European Economic and Social Committee

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Third report on economic and social cohesion

Brussels, 30 June 2004

OPINION

of the

European Economic and Social Committee

on the

Third report on economic and social cohesion – A new partnership for cohesion: convergence, competitiveness, cooperation

(COM(2004) 107 final)

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On 8 December 2003, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Third report on economic and social cohesion – A new partnership for cohesion: convergence, competitiveness, cooperation
(COM(2004) 107 final).

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 8 June 2004. The rapporteur was **Mr Barros Vale**.

At its 410th plenary session (meeting of 30 June 2004), the European Economic and Social Committee adopted the following opinion with 115 votes in favour and five abstentions.

1. Introduction

1.1 The third report on economic and social cohesion, entitled *A new partnership for cohesion* - *convergence, competitiveness, cooperation*, takes stock of cohesion policy in the European Union (EU), in particular progress achieved on economic, social and territorial issues and future prospects.

1.2 The document is divided into four main parts and also includes an executive summary at the beginning of the report and a proposal for a reformed cohesion policy, presented in the conclusions:

- Part 1 – Cohesion, competitiveness, employment and growth – Situation and trends;
- Part 2 – The impact of Member State policies on cohesion;
- Part 3 – Impact of Community policies: competitiveness, employment and cohesion;
- Part 4 – Impact and added value of structural policies.

1.3 The European Economic and Social Committee welcomes both the results attained over the last few years in social cohesion, one of the European Union's fundamental policy areas, and the proposals put forward in the report, corresponding as they do to the objectives defined by the EESC in the many documents it has adopted over the years.

1.3.1 For this reason, the EESC welcomes the fact that the Commission has rejected certain moves to renationalise cohesion policy.

1.4 Owing to the complexity and diversity of the issues addressed in the report, and with a view to ensuring that the opinion presents these issues clearly, it was decided to structure this document along the same lines as the Commission report and conclude by assessing progress achieved and also interpreting future prospects.

2. Part 1 – Cohesion, competitiveness, employment and growth – Situation and trends

2.1 On the basis of various statistics, the report addresses the cohesion situation in Europe in economic, social and territorial terms, particularly in terms of the positive impact on convergence.

2.2 Using data for 2001 and 2002, the document assesses in some detail progress made towards real convergence in the "cohesion countries", and outlines a number of future prospects. The document also analyses the potential cohesion situation in an enlarged Europe.

2.3 This part of the report addresses growth in GDP and employment in the cohesion countries over recent years relative to that in the rest of the EU and looks at how disparities between regions in the EU15 have changed over the past decade, with particular focus on the Objective 1 regions. It also analyses recent economic developments in the new Member States, in particular the way that economic performance varies within these countries and the fact that if these countries are to attain income levels close to the EU average, they will need to sustain high rates of growth for a prolonged period.

2.4 The report also highlights Europe's ageing population and factors determining competitiveness, growth and employment, such as innovation and knowledge, along with environmental protection in the context of the Gothenburg objectives.

2.5 General aspects

2.5.1 Over the last decade, and in particular since the second half of the 1990s, national and regional cohesion has improved significantly, with a narrowing of disparities both between countries and between regions in the EU. Nonetheless, there has been greater cohesion between Member States than between regions.

2.5.2 Despite the positive contribution of the Structural Funds and progress achieved, some very significant differences remain in terms of prosperity and economic performance, reflecting structural weaknesses in some countries and regions.

2.5.3 There also remain a number of problems relating to the competitiveness of less prosperous regions. Some European regions are still too isolated and fall short in terms of skilled labour, investment and the resources necessary to gain proper access to the information society.

2.5.4 Less progress seems to have been made in terms of social cohesion and employment:

2.5.4.1 it is proving difficult to make a dent in long-term unemployment;

2.5.4.2 the limited increase in employment in the EU15 in 2001, combined with a fall in employment in the accession countries in recent years, has further exacerbated regional disparities;

2.5.4.3 natural population growth has fallen in various European regions and is set to decline even further in the future (demographic projections predict a decline in the Member States and accession countries, with a few exceptions);

2.5.4.4 more relevant for employment, the population of working age is likely to begin to shrink before the total population does. Projections suggest that by 2025, people aged 50 and over will account for 35% of the working age population in the EU15, as against 26% in 2000. This will be accompanied by a continuing increase in the number of people aged 65 and over;

2.5.4.5 the data available point to a rise in old-age dependency rates. In the EU15, the number of people aged 65 and over currently amounts to almost 25% of the working-age population — i.e. there are four people aged 15 to 64 for every one of retirement age. By 2025, the figure will have risen to 36%, i.e. less than three people of working age for each one in retirement. In the accession countries, the ratio will increase from under 20% to over 30%.

