UNICE
THE VOICE OF BUSINESS IN EUROPE

POSITION PAPER

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UNICE POSITION ON COHESION POLICY AND COMPETITIVENESS 2007-2013

Since its inclusion in the Single European Act in 1986, cohesion policy has contributed to successful economic integration as the European Union has progressively enlarged. The latest Progress Report on Cohesion shows that economic convergence is indeed taking place, but it also clearly reports that there is still much to do: on the one hand, new member states are growing faster but the size of the income gap suggests that convergence is still a long-term perspective; on the other hand, 24 million new jobs are needed to reach the Lisbon employment target of 70%

In addition, Europe and its regions have to come to grips with increasing global competition and demographic ageing, which requires adaptability and the capacity to react. Public authorities and economic stakeholders and social partners agree that Europe urgently needs to boost its competitiveness and enhance growth and jobs, implementing the Lisbon strategy.

In this context, the priority should be to make the Community cohesion policy more supportive of a competitiveness-enhancing process: it is about convergence **and** competitiveness, two elements that must go hand by hand in order to ensure the long-term future of a region.

Convergence and competitiveness: main priorities

The priorities for actions should be the following:

Member states and regional authorities should ensure that:

- Competitiveness is the guiding objective of their actions, as agreed in the earmarking of funds towards competitiveness in last December's European Council.
- All relevant stakeholders are consulted in the preparation and implementation of programmes co-financed by the Funds.
- In a context of limited financial resources, funding is concentrated so as to reach critical mass and generate a leverage effect.
- Accountability is enhanced now that there is an increasing regional responsibility in the management of cohesion policy. As part of the new financial Inter-institutional Agreement, relevant audit authorities in member states will produce an assessment concerning the compliance of management and control systems with Community rules. This should break new ground.
- In aiming at enhancing the capacity of local authorities, administrators foresee more training of their staff on business needs.
- The Structural Funds and the Cohesion Fund are used to leverage up investment to a much higher scale than is envisaged by public policy-makers. With that in mind we invite public authorities to make use of the new JASPERS and JEREMIE facilities

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The Commission should ensure that:

- The earmarking of funds towards competitiveness is achieved.
- In using EU Funds, member states are definitely making progress towards the EU priorities of competitiveness and creation of jobs.
- Programmes focus on research, ICT, innovation, entrepreneurship, human capital and development of the necessary infrastructure as specified in the Community Strategic Guidelines.

The earmarking of funds and the Community Strategic Guidelines for cohesion: two steps in the right direction

In a context of limited EU budget and funding for heading 1a "Competitiveness" it is welcome that last December the European Council decided that for the period 2007-2013 member states should **earmark a large proportion of the funding for cohesion policy to competitiveness**.

The earmarking for competitiveness-enhancing expenditure from the funding for cohesion policy has highlighted the link between regional development and convergence with competitiveness. The average target for the EU is 60% for the convergence objective and 75% for the regional competitiveness and employment objective. Moreover, each member state must demonstrate in its National Strategic Reference Framework and operational programmes that competitiveness-targeted expenditure will outperform previous achievements.

The new member states do not have to comply with these commitments. We welcome that many of them have decided to endorse the 60% target, which provides a good focus towards those factors that contribute more to the development of a region.

The **Community Strategic Guidelines on Cohesion Policy 2007-2013** define more precisely the actions that ensure the integration of competitiveness issues in regional development. Overall, UNICE agrees with the guidelines for action, as they focus on the fact that the Structural and Cohesion Funds can certainly make a strong contribution to the development of research, innovation, entrepreneurship, human capital and infrastructure. However, we find that the list of guidelines is rather long and the document does not clearly specify how to coordinate the Community funds effectively to avoid redundancies.

In the Annex, you will find some clarifications that we believe should be added to the Community Strategic Guidelines.

Importance of social partners' involvement in the programmes

The business community believes that increasing regional responsibility in the programming and management systems of the cohesion policy could generate competitive outcomes if the decision-making process is fully transparent

In this context, we strongly support the **partnership principle** comprising representatives of public authorities, civil society, and economic and social partners. This partnership should:

1. increase the sense of ownership of the programmes and projects by more stakeholders
2. push for improvements in the management capacities at regional level
3. mobilise greater territorial expertise
4. add significant value to the quality of the projects
5. enhance the transparency of administrations' activities

Early involvement of social partners in setting the priorities for spending is crucial. This is the case in particular for actions funded under the European Social Fund which touch upon issues where public authorities and social partners have a shared responsibility.

