

Brussels, 25 April 2001

OPINION
of the
Economic and Social Committee
on the
Second Report on Economic and Social Cohesion

On 25 January 2001 the Economic and Social Committee, acting under the third paragraph of Rule 23(3) of its Rules of Procedure, decided to draw up an Opinion on the

Second Report on Economic and Social Cohesion.

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 9 April 2001. The rapporteur was **Mr Christie**.

At its 381st plenary session of 25 and 26 April 2001 (meeting of 25 April), the Economic and Social Committee adopted the following opinion unanimously:

1. Introduction

1.1 The Second Report on Economic and Social Cohesion marks the beginning of the discussion phase on the future of the EU's cohesion policies after 2006. By then, EU membership will have increased by up to ten new countries from central Europe. The hypothesis underpinning the Second Cohesion Report is a Union of 27 member states, and in it the Commission addresses the challenges which this presents to the Union's cohesion efforts.

1.2 It is evident from the data reported in the Second Report that the challenge which enlargement poses to intra-EU cohesion efforts is considerable. With few exceptions, the candidate countries from central and eastern Europe currently record per capita income levels which are considerably below (less than one half of) the current EU average. At the same time, these countries are characterised by economic and social infrastructures which are inadequate for the needs of a modern market economy. It is inevitable that enlargement will, in the context of the EU's commitment to "reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas" (Article 158), pose a massive challenge to the cohesion policies.

1.3 However, as the Second Cohesion Report makes clear, enlargement is not the only challenge facing the cohesion effort. A range of other economic, social, and territorial changes are affecting the EU 15 (internal policy reforms, economic and monetary union, financial considerations, etc.) and raise important questions for the future orientation of cohesion actions. Although the Union's cohesion actions are more or less settled for the period up to 2006, the Commission surely is correct in its suggestion that the debate surrounding cohesion policies post-2006 should begin with the publication of this Second Cohesion Report.

1.4 In commenting on the Second Cohesion Report, the Economic and Social Committee has divided its work into two parts. The first part, provided by this Opinion, considers the broad principles of Community Cohesion actions post-2006, and focuses on the questions which the Commission suggests need to be addressed in preparation for policy post-2006. This will provide the basis of the ESC contribution to the Cohesion Forum to be convened by the Commission on 21 and 22 May 2001. The second part of the ESC work is to be presented in a further, and a more detailed

Opinion, which will review the information and analysis presented by the Commission in the Second Cohesion Report.

2. **The Role of Cohesion Policy**

2.1 The Second Cohesion Report sets out very clearly the challenges that enlargement will pose to the cohesion efforts of the European Union. Since the adoption of the Single European Act, achieving a greater measure of economic and social cohesion has been a fundamental principle of the European Union, and considerable resources have been assigned to achieving this objective. Although challenging, designing a cohesion policy to meet the needs of a European Union of 27 countries should not diminish the Union's commitment to strengthening economic and social cohesion, or providing support for the economic development efforts in all the Union's disadvantaged regions, as explicitly framed in Article 158. In the light of the new challenges enlargement poses, the Committee considers it is essential that the debate about to begin concerning the future of cohesion policy is conducted within the context of realising these objectives.

2.2 Undoubtedly much of the debate on the future of cohesion action will focus on the resource implications this has: how much will cohesion policy cost and how will any additional expenditure be financed? These are important economic and political questions. However these questions should not be permitted to mask the significant economic gains that accrue - both directly and indirectly - from improving the economic prospects and performance of the Union's disadvantaged regions. While cohesion policy delivers economic and social gains well beyond the confines of the recipient regions, it must also help to boost the competitiveness of the Union as a whole. This objective will only be achieved if cohesion policy is firmly targeted at the economic and social development of the areas concerned, and thereby strengthens the economic capacity of the Union as a whole.

2.3 As the Second Cohesion Report demonstrates, the Cohesion actions have, since 1988, resulted in a significant narrowing in economic disparities within the European Union. In the three least prosperous Member States (Greece, Spain and Portugal), per capita average income has risen from 68% of the EU average in 1988 to 79% of the EU average in 1999; a reduction of a third in the initial gap. This represents a substantial improvement for the poorer Member States, and demonstrates the importance that cohesion actions have had in the past, and will continue to have in the future.

