I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

519ST PLENARY SESSION OF THE EESC ON 21 AND 22 SEPTEMBER 2016

Opinion of the European Economic and Social Committee on 'New measures for development-oriented governance and implementation — evaluation of the European Structural and Investment Funds and ensuing recommendations'

(Own-initiative opinion)

(2016/C 487/01)

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	Own-initiative opinion
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(for/against/abstentions)	

1. **Conclusions and recommendations**

1.1. The EESC considers that coordinated European development-oriented governance needs to be put in place with the aim of helping to build a renewed, strong and peaceful Europe. Coordination should be stepped up, possibly by equipping governance with new organisational methods.

1.2. Dynamic economic development should be restored through coordinated steps, and the foundations of social well-being and democracy, coexistence between different cultures and exemplary respect for the environment should be consolidated.

1.3. The EESC emphasises that consistent application of the partnership principle is intended to facilitate stakeholder participation in planning and implementing investments from EU funds. Such participation will strengthen the collective commitment to investment and allow for greater use of expertise. It will make project implementation more efficient, increase transparency and help prevent fraud and abuse.

1.4. What we need is a simple, accessible strategy and objectives and a single, long-term project for Europe (EU 2030-50 strategy). Confirmation is needed that the creation of an innovative, viable and inclusive Europe remains a major strategic objective for the Union. To this end, the COP 21 objectives (SDGs) should also be included in the project.

1.5. Development programmes must be better coordinated. The design of short-, medium- and long-term programmes and tools must be based on a set of concise objectives. By 'tools' we mean all policy, legal, organisational and financial measures.

1.6. In order to improve coordination, the EESC urges that the conventional European Structural and Investment (ESI) Funds, as well as market-oriented projects that also mobilise private capital under the European Fund for Strategic Investment (EFSI), be harnessed to serve the common European objectives. To this end, it is important to coordinate the objectives and the rules regarding their implementation.

1.7. The EESC proposes that the main instrument for stronger central, development-oriented governance should be the European Semester, which is based on the annual growth survey and should in addition provide ways of exercising continuous influence over Project Europe and carefully monitoring its progress. The European Semester could at the same time perform the functions of systems designed to ensure a social environment that guarantees well-being.

1.8. If the essentially economic, GDP-based performance indicator already adopted were to be flanked by an additional, results-based indicator (gross domestic result), that reflects sustainability and includes primarily social and environmental factors, it could serve as a basis for monitoring the effectiveness of development-oriented governance.

1.9. Close coordination and the introduction of an open cooperation method between the Member States are necessary. It is necessary to make adjustments based on the experience gained to date in development processes.

1.10. Legal and financial instruments must be consolidated. The performance of development-oriented governance will depend on a dynamic economy, more capital being mobilised, a more efficient investment system, a better-qualified workforce and the degree of innovation displayed by businesses. Its main longer-term objective is, however, to generate well-being and a renewed society, and to ensure an enhanced, sustainable environment.

1.11. Shared, multilevel implementation is necessary. Legal and administrative instruments for development-oriented governance should be developed in parallel with ongoing reform (REFIT programme). In this regard, intermediate-level instruments — in other words, macroregional development coordination instruments — must be significantly strengthened. Moreover, the role of functional regions, cities, urban areas, conurbations, metropolitan districts and networks is becoming increasingly significant as part of Project Europe.

1.12. One of the key elements in long-term development-oriented governance is continuity. The conditions governing the cyclical nature of policies, programming processes and budgetary forward planning must be coordinated. Development work entails ongoing analysis, monitoring and correction.

1.13. It is vital to keep the public properly informed, to promote their involvement, to develop communication and political marketing, and to present practical results and weaknesses accurately.

1.14. The EESC has always argued in favour of stronger democratic participation. Regarding the open method of cooperation, the involvement of the economic and social partners and NGOs should be ensured at all levels; at European level, this must go hand in hand with a more important role for the EESC.

