Opinion of the European Economic and Social Committee on 'Regional policy contributing to smart growth in Europe 2020'

COM(2010) 553 final

(2011/C 318/13)

Rapporteur: **Mr CEDRONE**

On 20 October 2010 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on

Regional policy contributing to smart growth in Europe 2020

COM(2010) 553 final.

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 24 June 2011.

At its 473rd plenary session, held on 13 and 14 July 2011 (meeting of 14 July), the European Economic and Social Committee adopted the following opinion by 114 votes to 6, with 9 abstentions.

1. **Conclusions**

1.1 The Committee agrees that the EU needs smart growth in the Europe 2020 strategy to meet the challenges of today and tomorrow. A large part of the EU has not only problems with slow growth, lack of R&D and innovation, but is confronted also with other issues such as high unemployment, especially among young people, social problems, poverty and integration, school leavers without the necessary knowledge to get a job, demographic challenges and budgetary restrictions.

1.2 Cohesion policy stems from the aim to defend the European social model, which combines aspects relating to free competition and the social market economy with objectives based on solidarity and the promotion of specific economic, social and territorial development priorities as outlined in Article 174 of the Treaty on the Functioning of the European Union.

1.3 The Committee agrees that regional policy is a key instrument for implementing the Europe 2020 strategy because success in achieving its goals will largely depend on decisions to be taken at local and regional level, as stated by EU Commissioner Johannes Hahn ([1]).

1.4 The Committee believes that one of the key aims of economic, social and territorial cohesion policy – and this should be the 'correct' point of reference when the Commission speaks of smart growth in the Europe 2020 strategy ([2]) – should remain that of promoting overall harmonious development across the Union, in particular by reducing disparities between the levels of development of the various regions in order that they can integrate fully into the EU.

1.5 While welcoming and appreciating the Commission's wish to promote 'innovation in all regions [without fragmenting resources], while ensuring complementarity between EU, national and regional support for innovation, [and] R&D', the Committee feels that the research should be funded not solely from cohesion policy, but also from all of the other funds.

1.6 The Commission's *Communication on Regional Policy contributing to sustainable growth in Europe 2020* should be considered as a supplement to the Innovation Union flagship initiative and as an appeal to start the process to accelerate investment in innovation, and not wait for the future financial period in which Europe 2020 will no doubt be a central focus for cohesion funds ([3]).

1.7 The Committee is concerned about cohesion policy being fragmented and diverted from its original objectives of providing funding to address regional imbalances by means of sectoral policies, as also confirmed by the Lisbon treaty. It must be ensured that this approach takes into account the challenges, needs and potentials – i.e. starting points – of each of the addressed regions and Member States and is not detrimental to cohesion, not only from an economic, social and territorial point of view, but above all politically and culturally.

1.8 While the Committee deems the Commission's proposed policy on promoting research and innovation to be of primary importance, it would point out that there should be a strong

([1]) Statement made in January, when the commissioner launched the communication *Regional Policy contributing to Sustainable Growth in Europe 2020* – which also must be seen as 'smart or intelligent growth'.

([2]) COM(2010) 553.

([3]) Ibid.

focus on regional specificities when dealing with these issues. The innovation of a production process can be the result of research carried out in a different location from that in which it is applied and by different people. Therefore, there should also be a focus on the transferability and replicability of innovative processes and their dissemination at regional level. The Committee would, however, welcome the attempt to create a synergy between cohesion policy and other EU policies, and to improve the use of the ERDF.

1.9 The Committee believes, as indicated in the communication, that the pursuit of smart growth should have its own regional structure, backed up by the specific needs of sectors, districts, clusters, or macro-regions, and connected to research institutes and universities that already exist and/or need to be bolstered and to local businesses and communication networks that can facilitate its anchoring and development on the ground, while favouring specialisation and regional governance.

1.10 The Committee also believes that cohesion policy and the Europe 2020 strategy should be the subject of a special European Council; cohesion policy cannot be demoted from being a strategic EU policy to being the *poor relation*, nor can it be seen as the only potential driver of 2020.

1.11 The launch of this proposal by the Commission should not be seen as an opportunity to scatter funds thinly across the regions, including rich ones, with the promise of a noble objective; instead, the opportunity presented by the proposal should be seized to pursue regional convergence in order to assert a European concept, through common indicators, of cohesion par excellence!