2.4 The Structural Funds have also played the key role in stimulating economic transformation outside of Objective 1 regions - that is, in the declining industrial regions, and the rural and peripheral regions and provided support for human resources in accordance with Objective 3 (formerly Objective 4). Although the exact impact of these measures is difficult to quantify, their qualitative effect has been considerable. This is because the regional economic development process which has to be followed in order to qualify for EU cohesion support has itself been a primary catalyst for improving the economic performance in many regions. It has required Member States to adopt an approach to regional economic development at the core of which are concentration of effort, programming interventions, partnership, and additionality - an approach that may not otherwise have been followed and which has been a source of significant economic and social benefits. In this way EU

cohesion actions have been a clear source of “added value” in the economic transformation in the declining industrial regions, and the rural and peripheral regions.

3. Specific Themes

3.1 The role of cohesion policy in an enlarged Union of 27 Member States in a world of rapid economic and social change

3.1.1 Cohesion policy since 1988 has been a central plank in the European Union’s drive towards the construction of an “ever closer union” between its citizens. It is the view of the Committee economic convergence between the regions of the Union through active policy interventions is essential in preserving the European model of society. The cohesion actions reflect and reinforce that model of society; one in which both equality of opportunity and the provision of basic social guarantees through the operation of national and Union-wide public policies, represent core social and political values. These actions are aimed principally at promoting opportunities in the disadvantaged regions - regions whose relative economic disadvantage may well be increasing as both global and Union-wide forces of economic integration intensify, and as the pace of technological and social change increases. As the Second Cohesion Report acknowledges, these forces collectively have a tendency to produce an uneven spatial distribution of economic activity, with regions closest to the market “core” benefiting most, and those on the economic and geographic “periphery” benefiting least - if at all. In large measure, the role of the Union’s cohesion efforts has been to assist the disadvantaged regions counter the potentially economically harmful and socially divisive consequences that accompany the process of economic integration.

3.1.2 Enlargement will pose fundamentally new economic, political, and policy challenges to the Union’s cohesion efforts. As is clear from the Second Cohesion Report, the regional economic development needs within the candidate countries are considerable. If these challenges are to be met, the Union has to respond with sustained and targeted cohesion actions that are tailored to the specific economic development needs of the acceding countries. Particular attention should be given to promoting the role of women in employment.

3.1.2.1 Moreover, the Commission should examine new - and innovative - arrangements to meet the cohesion challenges posed by enlargement. For instance, there may be considerable scope in pursuing closer linkages between actions under the EU Structural Funds, investment loans from the European Investment Bank, and capital available from the private sector. These links offer possibly considerable potential for synergy which could produce greater productive investment activity within the candidate countries than otherwise.

3.1.3 At the same time, the Union’s cohesion actions must continue to address regional problems which persist in the current EU 15 Member States. Although these actions have recorded considerable success over the period since 1988, support from the cohesion policies is likely to remain a key element in the economic development of disadvantaged EU 15 regions after 2006. However, just as cohesion policy towards regions in the candidate countries should be designed to meet the particular development needs of those countries, needs which may be specific to their economic and social

circumstances, so too should cohesion support to EU 15 disadvantaged regions after 2006 be adapted to meet their requirements and priorities at that time - requirements and priorities that may be different from those assisted under current cohesion actions.

3.1.4 Many lessons have been learned regarding the effectiveness of the cohesion actions over the period since 1988, and successive cohesion regulations have been adjusted to reflect these lessons. In the context of the challenges confronting the Union, it is important that future cohesion policy reflects the lessons of the past: that it embodies best-practice as shown by past results; and that Regulations governing cohesion policies are framed accordingly. As one element in this, we urge the Commission to continue to develop and improve its techniques for monitoring the effectiveness of interventions made under the framework of the Structural Funds.

3.2 Cohesion in the context of other Community policies

3.2.1 It is essential that all Community policies should, as far as is practicable, be congruent in terms of their objectives. Otherwise policy in one area will need to adjust in order to correct problems created by policy decisions made elsewhere. There has to be proper coordination of policy decisions, and it is therefore important that EU cohesion actions and other EU policies are mutually consistent. Nonetheless, inevitably there will be tensions between different policies. For instance, although - as the Second Report notes - macroeconomic stability helps to achieve economic convergence at the national level, it is possible that, on occasion, constraints imposed on national fiscal policies in pursuit of stability (e.g. through the operation of the Stability and Growth Pact) will make it more difficult for governments to finance policies aimed at achieving economic convergence at the regional level. Similarly, although the internal market has - and will continue to - delivered benefits across the Union as a whole, it may contribute to emergence of a core-periphery pattern of economic development at the Union level.

