

ECONOMIC AND SOCIAL COHESION
UNICE'S CONTRIBUTION TO THE EUROPEAN COMMISSION'S
TEN QUESTIONS FOR DEBATE

PREAMBLE:

In complement to its position paper on the 2nd report on "The status of economic and social cohesion in the European Union"¹, UNICE's purpose in this note is to respond to the "Ten questions for debate" posed by the Commission in this report with a view to enlargement.

Bearing in mind that the fundamental challenges for European cohesion policy are:

- to allow regions in the current Member States with a development lag to catch up through a consolidation of cohesion policy between themselves and future Member States, entailing progressive incorporation based on appropriate criteria commensurate with administrative capacities, classification of regions and eligibility conditions;
- to avoid substituting for Member States in their national cohesion policy but rather to provide effective and transparent support creating an additional lever where this is necessary to improve their development level, with fair reciprocity conditions;
- to maintain this European Union support over a period compatible with the long-term objectives in view but without creating a system of permanent redistribution and assistance;
- to avoid holding back the competitiveness of the most dynamic Member States and the European Union more generally in order to ensure the sustainability of financial support needed by the least well-placed Member States;

The most effective way of ensuring a cohesive Europe is to continue implementing structural reforms as reinforced by the Lisbon process, within a stable macroeconomic framework, and with the relevant partnerships.

UNICE's comments and proposals on the "Ten questions for debate" are as follows:

¹ 14 November 2001

↪ **Question N°1: *What will be the role of cohesion policy in an enlarged Union of nearly 30 Member States in a context of rapid economic and social change? How is it possible to further economic convergence and preserve the European model of society?***

The question is wider: "Is it possible to further ... ?" This brings into play the timetable which must be specified as a function of the absolute need to maintain Europe's competitiveness and hence affordable financial contributions. Enlargement must not affect the integration process already under way, which requires stronger cohesion between the current Member States. The effectiveness and choice of grants also deserves a critical analysis in order to ensure that the priority objective is not spending the credits granted but supporting valid projects accompanied by clear conditions/reciprocities which can be verified with opportunity-cost studies which take account of the scarcity of resources and the many claims on them.

As stated elsewhere, it is essential to give priority to major and clearly identified projects for tangible and intangible investment in transport infrastructures, environment (water supply, rehabilitation and waste), energy, research and human resources development, followed by clear evaluation, in order to render the assisted territories competitive and thereby improve business competitiveness through an environment favourable to their development and not through direct grants.

Rather than maintain the final objective of reaching a given per capita GDP as compared with the average GDP of the European Union (and at what level) without setting a deadline, might it not be preferable to refer to the objectives set out in the Lisbon process to be achieved within specified successive periods (with interim evaluations)? This approach certainly merits examination.

↪ **Question N°2: *How should Community policies be made more coherent? How should the contribution of other Community policies to the pursuit of cohesion be improved?***

Cohesion policy is not an isolated EU policy and the Structural Funds are not the only instruments for its successful implementation. It should though be noted that Structural Funds are important instruments in pursuing the Lisbon targets.

It is important to ensure synergy and complementarity between Community policies, and to mainstream in the Structural Funds results, experience and good practice, notably from the areas of RTD, innovation and information society but also measures to promote lifelong learning.

Good practice has been sufficiently developed and discussed, but is still insufficiently applied. Moreover, cohesion policy can only be effective if a country pursues the objective of macro-economic stability as well as having the appropriate fiscal and monetary policy mix (it should be noted that the new entrants will only join economic and monetary union after a period of years, once they meet the convergence criteria).

The objectives set for all European Union policies which ultimately target economic and social cohesion should be monitored and subjected to periodic evaluation.

↪ **Question N°3:** *How should cohesion policy be modified in preparation for an unprecedented expansion of the Union? Should cohesion policy also address territorial cohesion in order to take better account of the major spatial imbalances in the Union?*

Cohesion policy already takes account of these imbalances in programmes under Objective I and Objective II, but urban problems, increasingly gaining in priority, are not being tackled in proportion to their importance. There needs to be a rebalancing within a fixed total envelope.

Given that European companies cannot bear additional financial burdens if they are to remain competitive, and allowing for the probability that the financial implications of enlargement may be substantial (and as yet unspecified), there should not be an excessive widening of cohesion policy, already overflowing, and Member States should retain competence for territorial development, whose strategic national challenges rightly remain a sensitive area.