1.12 In the same way, it is also crucial to ensure that all Member States are able to participate in the various EU programmes and to foster the creation of synergies between these programmes, by simplifying procedures and breaking down the walls between the DGs (i.e. between the Commission as a whole), the Member States and the regions, in the awareness that administrations are there to serve the public, businesses, and communities, whose lives should be made easier, and not the other way around.

1.13 The Committee believes that the Commission rightly proposes a broad approach to innovation which does not confine itself to technical or technological issues. However, the Committee would prefer the Commission to pay greater attention to the practical opportunities for the various stakeholders to use innovation programmes. For example, SMEs – only a few of which have researchers – could benefit from innovation programmes. Many SMEs are indeed innovative, but they do not use the possibilities open to them for obtaining support from EU programmes, even though they would benefit greatly from such support. Access to venture capital should be increased; in this respect, the JEREMIE programme should be strengthened, although the use of this instrument should not be made obligatory and it should be up to Member States to decide whether to use grants, loans or a combination of both, as well as the thematic scope of application. Furthermore, simplification is necessary in this field.

1.14 New forms of effective partnership – consensus platforms – could be instrumental to this end. Such platforms could accompany the innovation strategy, with the participation and assistance of all stakeholders – public and private, including the banks – and with simple, clear and effective rules governing the projects for their duration and establishing timelines, responsibilities, and possible sanctions.

1.15 The Committee advocates reversing the current approach of the Commission, which is more concerned with the formal aspects of the programmes than with the content and, more specifically, with the results achieved, which is the priority objective to aim for.

1.15.1 What is needed, rather, is parallel and concerted support – following consultation and based on territorial analyses – for the two opposite poles of catching up and innovation.

1.16 The EESC is disappointed at the considerable inequalities which exist not only between the different regions of the EU, but also within some Member States. These inequalities are also present in the R&D and innovation sectors, which demonstrate why there is a need to strengthen economic, social and territorial cohesion policy towards 2020.

1.17 At the same time, the EESC notes that the Member States are also facing increasing global competition from new industrialised countries that are also experiencing strong growth in the R&D and innovation sectors and have already overtaken Member States in some sectors, particularly in high-tech sectors.

1.18 The EESC therefore welcomes the fact that the Commission is highlighting a number of problems and bringing regional policy into play with its Europe 2020 programme Innovation Union and its communication on smart growth. Although to a large extent it is decentralised measures that encourage renewal, these cannot be achieved without funding: support and policies must be the same everywhere.

1.19 The EESC shares the view that in order to capitalise on the differences between regions there is a need to implement completely new forms of cooperation using all the resources available at national, regional and local level.

1.20 The EESC finds that more focus on innovative workplaces is in line with the policy for smart growth and the developing of smart specialisation strategies ([4]). The Committee stresses in its opinion SC/034 *Innovative workplaces as a source of productivity and quality jobs* that innovative workplaces are at the heart of the Europe 2020 strategy. The EESC recommends that the Commission launch a pilot project on innovative workplaces as part of the Innovation Union flagship initiative.

1.21 The Committee applauds the fact that the Commission is planning for next year a bigger research programme for the public sector and social innovation. The EESC agrees with the introduction of a scoreboard for innovation in the public sector, with pilot projects for European social innovation to help social innovators and with proposals for social innovation in programmes under the European Social Fund. It further agrees that civil society organisations must be involved. Such initiatives can be seen as a way to smart growth.

1.22 The EESC supports the idea of developing strategies for smart specialisation that regions and local areas have to develop themselves, based on their specific requirements and taking into account their level of development. Smart, intelligent growth in some regions still consists of developing essential infrastructure such as telecommunications, energy, or water treatment.

1.23 Regional policy, and in particular EU regional funding, is essential to achieve intelligent growth and indeed to encourage and assist national and regional governments to build strategies for smart specialisation that help regions to identify their best assets.

1.24 As the Commission argues in its communication, concentrating resources on a limited number of activities will ensure a more effective and efficient use of the funds and help to increase the levels of private investment, provided the priority areas for activities and investment are determined by the appropriate local authorities together with their economic and civil society partners.