2.5.4.6 The report does, however, point out that these statistics do not reveal how many people of working age will be in employment to support those aged 65 and over (in 2002, 64% of the working-age population was actually in employment in the EU15, compared to only 56% in the accession countries, with marked differences both between countries and regions).

2.5.5 The report warns that disparities in both income and employment will widen still further, across countries and across regions, when the new Member States join the EU in May 2004. These countries have experienced high growth but still have lower levels of GDP per capita and, in many cases, employment than the EU15 average.

2.5.6 Given the growing interdependence in trade and investment, economic development in the new Member States will sustain high levels of growth throughout the EU. The benefits of this will be felt in Germany and Italy in particular.

2.5.7 With enlargement, the Member States can be divided into three groups according to GDP per capita expressed in terms of purchasing power standards (PPS):

- a first group consisting of twelve of the present fifteen Member States, where GDP per capita in PPS is above the EU average (10 percentage points or more);

- a second group of seven countries, comprising the remaining three present Member States (Spain, Portugal and Greece) plus Cyprus, Slovenia, Malta and the Czech Republic, where GDP per capita in PPS is between 73% and 92% of the EU25 average;

- and finally, a third group of eight countries (including Romania and Bulgaria), where GDP per capita is below 60% of the Community average.

2.5.8 The section on territorial cohesion acknowledges that cooperation between the regions – at cross-border, trans-national and inter-regional level – has played an important role in promoting balanced development across the EU.

2.5.9 As regards factors determining growth and competitiveness, the report notes that regional disparities persist:

– in terms of human resources, the less prosperous regions have high numbers of early school leavers while participation in continuing training is much lower in the cohesion countries, Ireland apart, and in many cases significantly lower in the accession countries;

– the report presents several statistics which demonstrate major disparities between EU15 countries in terms of innovation. Figures for R&D expenditure confirm that Objective 1 regions are lagging behind (firms' R&D expenditure as a percentage of GDP is well below the European average, at just over a fifth of the EU average).

2.5.9.1 In the accession countries, much less is spent on R&D as a proportion of GDP than in most of the current Member States, but only slightly less than in Objective 1 regions.

2.5.9.2 As in the EU15, in the accession countries too there is a relative concentration of R&D expenditure in the most prosperous regions.

2.5.9.3 Disparities also remain in terms of regional access to information and communication technologies (ICT).

2.5.10 According to the report, it is necessary to create the right conditions for regional development to be sustained and also to pursue employment-promoting strategies. At national level, there is a need for a macroeconomic environment conducive to stability and growth, and a tax and regulatory system that encourages business. At regional level, the need is for basic infrastructures and a skilled labour force - especially in the Objective 1 regions and the accession countries, which are seriously lacking in both at present. Basically, the report points to the need for the regions to meet a set of conditions which relate more directly to the intangible factors of competitiveness, such as innovation, R&D and the use of ICT, in order to achieve the objectives set out in the Lisbon Strategy.

2.5.11 The report also mentions the substantial differences between Member States and between regions as regards environmental protection, in terms of achieving the Gothenburg objectives.

2.6 **Cohesion countries**

2.6.1 The detailed analysis of convergence of GDP per capita, employment and productivity in the cohesion countries reveals that these countries are continuing to catch up, their growth being well above the EU average during the 1994-2001 period. The report highlights the case of Ireland, which forcefully demonstrates the positive contribution of Structural Fund support when combined with growth-oriented national policies.

2.6.2 The report points out that economic growth in the EU has slowed appreciably since publication of the last report. This has inevitably affected cohesion, not only because it has led to a rise in unemployment, but also because it has created a climate which is not conducive to a further reduction in regional disparities in both income and employment.

2.6.3 The economic slow-down in the EU has affected nearly all the Member States. Of the cohesion countries, Portugal seems to have been the worst hit. According to data for 2001, and if the forecasts for 2004 are confirmed, Portugal could reverse its convergence course and start to move away from the EU average.

2.6.4 Up until 2001, the gap in income levels (GDP per capita) between the least prosperous regions in the EU (which have been the main focus of cohesion policy) and the other regions was narrowing. It is not yet possible, however, to say what has happened since 2001, as this is the last year for which regional figures are available.