3.2.2 Conflicts between objectives of different EU policies may become even more acute. There is, for instance, considerable anxiety within rural and fishing communities that current reforms to agricultural and fisheries' policies will create significant economic and social problems within their respective communities. Not only will these reforms have adverse effects in specific EU 15 regions, without question, they also will contribute to regional problems in the candidate countries.

3.2.3 It is accepted that developments across these policy areas are required to achieve improvements in competitiveness, environmental standards and productivity levels from which the EU as a whole benefits. Moreover, specific reforms - e.g. in the CAP - are necessary to meet the EU's international obligations. It would be both misguided and inefficient for the EU to avoid certain policy decisions solely for reasons of their effect on cohesion. At the same time, it is surely correct to suggest that those benefiting directly from the policy reforms taking place at the EU level - including enlargement - should be prepared to compensate those regions that are absolutely or relatively disadvantaged by the same policy reforms, by increasing their financial contribution to the EU cohesion efforts.

3.3 Cohesion in the context of national economic policies

3.3.1 Domestic policies in Member States play a crucial role in shaping the general environment which will influence significantly EU regional economic prospects. It is, therefore, important that Member States recognise the regional impact which their economic policies have, and ensure that - wherever possible - domestic policies are reinforcing rather than undermining regional economic convergence. A persistent theme in Commission regional studies has been evidence that regional economic convergence has been occurring at the level of the EU, but that regional economic divergence has been occurring at the level of the Member State. Much of this must reflect the adverse regional impact of domestic economic policies. The Committee proposes that, in the forthcoming review, closer attention be given to the regional impact of domestic economic policies and that provisions be made to take into account regional economic effects, where this does not already occur, in the preparation of domestic economic policies.

3.4 The reform of Cohesion Policies in preparation for enlargement

3.4.1 Preparing the cohesion policies in anticipation of enlargement represents a key challenge over the period up to 2006. In this section we focus on specific issues raised by the Commission for consideration. We will develop these points more fully in the next stage of our deliberations.

3.4.2 Fundamental Principles of Cohesion Actions

3.4.2.1 It is the view of the Committee that the fundamental principles that have underpinned the operation of cohesion actions since 1988 must continue to form the basis of cohesion actions after enlargement - concentration, programming, additionality and partnership. In each of the previous programming periods, these principles have made a positive contribution to the success of the Structural Funds in achieving their objectives. Indeed, in the context of enlargement we urge the Commission to investigate arrangements that might strengthen the effectiveness of these principles.

3.4.3 Financial implications of Enlargement

3.4.3.1 Extending EU cohesion policies to meet the obligations that will arise in an enlarged Union will require an increase in the financial resources assigned to these policies. Whilst the Committee acknowledges that an increase in cohesion spending is likely to bear most heavily on the richer Member States, increasing the cohesion budget is an unavoidable consequence of enlargement. However, it is also true that enlargement offers economic benefits to all Member States - especially to the dynamic economies located at the core of the internal market. Therefore some part of any increased financial burden on these countries that arises with enlargement will be offset by the economic benefits that will accompany enlargement. The Committee agrees with the Commission in its view that "...in order to remain credible, regional and cohesion policy needs to deploy resources commensurate with needs in the circumstances which prevail"¹.

3.4.4 Assistance to the Lagging Regions (Objective 1)

¹ Second Cohesion Report, Conclusions and Recommendations, p. XXXVII.

3.4.4.1 One of the principal problems that enlargement will cause concerns the criteria for eligibility for Objective 1 support after 2006. The difficulty arises because of the change in Objective 1 eligibility that will occur if the current eligibility criteria are retained. Enlargement will result in a significant fall in the EU average level of per capita income, and under a strict enforcement of the 75% per capita GDP rule many current (EU 15) beneficiary regions will no longer be eligible for assistance following the end of the current programming period. Accordingly, a large part of the discussion leading up to enlargement will involve how to design a cohesion policy which will meet the specific needs of disadvantaged regions in the acceding countries while also taking account of the continued economic development needs of the disadvantaged regions in the current EU 15.

3.4.4.2 The Committee agrees that priority in the cohesion actions should continue to be given to those regions where development is lagging the Union average. Moreover, the Committee supports the retention of transparent, Union-wide criteria for determining which regions are eligible for Objective 1 assistance, and retaining the current arrangement whereby the Commission alone designates those regions which meet the criteria.