1.15. As already noted in its opinion of 2012 ([1]), the EESC supports the European Commission's initiative to establish a European Code of Conduct on Partnership (ECCP), with the aim of providing Member States with a partnership framework for planning and implementation. The partners' conception of Europe will help to define objectives and facilitate their identification, and will make implementation of plans more efficient.

([1]) EESC opinion on The partnership principle in the implementation of the Common Strategic Framework Funds — elements for a European Code of Conduct on Partnership (OJ C 44, 15.2.2013, p. 23).

1.16. The EESC points out that it is necessary to go beyond the partnership rules based on proposals and best practices and largely specifying the minimum requirements that the Member State authorities will have to meet, failing which they may face penalties.

1.17. The EESC recommends that the Member States be obliged to set up effective funding systems to build partners' capacity. Such systems must go beyond training courses and information alone, and extend to developing partnership networks and introducing tools for effective participation.

1.18. The EESC strongly urges the European Commission to step up cooperation with European partnership networks. The European Commission should set up a financing system that contributes to the operation of European NGO networks working in the area of regional policy, including in particular monitoring national processes and ensuring feedback.

2. **For a renewed, strong Europe**

2.1. ***Background and current state of affairs***

2.1.1. The European Union is strong, but is still facing an ongoing multifaceted crisis, as clearly illustrated by Brexit. The economic crisis of 2008 dispelled the euphoria generated by enlargement in the early 2000s and has put the catching-up process in many countries into reverse.

2.1.2. The economic crisis, and especially the ensuing fall in investment, has shattered the previous growth-based unity between Member States and provoked worsening political, economic and social tensions. In spite of the Union's fundamental objectives, the development gaps between Member States are widening.

2.1.3. The pursuit of severe 'austerity policies' imposed on countries affected by high public and external debts and budget deficits is contributing to widening the gap between the most advanced countries and those affected by austerity. New policies are necessary to combine economic growth and budget deficit control with effective social inclusion policies.

2.1.4. Poverty, insecure employment and unemployment have reached an unacceptable level. The lack of future prospects for young people represents a significant obstacle to a renewable future for Europe.

2.1.5. The European Union has lost its status as an attractive destination for investors and has acquired a reputation for sluggishness. From the productive investment point of view, it is progressively losing ground to the United States and some of its own Member States, such as Germany and the United Kingdom. The countries that are lagging behind are holding up the ones that are more dynamic. The need for mutual interdependence is diminishing. In some countries, and in spite of a substantial budget surplus, the gap is widening due to the fall in productive investment, meaning that the poorest regions are falling even further behind. The reaction is slow and bound up in red tape.

2.1.6. The Union's fundamental achievements, such as the euro zone or the Schengen area, are today seen, against a backdrop marked by the migration crisis and terrorism, as factors for division rather than cohesion. In many countries, the EU is being used as a pretext in domestic political struggles.

2.1.7. Regional development levels are not converging. In GDP terms, the gap between the most advanced regions and those lagging behind is of 14 to 1. Some countries, including some of the greatest beneficiaries, are using the funds allocated to them instead of their state investment instruments and facilities, with their national contributions having fallen to minimal levels, well below the initial targets. The newly-created competitiveness boards could use their instruments to make a significant contribution to the convergence of regional development levels.

2.1.8. Ordinary people, economic and social actors and non-governmental organisations (NGOs) in Europe no longer have any vision of the future: they have distanced themselves from the political process and are increasingly turning inwards. They see the EU as a rigid, inflexible institution that is incapable of renewing itself.

2.1.9. Due mainly to its weak performance and institutional arrangements regarding development, the European Union is not in a position to mobilise the resources needed to achieve its aims, which are themselves fragmented.

2.1.10. There is no shared vision of the future, political will or governance capacity. The coordination method is and inadequate and obsolete, legal instruments have no impact or are difficult to use, participation by organisations and social support is weak, due in particular to poor communication.