2.7 **Accession countries**

2.7.1 Regional disparities in GDP per capita have widened significantly in the accession countries. In the Czech Republic and Slovakia, the 20% of the population living in the most prosperous regions have a GDP per capita twice as high as the 20% living in the least prosperous regions.

2.7.2 If these countries are to attain income levels close to the EU average, they will need to sustain high growth levels for a prolonged period. Growth in these countries would increase growth in the EU as a whole, reducing unemployment and strengthening social cohesion.

2.7.3 Since 2001, economic growth has slowed in the accession countries, in part because of the fall-off in growth in the EU, their main export market, leading to a fall in employment.

2.7.4 In 2002, the average employment rate in the ten accession countries was 56%, much lower than the EU15 average of around 64%. In all of the accession countries, except Cyprus, the employment rate was below the targets for Europe defined in the Lisbon Strategy (67% in 2005 and 70% in 2010).

2.8 **Enlargement**

2.8.1 Enlargement will increase the disparity between the most and least prosperous Member States. Although the new Member States have recently grown faster than the EU15, the gap in GDP per capita remains quite pronounced. In 2002, only Malta, Cyprus, the Czech Republic and Slovenia had a GDP per capita in PPS above 60% of the EU15 average. In Poland, Estonia and

Lithuania it was around 40%, in Latvia, almost 35% and in Bulgaria and Romania, around 25% of the average.

2.8.2 Enlargement will have an even greater effect on disparities between regions than between countries. According to the latest estimates (2001), around 73 million people (representing some 19% of the EU15 population) live in regions where GDP per capita is below 75% of the EU average. Enlargement will increase the number of people living in such regions to almost 123 million in the EU of 25. If Bulgaria and Romania are included in the calculation, this figure rises to 153 million, i.e. more than double the current number.

2.8.3 The statistical effect of enlargement will be to reduce average GDP per capita. If the criteria for determining Objective 1 status were to remain unchanged, some regions would no longer be eligible for such status, even though their GDP per capita will not have changed. This will affect, for example, various regions in Germany, Spain, Greece, Italy and Portugal.

3. **Part 2 – The impact of Member State policies on cohesion**

3.1 Part 2 of the report examines the extent to which national policies complement the EU's cohesion policy, in the sense that both try to bring about not only a fairer distribution of income and life chances between the regions, but also towards more balanced territorial development at national level and across the EU as a whole.

3.1.1 The Commission points out that constraints imposed to reduce public expenditure entail an incentive to improve the quality of expenditure programmes, though it is impossible to say how far this has resulted in more effective policies for regional cohesion.

3.1.2 Though incomplete, public expenditure statistics in the various Member States clearly indicate that a large part of public expenditure in the EU Member States, in particular on social protection, is associated with the European Social Model and, deliberately or not, makes a major contribution to reducing disparities in income levels and life chances.

3.1.3 As regards changes in the composition of public expenditure, despite an ageing population and growing number of pensioners, between 1995 and 2002 there was a downward trend in spending on social benefits as a proportion of GDP throughout the EU, except in some countries such as Germany, Greece, Portugal and – to a lesser extent – Italy.

3.1.4 In the section on regional development policy in Member States, the report points out that the approach to territorial development differs between Member States, in part reflecting institutional factors (essentially the degree to which economic development policy is decentralised) as well as different views about the factors determining economic development.

3.1.5 Because foreign direct investment (FDI) brings jobs and is a mechanism for transferring technology and know-how, policies to attract FDI are an important part of the regional development strategy. Indeed, a significant aim of regional support is precisely to make regions more attractive to foreign investors.

3.1.6 Though incomplete, data suggest that a disproportionate amount of investment inflows tends to go to the economically stronger regions both within countries and across the EU as a whole.

3.1.7 This poses a particular dilemma for governments in the cohesion countries and also in the accession countries, where there is a potential trade-off between the need to attract investment for the less developed regions and the fact that investment tends naturally to home in on the most dynamic regions.

4. **Part 3 – Impact of Community policies: competitiveness, employment and cohesion**

4.1 The second cohesion report outlined the contribution of Community policies to cohesion. This part of the third report sets out the main changes occurring since 2001 in terms of the Lisbon and Gothenburg objectives.