3.4.4.3 In its report, the Commission presents four options for the future of Objective 1 funding, each of which offer different solutions to the difficulties that will arise post-enlargement. These are:

- strict application of the 75% threshold where those regions eliminated from eligibility, but remaining in need of assistance, may receive support from non-Objective 1 arrangements;
- the same as above, but where two-tiered transition arrangements are established to assist those graduated out of Objective 1 eligibility - one for those beyond the 75% threshold as currently computed, and one for those beyond it by dint of the enlargement-induced fall in the average level of per capita incomes;
- the setting of a per capita GDP threshold above 75% to extend eligibility to lagging regions who remain below the currently computed 75% threshold;
- fixing two eligibility criteria; one for the current EU 15 regions and one for the candidate countries.

3.4.4.4 Each of these options have specific features which appeal to the Committee, although none appears to be ideally addressing the problems that will arise. The Committee will analyse these options in greater detail during the second phase of its work on this Opinion, but in the meantime offers the following observations:

- the Committee considers that the emergence of a two-tier cohesion policy to be undesirable (as proposed under Option 4). We are concerned that this would generate undesirable political and social tensions within the EU, and may suggest the emergence of two "classes" of Union membership;
- we do not consider it appropriate that regions currently eligible for Objective 1 support, and that will continue to require support after 2006, should lose entitlement solely because enlargement

automatically will lower the EU average per capita GDP. The Commission estimates that the effect of a strict application of the 75% threshold at that stage would result in approximately one-half of the EU 15 population who currently are eligible for Objective 1 support losing that entitlement;

- the option of raising the Objective 1 eligibility threshold above the current 75% per capita GDP has the advantage transparency and objectivity. Moreover, it ensures that regions with a continuing need for cohesion support will receive this until a self-sustaining process of economic development has begun. This is highly desirable. The difficulty, however, is to define a new threshold that does not compromise the principle of concentration of cohesion action. It is important that Member States do not use the debate over the new threshold as an opportunity to argue that it be set at a level which best suits their own regions rather than reflecting EU-wide considerations;
- the Committee considers that the second option - to retain the 75% threshold, but to devise "phasing-out" arrangements to protect the interests of currently eligible regions - has some merit. It insures the regions concerned against a sudden loss of development assistance, with all that would imply for their economies. However, it does mean that these regions will ultimately cease to be eligible for assistance if their per capita GDP exceeds the 75% threshold even although they continue to suffer significant economic development disadvantages. We consider this to be inappropriate;
- the Committee does not see the need to preclude the possibility of specific and focused instruments of regional assistance being devised to assist regions formerly eligible under Objective 1 criteria but which no longer require the type of support generally provided within that framework - for instance, regions where basic infrastructural problems have been eliminated. This could be achieved by extending the use of horizontal instruments - for instance by increasing resources assigned to the European Social Fund to intensify the human resource development element of cohesion assistance (education, training, and re-training policies), or by developing Community Initiatives relevant to outstanding technology or investment problems in those regions;
- the Commission asks whether the criteria for determining the distribution of financial resources should be widened to include the employment rate. The Committee is concerned that using that indicator risks distorting the regional picture as a whole because some centres within a region may be experiencing (possibly temporarily) an upturn in economic activity. The underlying danger is the emergence of regional economies in which a relatively small and successful core is surrounded by a large periphery in which economic development opportunities are poor. The ethos of Objective 1 support should continue to be improving the opportunities for regions to enjoy self-sustaining economic growth, and while the rate of employment is an indicator of this it is one that easily can present an incomplete - if not distorted - picture.

3.4.5 Enlargement and financial transfers

3.4.5.1 The economic development needs of lagging regions within the candidate countries are, in many key respects, considerably different from those of many lagging regions of the EU 15 - regions that, by 2006, will have benefited from almost two decades of cohesion support. Additionally, there are considerations regarding both the capacity of regions in the candidate countries to absorb the cohesion

support available under current the regulations, as well as restrictions on the maximum level of cohesion support agreed upon at the Berlin European Council, which suggest that the current Objective 1 regulations that are suitable for the EU 15 may not be appropriate for the new Member States. The following issues should be noted:

- cohesion policy has to be tailored to the particular conditions in the disadvantaged regions within the candidate countries eligible for support. The economic and social conditions in the acceding countries are unique in many ways, and the Commission should ensure that policy is designed appropriate to these conditions;
- it is essential that the lessons learned from the experience of 25 years of cohesion actions are reflected in the cohesion policy that is to be developed to meet the new situation post-2006;
- modulation in the rates of economic assistance available to the regions in the acceding countries may be required to take account of (a) the absorptive capacity of those regions and (b) the availability of matching public and private sector financing.