Key elements for a functional new cohesion policy in the future are concentration of the available means on those regions which are clearly lagging behind the average level of economic and social development in the Union. Concentration of means and a strict application of phasing-out must go hand in hand. Regions no longer eligible for EU funding should consequently be phased out of the instruments of cohesion policy. Only when concentration and phasing-out are applied in a consistent manner will the Union be able to shoulder this burden and to continue with a cohesion policy that is both worth its name and at the same time does not lead to an impossible increase of the EU budget.

↪ **Question N°4:** *How can cohesion policy be focused on measures which have a high Community added value?*

This question broadly overlaps with questions 2 and 3. However, it can be pointed out that the consequences of the new economy should be addressed under the same heading and with the same cohesion logic as for other disciplines. Handicaps need to be eliminated via appropriate equipment and training.

↪ **Question N°5:** *What should be the priorities to bring about balanced and sustainable territorial development in the Union?*

This question broadly overlaps with question 3. Regarding ESDP, this is a useful document whose non-binding thematic guidelines UNICE generally approves, while stressing its attachment to the principle of subsidiarity in the area of territorial development, as already stated in its response to question N)". It should also be very firmly recalled that operational programmes within INTERREG III B (NOE or others) cannot continue to develop without a wide partnership open to economic operators, since territorial development relates in the first instance to successful development of companies.

One might wonder about the wisdom of widening the scope of cohesion policy at a time when the problems are set to take on a particular dimension with enlargement (see question 3).

This aspect of territorial development in the Union should probably be examined in a different framework in which public-private partnerships (which have already proved their worth) would be more widely encouraged.

Lastly, we repeat that the need for greater effectiveness in cohesion policy must involve systematic implementation of demanding conditionality, entailing genuine partnership with the new entrants and hence reciprocal commitments.

↪ **Question N°6: *How should the economic convergence of lagging regions of the Union be encouraged?***

It seems clear that the regions of the current Union of 15 should continue to receive financial support where necessary after 2006.

However, it might reasonably be supposed that significant progress will have been made by that date, otherwise questions would need to be asked about the very usefulness of the Union's cohesion policy. It should be remembered that this is not a policy for permanent redistribution, which would only lock the regions concerned into their development lag. The indispensable evaluation of the results of this policy also requires the existence in new Member States of reliable statistical series and administrations capable of monitoring programmes seriously. Under no circumstances should the priorities for achieving balanced and sustainable territorial development in the European Union serve as a pretext for impeding the operation of a competition policy, a cornerstone of the internal market which should not be in opposition to the proper provision of services of general economic interest, missions entrusted transparently to public or private operators for the benefit of all consumers/customers.

↪ **Question N°7: *What kind of Community intervention is required for other regions?***

This question overlaps partially with questions 3 and 5 and, by envisaging an extension of the current cohesion policy, reflects a somewhat "spillover" tendency with regard to scope.

It should be recalled that Member States have means for action and priority prerogatives (subsidiarity) to deal with a large portion of their internal cohesion problems (territorial or otherwise) which therefore fall within their responsibilities. Any other approach runs the risk of giving the Union responsibilities it cannot fulfil effectively. Above all, it is essential to put in place a more effective cohesion policy in its current framework, based on real partnerships with the Union's living forces, with companies in the front rank. The latter will then be able to participate in public-private financing actions in whose design they have been fully involved and with the corresponding implementation arrangements.

As pointed out in the observations on this question, the Union's cohesion policy cannot have the resources nor should it have the ambition to solve all problems, especially without having recourse to wide partnerships.

Given the scarcity of resources, it must also make choices for its programmes, carrying out "value for money" studies for each of them.

Similarly, it is important to recall the growing need for programme evaluation, detection of fraud or non-conformity with financial rules, and harmonised application of sanctions in the different Member States in the case of shortcomings.

The issue of corruption and misuse of the Funds, which needs to be addressed with particular intensity, deserves to be treated with zero tolerance, given the requirement of efficiency in a highly constrained financial environment.

Thus, the new Member States' capacity for absorption must be rigorously taken into account to avoid harmful inflation as well as wastage or failure to take up credits. It is therefore an urgent need to start defining strategy for the programmes to be implemented, but also for RTD, innovation, and initial and continuing training.

↳ **Questions N° 8 - 9 - 10** are largely premature.

It seems premature to respond to these questions now: they cannot be validly considered before 2003/2004, when the results of the mid-term review are known. A response to the rest of the questions that will not have to wait for the mid-term review, has been answered above.

Conclusion:

UNICE points to the increasingly pressing need for real and ongoing partnership with economic players in the European Union's current and future Member States. Only a pooling of public and private resources and experience, in line with respective competences, will open the way for successful enlargement to the benefit of all and under optimal conditions. UNICE would like to reaffirm its wish for and complete willingness to take part in concertation to this end.

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