4.1.1 The results of the various initiatives launched under the Lisbon strategy reveal the progress that has been made, particularly in the use of new technologies (e.g. schools online and the development of government services online in all of the accession countries, some of which are more advanced in certain areas than some current Member States).

4.1.2 Despite differences between the Member States, the report highlights the positive impact that the European Employment Strategy (EES) has had on the labour market (reducing the average unemployment rate in the EU and increasing the rate of participation in the workforce amongst the working-age population).

4.1.3 Regarding the role of other Community policies in strengthening economic and social cohesion, in particular transport, telecommunications, energy, agriculture and fisheries and environmental protection policy, the report highlights the development of trans-European transport, communications and energy networks. These have improved accessibility, particularly since 1991, and even greater improvements are expected over the coming years, especially in the accession countries.

4.1.4 Given that in line with the Kyoto Protocol, sustainable development is one of the priorities for energy policy, the report points out that the development of new energy sources would enable outlying regions to diversify their energy sources and improve quality of life. Investment in environmental protection may also have a highly positive impact on job creation.

4.1.5 The report also acknowledges the complementarity between state aid and cohesion policy and points out that strict control of state aid is necessary to achieve the Lisbon and Gothenburg objectives. The Member States have therefore been called upon to redirect aid to horizontal areas.

4.2 Finally, the report refers to the need to guarantee a secure environment in which the rule of law is respected, as an essential precondition for sustainable economic development.

5. **Part 4 – Impact and added value of structural policies**

5.1 This part of the report presents the results of cohesion policy intervention for the 1994-1999 period and the preliminary results on programme implementation during the 2000-2006 programming period. Various aspects of cohesion policy are examined, such as the contribution of structural policies to supporting sustained growth in lagging regions, the effects of these policies outside Objective 1 regions, the specific role of the European Social Fund (ESF) in promoting education, employment and training, the role of structural polices in encouraging cooperation and the contribution made by pre-accession support in the new Member States.

5.2 The Committee would like to highlight the following results in particular:

5.2.1 Between the 1989-1993 and 1994-1999 periods, there was a marked increase in public investment in almost all the countries eligible for support under Objective 1.

5.2.2 The Structural Funds have provided support for the development of trans-European transport networks, increasing the attractiveness of the regions concerned and boosting economic activity.

5.2.3 It is recognised that investing in infrastructure and equipment is not in itself sufficient to develop a knowledge-based economy. Over the past decade therefore, structural policies have also aimed to increase R&D capacity, particularly in Objective 1 regions.

5.2.4 Structural intervention measures have also made a positive contribution to environmental protection.

5.2.5 Recent empirical studies have analysed real convergence between regions and show that there is a positive correlation between the amount of structural aid provided and GDP growth in real terms.

5.2.6 Using simulations of the macroeconomic effects of structural policies in the 1994-1999 period, it has been estimated that, as a result of structural intervention, GDP in real terms in 1999 was 2.2% higher in Greece, 1.4% higher in Spain, 2.8% higher in Ireland and 4.7% higher in Portugal. These differences reflect the varying degree of openness of their economies, the latter two being the most open.

5.2.7 Structural intervention is associated with a significant increase in investment, particularly in infrastructure and human capital, which in 1999 was estimated to be 24% higher in Portugal and 18% higher in Greece.

5.2.8 Experience has shown that, in some cases, the Structural Funds have favoured national convergence (Ireland), while in others they have tended to counteract the effects of a polarisation of economic activities (Spain). Experience also indicates, however, that the extent to which a trade-off between regional and national convergence exists depends above all on the spatial distribution of economic activity and settlements in the country in question.

5.2.9 The Structural Funds have helped promote greater economic integration. European economies have become more closely integrated, reflecting growing trade and investment flows between them. Trade between the cohesion countries and the rest of the EU has more than doubled over the past decade. This situation also reflects the fact that other EU countries have benefited from structural aid to less prosperous regions. Estimates suggest that for the 2002-2006 period, almost a quarter (24.1%) of such expenditure returns to the rest of Europe in the form of increased exports to cohesion countries, particularly exports of machinery and equipment. This percentage is particularly high for Greece and Portugal (42.3% and 35.2% of structural aid respectively).

5.2.10 In addition to assisting Objective 1 regions, Structural Fund intervention also helps to support economic development in other EU regions suffering from structural problems (e.g. areas hit by industrial decline, rural areas). The report presents the results of recent evaluation studies on the main effects of this intervention during the 1994-1999 period. Community support helped to restructure traditional industries, diversify economic activity and create jobs in the areas receiving assistance during this time.

