposed by the Stability and Growth Pact as well as by the ongoing effort necessitated by EMU membership. The majority of these investments emanate from national governments, with a smaller proportion coming from Structural Funds and the EIB.

6.9 While 78 % of the EU's population now lives in cities and towns, it is important not to lose sight of the specific needs of rural areas and ensure that they do not lag behind.

6.10 The EU endeavours to support such areas through ad hoc programmes. It has allocated more than EUR 60 billion to rural development between 2000 and 2006. However, as the Court of Auditors has reported ([22]), the use made of these funds is far from ideal. It has pointed out that programmes do not sufficiently take into account the characteristics of the geographical area supported. The Court also pointed out shortcomings regarding the selection and targeting of projects, as well as insufficient evaluation of their results.

7. **Strengthening the links between rural and urban areas**

7.1 Remote areas are particularly prone to an ageing population, as their remoteness from centres of activity leads young people and skilled workers to move away to cities. This rural exodus risks accelerating the decline of such areas. Furthermore, large cities in which the bulk of resources are concentrated encounter particular difficulties and show disparities within the cities themselves, between neighbourhoods and/or social groups. '*Almost all cities where unemployment is at a level of 10 % or higher, have certain areas within which unemployment rates are at least double the city average*' ([23]). The Commission rightly identifies four key issues requiring attention: transport, accessibility and mobility; access to services and amenities; the natural and physical environment; and the cultural sector ([24]).

([17]) The investment required over the coming years to complete the TEN-Ts will amount to approximately 1.5 % of the region's expected GDP. Current levels of investment, which are running at EUR 2 to 3 billion per annum, will have to be raised to some EUR 10 billion by 2005-2010 in order to cope with demand pressures and to provide services within the EU commensurate with economic growth. In the longer term, the Commission has estimated the total cost of upgrading transport networks to an acceptable level at EUR 258 billion. (EIB, 'The development of TENs: perspectives', 2001).

([18]) Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013, COM(2005) 299, p. 15.

([19]) EESC opinion on *The energy supply of the EU: a strategy for an optimal energy mix* (exploratory opinion), OJ C 318 of 23.12.2006, p. 185.

([20]) EESC opinion on a *Thematic Strategy on the Urban Environment*, OJ C 318 of 23.12.2006, p.86.

([21]) Bristol Accord, December 2005 (http://www.communities.gov.uk/pub/523/PolicyPapersUKPresidencyEUMinisterialInformalonSustainableCommunities_id1162523.pdf).The Bristol Accord defines eight characteristics of a sustainable community: 1) active, inclusive and safe; 2) well run; 3) well connected; 4) well served; 5) environmentally sensitive; 6) thriving; 7) well designed and built and 8) fair for everyone.

([22]) See press release ECA/06/20.

([23]) COM(2006) 385 final, p.11.

([24]) European Commission, *Cohesion Policy and cities — The urban contribution to growth and jobs in the regions*, COM(2006) 385 final.

7.2 The EESC would also stress here the key role of general interest services, and particularly general interest social services, in ensuring economic, social, territorial and inter-generational cohesion. It reiterates its call for a framework directive on the organisation of these services, in addition to sector-specific directives [25].

8. The crucial need for civil society to get behind the projects

8.1 While the Commission acknowledges the need to involve socio-occupational actors in structural policy, emphasising that this plays a decisive role in ensuring better adoption of this policy at local level, the EESC regrets that it does not present any proposals for organising ways of doing this, which would be binding on the Member States.

8.2 The Committee calls for guidelines to be drawn up in future for the conduct of consultations on Member States' strategic and programming documents.

8.3 The Committee feels that the Member States should explain how they organise feedback on how the partnership principle is implemented in the context of the monitoring committees.

8.4 The Committee believes that the Member States and regional authorities should make greater use of the potential existing within civil society organisations by involving them in the preparation of promotion plans. Grass-roots initiatives should also be supported by allocating adequate financial resources for this purpose from the funds available for the promotion of and information about the Structural Funds.

