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### **IMPROVING THE COMPETITIVENESS OF THE INTERNAL MARKET THROUGH TERRITORIAL COHESION**

BUSINESSEUROPE welcomes the Commission's initiative to launch a debate on territorial cohesion and agrees on the need to take this concept into account for development of the different European territories. We also embrace the three "Cs" (Concentration, Connection and Cooperation) proposed by the Commission for the achievement of greater territorial cohesion.

However, BUSINESSEUROPE alerts to the risk of assessing every single EU policy from a territorial perspective. The strong link developed between the EU cohesion policy and the priorities of the Lisbon Strategy led to the emergence of a new approach that places competitiveness, growth and innovation at the heart of the EU's support for regional development. BUSINESSEUROPE considers that this approach should be maintained with the introduction of the concept of territorial cohesion. We firmly believe that **progressing towards stronger territorial cohesion should not divert funds and efforts from Lisbon goals, which should remain the ultimate priority.**

BUSINESSEUROPE believes that **the main purpose of territorial cohesion is to improve the territorial competitiveness of the internal market.** Therefore, this concept should be developed on the basis of three main dimensions:

1. Developing Trans-European Network (TEN) projects;
2. Promoting the attractiveness of the European territory and its regions;
3. Strengthening cross-border cooperation.

The aim of territorial cohesion is to optimise the environment of the EU economy in order to support endogenous growth of the regions and reinforce the internal market. **Hence, territorial cohesion must not lead to a systematic compartmentalisation of every EU policy** beyond those which are territorial by nature (regional policy, CAP or rural development for instance). A different understanding of spatial planning could rapidly lead to artificial distortions of competition and ultimately to a negation of the single market itself.



**QUESTIONS FOR DEBATE**

**1. Definition**

*Territorial cohesion brings new issues to the fore and puts a new emphasis on existing ones.*

- ✓ What is the most appropriate definition of territorial cohesion?
- ✓ What additional elements would it bring to the current approach to economic and social cohesion as practiced by the European Union?

For BUSINESSEUROPE, the main **purpose of territorial cohesion is to improve the territorial competitiveness of the internal market**. Therefore, this concept should be developed on the basis of three main dimensions:

1. Developing Trans-European Network (TEN) projects: European energy infrastructure projects, such as completion of a European grid, need to be addressed for the promotion of an internal energy market. Furthermore, accessibility needs to be improved within the single market through infrastructures, tangible and intangible, comprising not only infrastructural building but also by providing EU citizens with access to services (education, health, knowledge, etc.).
  2. Promoting the attractiveness of the European territory and its regions: Creative thinking that makes the most of the endogenous resources of each region should be encouraged.
  3. Strengthening cross-border cooperation: Cross-border cooperation can create immense synergies if complementarities between centres of research, universities and businesses are established across borders and cooperation is cultivated.
- ➔ If territorial cohesion is not targeted towards those challenges where EU action is lacking, the territorial aspect will hardly bring added value.

**2. The scale and scope of territorial action**

*Territorial cohesion highlights the need for an integrated approach to addressing problems on an appropriate geographical scale which may require local, regional and even national authorities to cooperate.*

- ✓ Is there a role for the EU in promoting territorial cohesion? How could such a role be defined against the background of the principle of subsidiarity?
- ✓ How far should the territorial scale of policy intervention vary according to the nature of the problems addressed?
- ✓ Do areas with specific geographical features require special policy measures? If so, which measures?



The EU role should be defined taking into account the fact that a coherent territorial strategy requires a system of Multi-Level Governance (MLG), involving local, regional, national and European actors.

In terms of management, decentralisation can be positive as far as local authorities play a role that meets the needs of the local economic and social actors. However, this might not always be the case. It is therefore necessary to evaluate the programmes and receive feedback on the concrete functioning of the partnership principle. Insofar as European funds are invested, the evaluation of the impact of the programmes must be result-oriented in order to measure the local EU added value as precisely as possible.

The EU has also a crucial role to play in promoting territorial cohesion first and foremost by encouraging further cooperation between territories and better coordination across EU policies.

Finally, given that public resources are scarce, MLG also implies more in-depth thinking on the management of public resources and public investment with the member states and all competent public authorities. The promotion of new financial engineering instruments developed with the private sector in coordination with the EIB and the EIF have a key role to play. Public-Private Partnerships (PPP) should also be further developed. Its means to deliver better public services allow for more choice, better value for money, new sources of financing, and faster and flexible delivery. PPPs for local development is an innovative concept where the notion of PPP moves from a classical meaning (i.e. managing public services, infrastructures or delivering services) towards the concept of “sharing a risk” in the running of local economic development policies. The idea is to move slowly from a culture of “provision of subsidies and grants” (spending culture) with a very poor evaluation in terms of global impact and added value, to a culture of “investment in local development”. In this context, the private sector can play a key role as a “stakeholder” and ensure that the public money invested is broadly market-driven and can ultimately produce better added value.

Naturally, EU action should be assessed against the background of the subsidiarity principle. The key element for good subsidiarity is to find the proper “Community added value” that fits with the competences of all the other territorial levels. In that scope, the concept of territorial cohesion fits very well with the concept of competitiveness of the EU single market. This means EU legitimacy in concrete actions:

- filling the gaps in terms of infrastructures (the EU “missing links”),
- promoting a knowledge economy and innovation,
- developing ICT networks throughout the EU, for a better access to knowledge.



### 3. Better cooperation

*Increased cooperation across regional and national borders raises questions of governance.*

- ✓ What role should the Commission play in encouraging and supporting territorial cooperation?
- ✓ Is there a need for new forms of territorial cooperation?
- ✓ Is there a need to develop new legislative and management tools to facilitate cooperation, including along the external borders?