2.1.11. The Union's long-term development strategy up to 2020 is no longer forward-looking enough and is no longer realistic, as well as being fragmented and incapable of guiding processes within existing methodological frameworks. In the meantime, consideration of the 17 main SDG objectives adopted relating to the sustainability of development has enabled the European Commission to embark on a review of the system and the tools for governance, as part of a complex, long-term strategy.

2.2. *New paths*

2.2.1. Against this backdrop, the new European Commission has, with the support of the European Parliament, launched a new model for economic development. The objectives set — creating jobs and promoting growth, completing the European single market, streamlining arrangements to regulate the economy, consolidating priority EU achievements, the energy market, supporting investment in the digital market and services, giving priority to intellectual and physical networks to connect Europe and boosting environmental responsibility — can give significant, fresh impetus to the economy.

2.2.2. The European Semester and its components together make up a system that goes beyond economic governance. The role of long-term socio-environmental objectives within the European Semester mechanism should be strengthened.

2.2.3. The priority programme aimed at fully consolidating the euro area's financial system is firstly unsatisfactory, and secondly is fuelling the real fear that the gap between European countries will widen still further. European-level development objectives could lessen the paralysis of a two-speed Europe.

2.2.4. At present, two major sets of objectives and economic-financial instruments that are very different, each with its own procedure, are shaping development processes. Complementarity between these two sets needs to be strengthened from the objective coordination stage onwards.

2.2.5. They are, firstly, the conventional European Structural and Investment Funds (ESI Funds), enshrined in the Treaties, whose purpose is to foster social, economic and territorial cohesion. They take the form of aid for investment and development, and are continuously modernised, while their nature remains unchanged. They are available thanks to redistribution of the Union budget, sourced from Member State contributions. In some cases, beneficiaries fail to appreciate the real value of these funds, arguing that they are 'entitled' to them. In order to facilitate the complementarity mentioned above, new rules should be adopted during the 'mid-term' review of the period up to 2020.

2.2.6. The second set of instruments is the European Fund for Strategic Investment (EFSI), intended to implement the new 'Juncker plan'. It is a new, market-oriented financial instrument, allowing risk capital to be supported and public, bank and private funds to be mobilised. Its amount can still be increased. The governance system put in place must become an integral part of development-oriented governance. These two funding systems must also be harmonised within each Member State.

2.2.7. Compared with these funding systems, the other financial instruments that function effectively are diverse and are suited to their missions, but are of limited volume and tied to their specific objectives. The Project Europe frameworks could be closely and systematically coordinated.

2.2.8. Direct means that could help to achieve the objectives, few and unconnected to each other, of the Europe 2020 strategy with a view to improving coordination, have not yet been put into practice. In the absence of such means, the question nevertheless arises as to whether the EU's development can be adequately coordinated. Planning interactions between the different instruments should therefore also be included among the aims of the new plan for the post-2020 period.

2.2.9. The eleven thematic objectives of the multiannual financial framework governing the ESI Funds, together with the ten main objectives of the Juncker plan — the latter only imprecisely matching the former — and their respective financial and regulatory rules ought to contribute as of now to completing the Europe 2020 strategy. The seventeen SDG sustainability criteria, which are crucial to the future, should be added. Missions under the programming process for the post-2020 period should focus on a small number of clear and concise objectives.

2.2.10. At present, the consequence of the different mechanisms linked to the objectives, the varying time-scales and start and end dates, is still that none of the objectives are transparent and comprehensible or can easily be monitored by economic and social and civil society stakeholders. The lack of synergies or interaction between the different objectives significantly reduces the effectiveness of the instruments and of investment. The synergies between the EFSI and a renewed Europe 2020 strategy should be enhanced by drawing up a new EU strategy for 2030-2050 (Project Europe).

2.2.11. While the Structural Funds are backed by highly bureaucratic mechanisms for preparing, implementing, monitoring and analysing, which are both centralised and decentralised, and a large number of agencies are in place at EU level to oversee implementation, the new governance mechanism of the recently-established EFSI lies outside the European Commission framework and its new organisational structure is based on needs arising from the financial and investment climate. Coordinating these two major structures requires the existence of a strategic instrument and a new governance system ([2]).