8.5 In the case of cross-border or interregional programmes, it would also be worth promoting joint consultations and socio-occupational partnerships which are also cross-border or interregional.

9. Future funding innovations

9.1 Given, on the one hand, the challenges facing a larger EU, with widened external borders and increasingly diverse regions in terms of characteristics and economic performance and, on the other hand, the entirely unjustified meagreness of the budgetary allocation and the growing influence of globalisation, we must come up with more effective and modern ways of funding our economic and social model and restore the public's confidence (entrepreneurs, workers, the unemployed, etc.) in the EU's ability to regain control of its destiny. To this end, the recent JASPERS, JESSICA and JEREMIE initiatives are a step in the right direction.

9.2 The Structural Funds are currently limited to the granting of subsidies. In a previous opinion [26], the EESC proposed revising their financial engineering to create a multiplier effect through the involvement of the European Investment Fund and the EIB. It proposed transforming these subsidies into financial products to create a leverage effect. For example, one euro set aside to guarantee a risk capital loan would make it possible to finance five to ten euro of a SME's investment. This system has three advantages:

— it encourages public/private sharing of the financing of investments regarded as risky by the traditional financial partners;

— it gives beneficiaries more responsibility than would granting non-refundable subsidies;

— it increases the number of beneficiaries, despite the limited budget.

9.3 It would also be worth considering the possibility of utilising unused appropriations of an already meagre EU budget rather than refunding the Member States. These appropriations represent only a very small percentage of the annual budget. However, in this way, an additional EUR 45 billion could be allocated during the first half of the Lisbon timeframe to common interest projects.

EU budget surpluses (in million EUR)	
2000	11 613
2001	15 003
2002	7 413
2003	5 470
2004	2 737
2005	2 410
Total for 2000-2005	44 646

Note: surpluses include both unused appropriations (including special reserves) and additional revenue.

Source: European Commission, IP/06/494

[25] See EESC opinion on *Services in the internal market*, OJ C 221 of 8.9.2005, p.113, opinion on *The future of services of general interest*, OJ C 309 of 16.12.2006, p.135, and more specificially in the opinion being drawn up on *Social services of general interest in the European Union*.

[26] EESC opinion on *Strategic guidelines for cohesion policy 2007-2013*, OJ C 185 of 8.8.2006.

9.3.1 It should be clear from the previous paragraphs that even a fraction of these appropriations could speed up completion of the missing links — the Achilles heel of the trans-European networks — thereby interconnecting the Member States, eliminating bottlenecks, accelerating European integration and promoting increased intermodality.

9.3.2 Another tranche could serve to swell the coffers of the European Globalisation Adjustment Fund (EGF). This instrument, which does not have its own budget, helps workers who have been made redundant and who are 'victims of globalisation', and complements the Structural Funds. Unlike those instruments that necessitate long programming periods for similarly long-term projects, the EGF is a short-term instrument. Although the Council did approve it, it halved the initial budget allocation proposed by the Commission (the EGF receives EUR 500 million). Given this, it is hard to have confidence in the effectiveness of this scheme which many see as a marketing tool. The eligibility threshold should be revised downwards by reducing the number of workers made redundant required to trigger the fund. (Basing this calculation on the US Trade Adjustment Assistance Programme, dating back to 1962, the fund's initiators failed to realise that unlike the US economy which is based around large-scale corporations, the EU is a SME-based economy [27].)

9.3.3 These changes are all the more important given that closer spatial integration of the EU risks intensifying competition between regions leading to restructuring and therefore to job losses, which could create a public perception that the EU is bad for employment.

Brussels, 18 January 2007.

The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS

[27] Thus, in the USA, the 100 biggest companies generate 74 % of GDP, while in Europe they generate only 34 %. In the non-financial business economy, SMEs (which employ fewer than 250 people) represent 99.8 % of companies (of which 91.5 % are micro-enterprises with fewer than 9 employees!) and 67.1 % of total employment.