5.2.11 Detailed analyses indicate that R&D expenditure on innovation and technology transfer seems to have been particularly effective in creating new jobs as well as in saving existing ones. Nevertheless, with a few exceptions, the capacity to maintain a steady flow of innovation in these regions is considerably lower than in the most developed regions of the EU. This contrasts with the extent to which they are endowed with infrastructure, in particular transport and telecommunication systems, and human capital. Substantial efforts have also been made to reconvert old industrial sites and improve the environment, especially in urban areas.

5.2.12 As regards support for agriculture, rural development and fisheries, the report presents, inter alia, the results of the measures implemented under Objective 5a and 5b programmes over the 1994-1999 period.

5.2.13 In addition to supporting Objective 1 regions, a substantial part of ESF resources have gone towards helping other regions in the EU. In the 1994-1999 period, ESF support for Objective 3 and 4 regions helped cut back unemployment (in particular long-term unemployment), assist ethnic minorities and foster equal opportunities between men and women.

5.2.14 A number of Community initiatives to promote cooperation and networking have done much to complement cohesion policy. INTERREG II helped to encourage networking between countries, the exchange of experience between regions and the dissemination of knowledge. Nonetheless, in terms of reducing isolation, results have been mixed, i.e. land-based links and port facilities have improved significantly in some border areas (e.g. in Greece, Germany and Finland), while in others (e.g. in Portugal and Spain) the effects have been more limited.

5.2.15 The report also highlights the contribution of the URBAN Community initiative to developing urban areas and improving quality of life.

5.2.16 The report points out that enlargement will pose a major challenge for cohesion policy. It acknowledges that Structural Fund support will be of central importance to the new Member States in terms of strengthening their competitiveness and aligning their GDP per capita on the rest of the EU, but stresses that these countries must also make careful preparations in terms of administrative capacity and managing the funds they receive. Pre-accession assistance is, in part, an exercise for the countries concerned in how to use financial support effectively, before receiving much larger funds. However, administrative capacity must be further strengthened and programme implementation further decentralised after 2006.

6. **Views of the European Economic and Social Committee**

6.1 The results set out in the report demonstrate that cohesion policy has had a very visible, positive impact.

6.2 The EESC is, however, concerned by the fact that measures to achieve cohesion policy objectives have met with more visible success in boosting cohesion between Member States than between regions. Despite some progress, regional disparities persist in terms of economic and social development. The EESC also warns that enlargement will exacerbate these disparities, thus posing a major challenge for cohesion policy.

6.3 The EESC agrees that enlargement will significantly expand the Community's internal market, bringing new opportunities. The impact of this will, however, vary across the EU. Given the growing interdependence in trade and investment, economic development in the new Member States will sustain high levels of growth throughout the EU (it has been shown that the Structural Funds help promote greater economic integration, reflecting growing trade and investment flows).

6.4 The EESC also points out that the Structural Funds do not benefit the economies of eligible regions alone. A substantial part of aid earmarked for regions lagging behind in development returns to the most developed regions of the European Union in the form of increased exports. Estimates suggest that this will happen with almost a quarter (24.1%) of structural aid under Objective 1 in the 2000-2006 period. In the long term, the development generated in these regions will also open up new markets for regions and countries that are net contributors, thereby benefiting their economies too.

6.5 Data suggest that a disproportionate amount of investment inflows tends to go to the economically stronger regions both within countries and across the EU as a whole. This poses a particular dilemma for governments in the cohesion countries and, in particular, in the accession countries.

6.6 The coordination of various sector-specific Community policies, especially agriculture, fisheries, transport, research and technology and education and vocational training policy, has had a positive effect on cohesion.

6.7 The report also acknowledges the importance of Community support for non-Objective 1 regions in terms of reducing economic and social disparities.

6.8 This economic slow-down has, in general, had negative repercussions on employment. The employment rate in the EU15 is still well below the ambitious objective set by the Lisbon European Council. However, the average rate masks substantial differences across the EU.

6.9 Demographic trends, in particular the ageing labour force, will have a significant impact on the EU's future labour market and demonstrate the need to improve lifelong training and learning.

6.10 Demographic projections highlight the importance of reaching a high level of employment in the coming years to prevent an increase in social tension. This must go hand in hand with a sustained increase in productivity.