We support the general emphasis that the new ESF regulation places on improvement and development of partnerships in order to mobilise all players for labour market reforms. Furthermore, we strongly believe that effective dialogue should be put in place as soon as possible between managing authorities and social partners in convergence regions to order to ensure adequate allocation of the funds earmarked for social partners' capacity-building activities and social partners' joint actions as foreseen in Article 5.3§2 of the ESF regulation.

There are reasons to be concerned

1. Member states' aversion to implementing commitments

Member states have already shown some reluctance towards the implementation of commitments when they agreed to broaden the list of expenditure eligible for earmarking on an ad hoc basis.

We fear that, in the name of territorial cohesion, regional authorities will sidestep appropriate concentration of resources on research, networks and training.

2. Lack of coherence and clarity leads to inefficiency

The Commission should ensure at all times clarity of objectives, clear participation rules and effective coordination amongst the Structural Funds, the Competitiveness and Innovation Programme (CIP), and the 7th RTD.

Projects aimed at enhancing regional research and innovation should be selected on the basis of excellence criteria. In most cases these projects will comply with territorial cohesion concerns of the regional authorities, as the comparative advantages which justify the selection of a project will fit with the characteristics of the area concerned.

Effective coordination of funds should contribute to a coherent concentration of resources, which should help to achieve the critical mass required for business development in innovative clusters.

3. Public authorities do not always use EU funds to attract private investment.

In a context of limited budgets, if we want to push forward the Lisbon strategy, the Structural Funds and the Cohesion Fund should be used to leverage up investment to a much higher scale than is envisaged by public policy-makers.

In order to attract more private investment, DG REGIO has recently joined forces with the European Investment Bank in creating a new facility JASPERS for large projects and an initiative to improve access to finance for SMEs, JEREMIE.

There is a remarkable weakness in these instruments: they are optional, i.e., it is up to the public authorities whether or not they use them. Despite the benefits that these instruments may bring to the development of Public-Private Partnerships (PPPs) and SMEs growth, we fear that they may remain underutilised.

Local authorities are still under the impression that they are better off applying directly for structural funding instead of engaging in PPPs, and they have a clear lack of expertise regarding the facilitation of financial means to SMEs.

Joining forces with the EIB is useful but more could be done in terms of training regional administrators in the business needs. We invite public authorities to make use of the new JASPERS and JEREMIE facilities

ANNEX: The Community Strategic Guidelines

We would like to make some clarifications, in particular:

1.1 Guideline: Making Europe and its regions more attractive places in which to invest and work

- On **transport infrastructure**, UNICE finds appropriate the focus on TEN-T projects; the support for rail infrastructure to ensure grater access and the fitting of ERTMS on board and on track being a part of all projects financed by these Community funds; developing secondary links, with a focus on inter-modality
- The EU funds can be used as a lever to attract private funding into large cross-border infrastructure projects. Especially with regard to **large infrastructure projects**, the use of PPPs should be encouraged in the new member states.
- Objective **criteria** should be used to determine the level and nature of infrastructure investment. These criteria need to be clearly advertised in advance.
- On **environment**, support aimed at promoting new and existing technologies – in order to protect the environment and guide consumption towards a more sustainable pathway – should be cost-effective. There is therefore a need for an ex-post impact assessment to find the right level of support that does not incur high costs for society. Once a technology has become competitive, support is no longer needed and should be diverted to alternative technologies.

1.2 Guideline: Improving knowledge and innovation for growth

- On **RTD**, the link between European Technology Platforms and FP7 is welcome.
- On **innovation**, as is rightly outlined in the guidelines, the co-financing of investment in innovation should be a major priority in the regions where limited financial resources need to be concentrated so as to reach critical mass and generate a leverage effect
- One word of caution regarding **eco-innovation**. Promoting and exploiting European leadership in this field is important and should be pursued. However it should be clear that the promotion of eco-innovation should not be at the expense of the competitiveness of business.
- On **access to finance**, this issue is of special relevance for SMEs. We welcome the cooperation with the European Investment Bank (EIB) to integrate financial engineering into the Structural Funds. The JEREMIE initiative may support a wider supply of financial instruments other than bank loans available to SMEs.
- In order to properly assess the suitability of various products for their financing, SMEs need to understand these different instruments, which in turn requires efficient communication between companies and financial institutions.

1.3 Guidelines: more and better jobs

- Priorities identified in this guidelines are also shared by UNICE regarding reforms of social protection systems, lifelong learning, managing, change, active labour market policies.
- We welcome **mainstreaming principles of EQUAL** as it was a community initiative that added value, including for social partners

- It has to be clear that investment in **lifelong learning** is a shared responsibility between public authorities, enterprises and individuals.
- Regarding **capacity-building** resources for social partners, the purposes of such allocation should be discussed with social partners at national level in order to avoid poor management of the funds