Cross-border cooperation is an area where the EU added value is evident. Neighbouring regions can create immense synergies if complementarities between their centres of research, universities and businesses are established and cooperation is cultivated. Territorial cooperation can, at the same time, create favourable conditions for business development.

However, existing programmes of territorial cooperation are clearly insufficient. Stronger cross-border cooperation is needed, going beyond the marginal role that these programmes represent today and promoting a change of mentality of the regions in the direction of more cooperation. Moreover, cooperation programmes have to be simplified, and should gain in visibility.

Positive spillovers encourage joint work between regions for instance in the following fields:

- Employment basins which straddle borders often have identical needs for skills. Cooperation can hence be built up between companies, workers, public authorities, employment services and training centres to meet needs in terms of vocational training. As a result, workers can become employable on both sides of the border to the benefit of the local economy.
- Finding complementarities on the cross border area or trans-regional areas between local clusters linking SMEs, universities, laboratories and big companies can enhance coherence in the public and the private sector in the field of R&D and innovation to generate development on a new basis at the local level.
- Collective actions can be set up in terms of management for economic change for cross-border SMEs. Collective actions can also lead to a cross-border approach to foreign markets. New cooperative ventures can be set up in the field of sustainable development (exchange of good practices) or for the common use of laboratories.

Finally, it is crucial to redefine the participants in territorial cooperation programmes. All the fundamental actors in defining local priorities should be able to participate in these programmes whereas it is not always the case. For instance, companies' participation is still largely missing in INTERREG, as the private sector is not eligible for the current INTERREG 4B or 4C programmes. Moreover, business organisations should be allowed to participate actively in the governance of the European Grouping for Territorial Cooperation (EGTC).



EU external borders are also very often forgotten and programmes for cross-border cooperation with non-EU countries are inadequate. International cooperation should also not be overlooked given its potential to bring benefits to some of our territories, in particular the outermost regions.

#### 4. **Better coordination**

*Improving territorial cohesion implies better coordination between sectoral and territorial policies and improved coherence between territorial interventions.*

- ✓ How can coordination between territorial and sectoral policies be improved?
- ✓ Which sectoral policies should give more consideration to their territorial impact when being designed? What tools could be developed in this regard?
- ✓ How can the coherence of territorial policies be strengthened?
- ✓ How can Community and national policies be better combined to contribute to territorial cohesion?

Coordination is the key word for implementation of an efficient and cost-effective policy in the field. Coordination is obviously necessary between all the partners involved in the very complicated mechanisms of co-financing and additionality. Naturally, only good independent evaluations of the interactions between the different levels involved will highlight the direction to be followed for the future.

But coordination is also necessary upstream when the EU policies are being designed. The different EU policies should be coordinated in order to achieve common targets. They have to be conceived horizontally, abandoning a systematic compartmentalisation of every EU policy, to improve coherence and cost-effectiveness. However, it is not a realistic or desirable objective for all EU policies to have territorial cohesion as an integral objective. Certain sectoral policies, such as the regional policy itself, can contribute to more harmonised territorial development and should incorporate this objective in their priorities, but the same cannot be applied to all policy areas. Moreover, we firmly believe that progressing towards stronger territorial cohesion should not divert funds and efforts from Lisbon goals, which should remain the ultimate priority.

#### 5. **New territorial partnerships**

*The pursuit of territorial cohesion may also imply wider participation in the design and implementation of policies.*

- ✓ Does the pursuit of territorial cohesion require the participation of new actors in policymaking, such as representatives of the social economy, local stakeholders, voluntary organisations and NGOs?
- ✓ How can the desired level of participation be achieved?



The benefits of effective implementation of the partnership principle are evident. Businesses and social partners at all levels should play a prominent role in the preparation, management, monitoring and evaluation of the actions. Companies in particular, are crucial actors given their capacity to create innovative solutions and identify opportunities for development.

However, surveys launched by BUSINESSEUROPE show a lack of involvement of the business community as a real partner at the local level, i.e. where all the decisions are really taken. This is clearly not in line with the new priorities that the EU has given to the regional policy within the Lisbon Agenda for Growth and Jobs and it must be strongly corrected for the future, by promoting the new concept of “horizontal subsidiarity” that came to light with the debate on territorial cohesion.

The European Commission should evaluate on a regular basis how the partnership principle works in practice. A formal consultation of social partners is not sufficient, especially if this exercise is not followed by real action. The Commission, in cooperation with the social partners, should gather and disseminate countries’ best practices related to the implementation of the partnership principle. It is especially important for new member states that do not have much experience and need some point of reference to be aware of their competences and prerogatives. The Commission should also promote projects among member states that offer support for social partners to participate in the implementation system. Finally, more opportunities for networking should be created.

## 6. Improving understanding of territorial cohesion

- ✓ What quantitative/qualitative indicators should be developed at EU level to monitor characteristics and trends in territorial cohesion?

A definition of the appropriate indicators requires first a discussion on the evaluation of the programmes. Only through objective and transparent evaluations, carried out by independent bodies and that imply a minimal administrative burden, will it be possible to measure performances and therefore reallocate funds towards more performing projects.

At the macroeconomic level, the choice of objective indicators is fundamental in order to avoid a choice that reflects political interests. Therefore, indicators should be growth-oriented. At the micro level, when individual projects are evaluated, qualitative indicators could be developed.

We consider that the structural indicators agreed in the context of the Lisbon Strategy for Jobs and Growth are a good basis to monitor progress and dispersion across regions. In addition, account units that take into consideration the areas involved in cross-border cooperation programmes should be further developed.

BUSINESSEUROPE believes that the business perspective should be taken into account and would therefore appreciate being involved in any initiative to develop innovative indicators at the EU level.

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