3.4.6 Outermost, Mountainous and Island Regions

3.4.6.1 The outermost, mountainous and island regions of the Union - which have an extremely fragile economic and social infrastructure - will continue to require special consideration under Objective 1 of the cohesion actions. Reforms to the cohesion actions following enlargement should not result in a weakening of support for these extremely vulnerable communities. The Committee welcomes the commitment to improving the support given these regions made by the European Council in paragraphs 55 to 57 of the conclusions to the Nice summit.

3.5 Support under Objective 2

3.5.1 The Committee notes the Commission's comments concerning the problems it faces administering cohesion actions under Objective 2 - particularly the lack of flexibility in the current arrangements, and the limitations of statistical and other information which greatly complicates its involvement in the process of defining eligible regions. The Commission proposes moving to a system of "indirect zoning" for regions experiencing structural problems other than Objective 1. Under this system, eligible areas are decided by national governments on the basis of a set of parameters established by the Commission (as used in some Community Initiatives). The ESC makes the following observations:

- while seeing the merit in this approach, if implemented it must be framed in such a way that Member States are required to verify that Union rules are being observed - particularly with regard to partnership and additionality for which appropriate guarantees would be needed. Otherwise the risk is that the resources deployed will not reflect adequately local economic needs and opportunities, or be sufficient to address the structural problems in those regions;

- economic development policies that have a wider Union interest may need particular consideration because the benefits do not accrue to only one Member State - for instance, cross-border interventions.

3.6 Cohesion policy and Community value added

3.6.1 As noted in our Introduction, and as is clear from the statistics presented by the Commission, EU cohesion actions have delivered substantial economic benefits to the Objective 1 regions. There has been considerable “value-added” to the lagging regions by collective efforts.

3.6.2 The Committee contends that significant “value-added” has also resulted from the EU cohesion actions in Objective 2 and Objective 3 regions, and through the operation of Community Initiatives. Undoubtedly it is the case that EU cohesion policy has required many Member States to adopt new regional economic development practices which deliver significant economic gains and thereby assist the process of economic transformation. Observing the principles of concentration, partnership, programming and additionality has been an independent source of “value-added” from EU cohesion actions. It is imperative that this aspect be retained in the future, and that cohesion policies generally continue to be shaped by common regulations which embody best-practice regional economic development techniques.

3.6.3 It also is important to stress that EU cohesion efforts do not only benefit the regional economies which are eligible for support. Much of the assistance channelled into lagging and adjusting regions will return to the more prosperous regions by way of purchases of goods and services. Moreover, as the lagging regions become more prosperous they will become important additional markets for firms located in the more prosperous regions. Under the twin influences of the completion of the internal market and monetary union, the overwhelming part of expenditure within the EU remains inside the EU: imports from outside the EU as a percentage of GDP are relatively low. Consequently, successful EU cohesion efforts represent an additional source of aggregate demand for the EU as a whole and therefore constitute an important element in the process of economic growth across the EU as a whole.

3.7 Community intervention: Horizontal Measures

3.7.1 The Second Cohesion Report opens the debate concerning territoriality (or "zoning") of assistance versus greater use of horizontal measures targeted at specific economic and social objectives and drawing from the lessons learned from experience with Community Initiatives programmes ("indirect zoning"). The Committee has long understood (and promoted) the advantages of horizontal instruments (including Community Initiatives) as means of countering regional economic disparities because they are inherently flexible and can be targeted directly on specific regional problems. Accordingly, and along the lines suggested in the Second Report and as noted elsewhere in this Opinion, the Committee can see value in a system of indirect zoning as a way of disbursing cohesion support outside of regions whose development is lagging (i.e. Objective 1 regions). In particular, we consider that the matter of encouraging the further development of human resources should be treated as a

fundamental priority in those regions that graduate out of Objective 1 eligibility post 2006, and that additional resources be applied to this at the EU level.