1.25 To sum up, the objectives of the Europe 2020 strategy and of cohesion policy tie in with one another. Cohesion policy, through its unique multi-level governance structure, is in a position to provide positive incentives and assistance to ensure the ownership of Europe 2020 objectives at macro-regional, interregional, local and regional levels. However, the institutional framework for their implementation lacks shared financial and legal elements whose interplay could enable them to become factors contributing to higher efficiency. Hence the need for enhanced cooperation towards achieving the aforementioned goals.

1.25.1 Enhanced cooperation should therefore be introduced with a view to achieving the aforementioned goals.

2. **Proposals**

2.1 **Definitions**: There are many definitions of innovation. In the Innovation Union plan, innovation means change that speeds up and improves the way we conceive, develop, produce and access new products, industrial processes and services. Changes that create more jobs, improve people's lives and build greener and better societies. The Committee supports the definition first of all because it is covers lots of political areas.

2.1.1 At the same time, the definition shows that many directorates-general of the European Commission services must be involved in innovation and social, economic and territorial cohesion and that all EU funds must be involved in developing this area.

2.2 **Bringing the funds together**: The Committee believes that to achieve the objective of harnessing regional innovation to 'unlock the growth potential of the EU', other EU resources should also be used, such as the CAP – at least in the case of investment aimed at innovation and smart growth in the agricultural sector – and the European Social Fund. Moreover, EU financial instruments should be coordinated and synergies developed between them and their national and regional equivalents. Furthermore, all Member States need to be able to fully access the opportunities offered by the EU financial instruments and simplification is necessary in this field.

2.3 **Selecting priorities**: The Committee believes that the types of innovation should be specified, and those of a regional nature safeguarded, and that choices need to be made on programmes, the relevant sectors (e.g. sustainable development, energy, the environment, transport), and on the regions to be involved, bearing in mind their challenges, needs and potentials i.e. starting points, enterprise culture, research conditions and capacity to upgrade plants or shift production. Links between macro-regions should be fostered and the 'thousand flowers' policy abandoned. Priorities should be selected in consultation with public authorities, the private sector and organised civil society at the various levels.

2.4 **Knowledge, communication and information**: It is vital that positive experiences are disseminated and shared between the relevant sectors and regions; hence the need for a suitable communication and information strategy to be incorporated directly in the Commission's programmes.

([4]) New reports in Denmark show that hospitals have increased their efficiency – more operations – and, at the same time, employees are more satisfied with their jobs, although budgets are cut and the hospitals have fewer employees. Working methods have been changed, doctors' second jobs are in some cases forbidden and the patients are given more care. The reports show that the patients are also more satisfied (the conclusion is not just cut budgets, but change working methods and the organisation of work).

2.5 **Training**: This is another key tool for achieving the targets set by the Commission in this communication. It would be very useful, particularly for young people, to assist the dissemination of an innovation culture. Moreover, the Committee believes that such training would foster the use of funds, reduce unused appropriations and prevent waste; this would enable excellence to be achieved in the use of funds and thus help regional governance.

2.6 **Consolidating partnership**: Priority should be given to programmes and projects drawn up directly by existing SME associations or research centres, in cooperation with workers' representatives and civil society and with the involvement of local and regional authorities. Given that the systematic use of partnership at all levels brings considerable added value, priority should be given to projects drawn up in this way. This would also greatly aid **regional governance**.

2.7 **Assessing the results**: This should be an imperative, supported unwaveringly by the Commission. Common parameters and systems are required for assessing the results of both innovation and research – a key objective for the Commission and the EU. In regions or areas that do not meet these or do not draw the funds, alternative forms of intervention should be provided for by the Member States and/or the Commission, which should lead this process.

2.8 **Public-private cooperation** should be promoted, including by means of a mixed financing system for programmes of particular importance or interest, in respect of both research and innovation.

2.9 **Urging the Member States**, in tandem with the Commission and the EU, to act with greater resolve. For the reasons set out many times, they must not abdicate their role. Priority should be given to interregional projects, which have a European rationale and remit, while the Commission should return to playing a leading role in the framing and implementation and, in particular, in the assessment of the results.

2.10 **Promoting support and advisory services**: the Committee believes that in order to compensate for their lack of in-house researchers and experts, SMEs, and particularly micro-enterprises, require easy access to effective support and advisory services, tailored to their needs. The Committee calls for a policy of buttressing the actions of intermediary organisations, with respect to their support and advisory services, including by means of regional objective contracts and by funding innovation advisor posts within these intermediary organisations.