2.2.12. Setting up a new development-oriented governance system could lead to closer coordination and open cooperation between the relevant partners.

2.2.13. The institutional structure of the partnership should be strengthened and opened up to all European citizens under the right of public participation, in order to improve the effectiveness and efficiency of the ESI Funds. EU citizens should be ensured access to relevant information and be able to take part in planning decisions and their implementation. They should also be able to express their opinions regarding draft programmes, calls for tender and evaluation reports.

3. **Strengthening partnership**

3.1. The EESC has already addressed the question of the partnership principle and drawn up detailed proposals on this issue in several opinions.

3.1.1. In its opinion adopted in 2010 ([3]), the Committee pointed out that the rules in force left too great a margin for interpreting the concept of partnership at national level, and that the European Commission should therefore play a stronger, much more pro-active role as guardian of the partnership principle It deemed it crucial for all operational programmes to provide partners with the necessary technical assistance resources in order to help strengthen their capacities. It argued in favour of a return to Community initiative programmes for social innovation and local development.

3.1.2. In its opinion of 2012 ([4]), the EESC supported the European Commission's initiative to establish a European Code of Conduct on partnership. It shared the concerns of organised civil society regarding the non-respect of the principle of partnership and suggested introducing a partnership monitoring system to be managed by the partners themselves. It proposed making the signing of partnership agreements with Member States conditional on the proper implementation as set out in the Code of Conduct and, to this end, topping up resources to the operational programmes through financial incentives. It also confirmed its recommendations on strengthening the capacity of partners.

3.2. The legislation on cohesion policy provides for the establishment of a 'European Code of Conduct on Partnership' (ECCP), which includes guiding principles and best practices.

3.3. The experience gained in establishing the ECCP has revealed that certain countries pay only lip service to the provisions of the code in their national programming processes and the transformation of the official implementing structure.

([2]) Opinion of the CoR Commission for Territorial Cohesion Policy and EU Budget on the Simplification of ESIF from the perspective of Local and Regional Authorities, rapporteur: Petr Osvald (CZ/PES).

([3]) EESC opinion on How to foster efficient partnership in the management of cohesion policy programmes, based on good practices from the 2007-2013 cycle (OJ C 44, 11.2.2011, p. 1).

([4]) See footnote 1.

3.4. In several countries, the partners were not given enough time to formulate an opinion regarding the relevant documents. They have not been substantially involved in the main strategic decisions, such as those regarding the setting of priorities or financial allocations. No special mechanism or tool for communication and participation has been put in place to boost active participation.

3.5. Analyses by several NGOs ([5]) have shown that in a number of countries, the selection requirements for partners who are to sit on the monitoring committee have been complied with in formal terms, but that representativeness and coverage of subjects have not been ensured in all cases. Information swapping between management authorities and monitoring committee members is far from perfect.

3.6. As a result, authorities responsible for cross-cutting matters, such as environmental ministries, do not sit on several relevant monitoring committees. The management authorities put little effort into involving civil society partners who represent cross-cutting principles when planning calls for projects or evaluating proposals.

3.7. Steps aimed at boosting the partners' capacity are inadequate in some countries. They are often limited to training courses and reimbursement of travel expenses, while no action has been taken on several proposals from the ECCP relating, for example, to network development and coordination, or covering the expenses of experts needed to ensure effective partner participation.

3.8. The European Commission and the Member States have not paid sufficient attention to the use of community-led local development (CLLD) instruments during the first half of the budgetary period.

3.9. The EESC considers that a general assessment of partnership practices needs to be carried out. This examination must include an evaluation of the introduction of planning procedures and of the official implementing structure, and assess how far the current regulatory system is capable of producing an effective partnership. Partners should be actively involved in the evaluation process.

Brussels, 21 September 2016.

The President
of the European Economic and Social Committee
Georges DASSIS

([5]) Analyses carried out by the CEE Bankwatch network and SF Team for Sustainable Future.