3.8 The role of the EU in regional economic policy

3.8.1 Responsibility for assisting economic development in the EU's disadvantaged regions currently is shared between the EU, national, and regional levels of governance and administration. We remain convinced that this approach is the correct one, and that cohesion actions should continue to reflect the underlying aspirations of the whole of the European Union, as stated in the Treaty. Cohesion actions is a policy area where there is distinctive added-value by the development of a uniform approach within a framework of common financial responsibility. Although there are specific areas of cohesion policy which, appropriately, may be left to Member States to implement (subject to guidelines agreed at the Union level), the overwhelming part of the total cohesion effort should continue to be jointly managed between the EU, national and local levels of government.

3.8.2 The "partnership" approach has been a key aspect determining the success of cohesion actions since 1988. Accordingly, we urge that this continues to lie at the heart of cohesion action after 2006. Partnership combines the technical benefits that a "bottom-up" approach to regional development can provide, with an approach which demonstrates an EU-wide collective responsibility for improving the material living standards for citizens in all the regions of the EU. Effective partnership with the social partners at all programming stages is vital for the sound implementation of economic and social cohesion policies. Any tendency to reduce the role of partnership in cohesion actions will weaken cohesion policies.

3.8.3 It is self-evident that the process of widening and deepening the European Union benefits different economies in different ways. Enlargement will increase considerably the size of the EU internal market and consequently is bound to offer considerable new economic opportunities for all EU Member States. It is essential that both the acceding countries and economically disadvantaged regions in the current EU 15 have an opportunity to share in these economic gains. This provides the fundamental rationale for common EU financial responsibility for cohesion actions. Any move to weaken this notion of common financial responsibility is, in our view, bound to weaken the economic and social cohesiveness of the EU and must be avoided.

3.8.4 At the same time, as evident under the Regulations governing the application of cohesion policies, much in the implementation stage is - and should continue to be - left to the Member State concerned. This conforms to the broad principle of subsidiarity embedded at various places in the Treaty. At the same time, however, this should not be permitted to compromise the ability of the Commission to ensure that best-practice implementation arrangements are followed in every Member State.

4. Conclusions

4.1 Enlargement poses enormous challenges to the commitment to achieving Economic and Social Cohesion across the European Union. Meeting this challenge will require that more resources are assigned to EU cohesion policies. This is an inevitable consequence of enlargement.

4.2 The Committee supports the retention of Objective 1 territorial assistance and that a substantial part of EU cohesion efforts should be targeted towards these regions. The principle of concentration of effort should not be compromised.

4.3 The Committee has examined the Commission's options with respect to the implications of enlargement for regions currently eligible for support under Objective 1 of the cohesion actions. The Committee's position is that the revisions to Objective 1 eligibility criteria should not result in the exclusion of those regions currently in receipt of funds and whose economic development will continue to depend on cohesion assistance. This may be best achieved by raising the current threshold beyond the 75% level.

4.4 EU cohesion actions deliver considerable value-added to the disadvantaged regions. Not only do these actions have a direct impact on standards of living and employment, they also offer considerable indirect benefits by reason of the principles of concentration, programming, partnership and additionality that Member States have to follow when applying cohesion support. These actions should also observe the principle of equality of opportunity with respect to the role of women in employment.

4.5 The Committee recognises the force of Commission arguments in favour of a regime of "indirect zoning" to deliver assistance outside of Objective 1 regions. However, if implemented, this change must be accompanied by regulations which ensure that the principles of concentration, programming, partnership and additionality continue to be observed by Member States - if necessary by intensifying monitoring and appraisal arrangements.

4.6 The Committee recommends that the Commission seek ways in which the activities of the European Investment Bank in conjunction with private sector capital might be harnessed with a view to increasing the part they play in the EU cohesion actions. There are likely to be considerable synergies associated with a regional economic development strategy which involves these partners.

4.7 The cohesion policies must remain a matter of both common financial responsibility and common Union interest. The Committee wishes to ensure that Member State policies continue to be shaped by jointly determined European Union objectives.

4.8 The operation of monitoring and partnership is central to the continued success of the cohesion actions. The Committee considers these elements to be central in determining the success of cohesion policies when extended to the candidate countries. Accordingly, the Commission should take steps - where necessary - to assist the candidate countries develop and introduce the institutional arrangements needed to facilitate both monitoring and partnership.

4.9 The Committee agrees that the ten priorities for economic and social cohesion which the Commission identifies should lie at the heart of cohesion efforts in the future. In the context of enlargement and the impact of current policy reforms on regions of the EU 15, these priorities should ensure that cohesion actions are influenced by the key cohesion challenges confronting the European Union.

Brussels, 25 April 2001.

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