2.11 **Making communication clearer**: The Committee believes that communication should be simplified and made clearer as regards the objectives being set. The approach should be reversed, with proposals sought from the bottom up, in the conviction that the money should follow the ideas, and not the other way around.

2.12 **Simplification** at all levels is a preliminary goal. A *simplification strategy* to save time and reduce costs should always be pursued, inter alia by establishing a standard form and applying the 'only once' principle; payments should also be speeded up and pre-financing for companies – particularly SMEs – should be facilitated; finally, financial rules should be harmonised and a standardised audit introduced, applicable to all bodies.

3. **EU budget review, cohesion and smart growth**

3.1 In its communication on the budget review, the Commission devotes a long chapter to cohesion policy and much less to the CAP, for example, which still accounts for 43 % of EU spending. The section on cohesion is entitled 'inclusive growth': while this title is full of promise, it has to be put into practice.

3.2 The headings themselves leave nothing out: a) Cohesion policy and Europe 2020; b) Greater concentration and coherence; c) A common strategic framework; d) A Development and Investment Partnership Contract; e) Improving the quality of expenditure. All of these aims except the last, which is a key goal, should already have been achieved.

3.3 The EESC welcomes the Commission's efforts and proposals to create synergies between cohesion policy and the other EU and national policies, including some of the priorities set down in the Europe 2020 strategy. However, it feels that all resources need to be used to achieve the 'smart growth' objectives.

3.4 The budget review should be an opportunity to bring into line cohesion policy, the CAP and the Europe 2020 strategy, taking account of the Stability Pact under review, in order to reconsider and revamp the European budget and those of the euro area members (for example, education and research should not be considered current expenditure).

3.5 **Helping SMEs** is key to the success of the proposal. It should be done by simplifying and facilitating financing, inter alia by means of risk insurance in respect of the provision of credit – in line with the principles laid down in the review of the Small Business Act (SBA) – or of direct financing for innovation, accompanied by a flanking, support policy. This could also be achieved by consolidating and utilising SME and micro-enterprise associations. It should be up to Member States at the appropriate level to decide whether to use grants, loans or a combination of both.

4. **Comments**

4.1 The EESC welcomes the actions that the Commission is to carry out in order to help reach the objectives, particularly as regards analysis and information concerning the results achieved and the provision of venture capital and guarantees for SMEs committed to innovation, making funding available to SMEs and micro-enterprises that is adapted to their specific situation.

4.2 The five areas of smart specialisation identified in the communication appear to be rather general and belong to sectors and reference areas which are very different from each other: they are not tailored to the specific features of the regions, and do not allow for possible synergies with policies to encourage innovation in other areas of EU intervention (competition, agriculture, internal market, environment and energy, education, etc.) or other EU programmes; for example, there is no mention of the social economy. Furthermore, there is no provision for the involvement of the social partners or other stakeholders from organised civil society in framing and implementing the policies related to smart specialisation.

4.3 No reference is made to the requirement to coordinate the EU innovation initiative with the innovation policies of those Member States that have greater resources and have already identified and embarked on research and action programmes in the sectors in which R&D could be stepped up. Similarly, there has been little analysis of the factors that have hindered or prevented the use of funds: **the most serious issue of all**. And to think how many analyses the Commission produces!

4.4 However, the Commission's particular focus is on regions in the best circumstances, when it states, for example, that some regions are competitive at global level, while others are struggling to reach this level. That is not to say that some regions are completely falling behind. To iron out this inequality, there is a need to ensure that regional policy focuses increasingly on developing the weaker regions, along exactly the same lines as cohesion policy.

4.5 The EESC is concerned, however, about the fact that the gap between the rich and the poor regions in the EU is constantly increasing and that the Member States which are weakest in economic terms are also the least advanced as regards research, development and innovation. The Committee notes however that, as demonstrated by the new scoreboard, it is R&D that offers the greatest potential for growth in the least developed countries and regions.

4.6 The Commission therefore needs to cooperate with the different Member States to circulate R&D and innovation policy, so that the rich regions in Member States do not monopolise all the resources, with the additional imbalance in the distribution of resources this would involve at national level.

4.7 The communication is preparing the ground for the various technical research instruments to be used more widely to support innovation. These include soft loans, guarantees and venture capital. The EIB group is another body that should receive additional funding to benefit SMEs more specifically.

Brussels, 14 July 2011.

The President
of the European Economic and Social Committee
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