6.11 There is agreement on the need to focus the European economy more on activities based on know-how, innovation and new information and communication technologies, in order to make it more competitive, increase employment and improve quality of life - in short, so as to achieve the objectives laid down in the Lisbon Strategy.

7. **Cohesion policy priorities**

7.1 The EESC welcomes the new architecture that has been devised for EU cohesion policy after 2006. This is organised around a limited number of priority themes (I – Convergence; II – Regional competitiveness and employment; III – European territorial cooperation) and will be put into practice primarily by implementing the Lisbon and Gothenburg strategies at national and regional level.

7.2 The EESC believes that the data presented in the report clearly demonstrate the need to put an even greater effort into pursuing the cohesion objective in an enlarged EU. It therefore agrees that the convergence objective should focus first and foremost on those regions whose GDP per capita is less than 75% of the Community average and welcomes the special treatment that will be given to regions affected by the "statistical effect". Such regions will now benefit from more support than they would have received under the "phasing out" arrangements adopted in 1999.

7.3 The EESC welcomes the proposal to channel Cohesion Fund resources towards the convergence objective and considers that allocation of these resources should continue to be determined by national criteria (i.e. Member States with GNI below 90% of the Community average) rather than more restrictive regional criteria.

7.4 The EESC agrees with the approach to be adopted for cohesion policy outside the least developed Member States and regions (namely to promote competitiveness, reduce disparities between regions, and back up the European Employment Strategy) and it is in favour of focusing the approach on a limited number of key competitiveness-related themes (e.g. the knowledge economy, accessibility, the environment and services of general interest).

7.5 The EESC also agrees that, where the second priority is concerned, special treatment should be given to those regions which are currently eligible for Objective 1 support but do not fulfil the eligibility criteria for the convergence priority. Such regions will benefit from a higher level of support during a transitional period ("phasing in").

7.6 Support for cross-border, trans-national and inter-regional cooperation has played a key role in European territorial integration. The EESC therefore supports the Commission's proposal, building on the experience of the INTERREG initiative, to create a new territorial cooperation objective, maintaining cooperation on cross-border, inter-regional and trans-national issues and continuing to allow Member States to include maritime regions in cross-border cooperation. Moreover, regions that share a border with the new Member States must adapt to the new situation; a special programme should therefore be created for them. The EESC therefore agrees that the financial resources earmarked for the European territorial cooperation objective should be significantly higher than those allocated in the past to INTERREG.

7.7 The EESC welcomes the Commission's intention to propose a new legal instrument in the form of "cross-border regional authorities", designed to facilitate cooperation between the Member States and local authorities and step up links with the EU's external borders, in particular with its new neighbours.

7.8 The EESC shares the Commission's view that programmes should generally provide an integrated response to specific territorial characteristics, and must take account of the need to combat the various forms of social discrimination.

7.9 The EESC welcomes the importance attached to urban issues, whereby urban measures are included in the programmes, giving particular emphasis to the problems facing cities and acknowledging the latter's role in promoting regional development. The EESC agrees with the Commission that cooperation between cities is a key component of territorial cooperation.

7.10 The EESC attaches particular importance to the guarantee that new instruments deployed in rural areas will be incorporated into the Common Agricultural Policy, maintaining the current level of focus on assisting the less developed regions and countries covered by the convergence programmes. The EESC stresses that support for rural areas must not be limited to agricultural projects, but must include other projects which promote rural development.

8. Management system

8.1 The EESC agrees that the number of financial instruments available for cohesion policy should be limited to three (ERDF, ESF and Cohesion Fund) and that both the objectives and the associated financial instruments should be limited. This would allow for simpler and more effective programming.

8.2 The EESC is in favour of enhancing cooperation between the Member States, local authorities and the economic and social partners.

8.3 The EESC agrees that it is important to conduct regular assessments of the territorial impact of regional policy, including trade impact assessments, as recommended by the Commission.

8.4 The EESC also believes that it is important for future Commission reports to give more prominence to equal opportunities between men and women and to assessing how cohesion policy helps achieve this objective.

8.5 As regards the management system, the EESC is in favour of retaining the four principles (Programming, Partnership, Concentration and Additionality) and simplifying the system through increased decentralisation. The EESC is, however, of the view that more decentralisation must not in any way affect the need for the Commission to closely monitor programme implementation, thus ensuring that regional policy is consistent across the EU and preventing any slippage which might undermine the respective objectives. The Commission must therefore keep a very close eye both on whether funds are used properly, in order to ensure there is no slippage, and on whether programmes receiving funding serve the purpose for which they were set up.

9. The partnership for implementing the Structural Funds

9.1 The EESC reiterates the views expressed in its opinion on the *Partnership for implementing the Structural Funds*[1] and highlights the following points in particular:

9.2 Thought must be given to the monitoring committees established under Article 35 of the Structural Funds regulation. The mechanisms for involving the social partners must be revised in the light of the new and important duties to be carried out by these committees or those that replace them.

1 Point 9 is taken from the EESC's Opinion on the *Partnership for implementing the Structural Funds* - OJ C 10 of 14.1.2004, p. 21.

9.3 First and foremost, the involvement of the socio-economic partners on the monitoring committees must be made mandatory, and must be strengthened by giving them the right to vote so that their position on the issues discussed by the monitoring committees is quite clear.

9.4 The Commission should commission a new study of the different types of participation models that have been used at national and regional level. Practices which are less well known, but which could be important for the future, could then be evaluated and disseminated more widely.

9.5 The Committee considers it vital to guarantee that the party evaluating a specific programme is independent from the national authority that is responsible for implementing it. Here too, the institutional and socio-economic partners can play a greater role, thanks to the knowledge acquired with regard to the practical results of the various measures.

9.6 The Committee considers that the selection of the partners is vital, and that their role and responsibilities must be made quite clear.

9.7 A question arises about the compatibility (or otherwise) of partners being involved in the various stages of programme implementation when they are also project promoters. In such circumstances, rules must be established for selecting the partners so as to ensure that the partnership does not include bodies which are dependent on the state and whose ability to act independently would therefore be functionally or structurally limited.

9.8 Alongside those bodies which traditionally make up the socio-economic partners (trade unions, industrial and agricultural organisations, trade and craft associations, the cooperative and non-profit sector, etc.), a greater role in Community structural policies should be given to autonomous bodies such as chambers of commerce, universities, public housing associations, etc.

9.9 Problems may arise with regard to the membership of the partnership and possible ineffectiveness of the procedures, owing to the accumulation of functions that are incompatible with transparency and independent decision-making (e.g. involvement of the same people in the programming, monitoring and evaluation stages, when in many cases these people are also beneficiaries of the programmes concerned).

9.10 There often appears to be potential incompatibility or conflicts of interest in cases where a decision-taker may also be a beneficiary of the Structural Funds.

9.11 The Committee thinks that the socio-economic partners should have access to financing and training in order to help them play their full role. This is rarely the case at present.

9.12 In some cases, the partners are unable to play their proper role because they lack high-calibre technical experts to play an active part in Fund-related forums, where they could and should have a role.

9.13 The Committee thinks that the Member States must make every effort to cut red tape wherever possible. Overly complex administrative procedures frequently jeopardise the whole partnership principle, erecting barriers and introducing practices that often prove counterproductive.

9.14 The Committee considers that it would be very helpful to set a minimum participation threshold, laid down by a Community regulation but leaving the Member States to establish detailed participation levels in their own national law or provisions. The rules to be established should allow for more information and more intensive, stable and permanent ways of involving the economic and social partners.

9.15 The role of the socio-economic partners, the content of the proposals and the participation procedures necessarily differ at the preparatory, financing, monitoring and evaluation stages of Community structural measures. It is therefore necessary to clarify what is expected of the partners, what the partners need to do to ensure that the programmes are as successful as possible, at what levels the partnership is conducted, and the political and technical bodies in which the partners should be involved.

9.16 The partnership is of crucial importance at two stages:

– at the "political" stage of Fund programming and when general decisions are taken, at both Community and national level;

– at the monitoring and evaluation stage.

10. The EESC's contributions to the current debate and to preparations for *A new partnership for cohesion - convergence, competitiveness, cooperation*

10.1 Cohesion policy priorities

10.1.1 The EESC welcomes the Commission's intention, within the convergence objective, to set up a specific compensation mechanism covering all the handicaps of the outermost regions, as well as regions with permanent structural handicaps.

10.1.2 As part of the support strategy for the various regions, the EESC recommends analysing how faithfully the quantitative data available reflect economic and social progress and whether they have been influenced at all by the statistical impact of external factors that very often bear no relation to economic and social conditions in these regions. One example of this is system headquarters being located offshore, which distorts the indicators used.

10.2 **Complementary nature of the various sector-specific Community policies**

10.2.1 The EESC points to the complementary nature of the various sector-specific Community policies in terms of working towards the cohesion objective, particularly in areas such as R&D, the information society and transport; it endorses the view that consistency between cohesion and competition policies is a key issue in the various Community policies.

10.2.2 Given that over 50% of R&D expenditure is concentrated in a very small number of EU regions, the EESC stresses that a complementary approach between sector-specific policies is essential to offset this excessive degree of concentration and provide more incentives for technology transfer between the regions.

10.3 **Budget**

10.3.1 In view of the high expectations that Member States place on the EU in terms of the enlargement and Lisbon strategy objectives, it is unreasonable to think that financial resources can be maintained at the same level. A number of EESC opinions issued over the last few years have asked for the Community budget ceiling to be raised. Given that the Commission has proposed a ceiling of 1.24% in the financial perspective for the 2007-2013 period, the EESC considers that the 0.41% earmarked for cohesion policy (0.46% before transfers to rural development and fisheries) is simply the result of setting the maximum ceiling for all resources at a level that the EESC feels is too low to achieve the ambitious objectives proposed.

10.3.1.1 Against this background, and bearing in mind that more financial resources will be needed to address the increase in regional disparities after enlargement, it will essentially be the regions currently benefiting from cohesion policy that will bear the cost of enlargement, through a fall in Community support allocated to them.

10.3.1.2 It is the EESC's view that this situation cannot be sustained from either a political or an economic point of view, because it goes completely against any principle of fairness in distributing the costs of enlargement.

10.3.1.3 The EESC therefore fails to understand how it will be possible to meet the unanimously agreed political objective of EU enlargement while at the same time maintaining or even reducing the financial contribution that the Member States will be required to make. The EESC opposes such a narrow view of the European venture, which can only be explained by economic difficulties and by the fact that some of the most important stakeholders in this process lack long-term vision.

11. **Other recommendations**

11.1 The EESC believes it is absolutely essential for the economic, social and territorial criteria used to distribute resources earmarked for the "Regional competitiveness and employment" priority among the Member States to be defined as objectively and rigorously as possible and to take particular account of social indicators and not just economic ones.

11.2 As regards the deployment of funds, the EESC believes that increasingly there is a need to find new ways of involving the authorities and the economic and social partners beyond mere participation in planning, management, monitoring and assessment bodies.

11.3 In this regard, the mechanisms linked to the global grants need to be consolidated further by requiring Member States to adopt this type of model, at least in a few of their Community Support Frameworks. The potential benefits of such action would be to cut back on red tape, speed up procedures and reduce pressure on Member States' budgets; this is particularly important in the light of current constraints on public finances in general.

11.4 Moreover, public-private partnerships must be encouraged as a way of overcoming these public finance constraints and safeguarding their funding in the long term.

11.5 The EESC believes that rules governing abuses in business relocation should be made stricter, in particular by introducing penalties which serve as an example and requiring any incentives received to be given back if it can be proven that the reason for a business pulling out is not that the production unit is no longer viable but simply that the business concerned has decided to relocate in order to benefit from yet more grants.

11.6 The EESC also believes it would be a good idea for more business support to be made available to SMEs in recognition of both their important socio-economic role, particularly in terms of job and wealth creation, and their greater "commitment" to the development of the region where they are located.

11.7 Finally, the ambition to pursue a policy promoting economic, social and territorial cohesion in an enlarged Europe is, without a doubt, one of the greatest challenges that the EU will ever face. Given that cohesion policy is a key pillar for integration between the people and regions of the European Union, the EESC calls on the Member States to carry this reform forward successfully, especially in the light of recent failures in moves to achieve closer European integration, so that the general public will once again start believing in the European venture.

11.8 The EESC believes it is essential for the Member States to continue and indeed step up their efforts in matters of cohesion policy, regardless of what the EU's policies in this area might entail.

11.9 The structure and priorities of EU cohesion policy have changed in response to enlargement and the limited resources available, and not really because regional and social discrepancies no longer exist. Some Member States and regions that up until now have been major beneficiaries of EU cohesion policy will therefore gradually become ineligible for support under a considerable number of the instruments available. This obviously does not mean that they have already reached the desired level of development and cohesion; it is therefore essential that they are given due consideration under national budgetary policies.

Brussels, 30 June 2004.

The President of the European Economic and Social Committee	The Secretary-General of the European Economic and Social Committee
Roger Briesch	**Patrick Venturini**