

COHESION POLICY IN SUPPORT OF GROWTH AND JOBS

COMMUNITY STRATEGIC GUIDELINES, 2007-2013

NON PAPER OF DIRECTORATES GENERALS REGIONAL POLICY AND
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“Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital.

To achieve these objectives, the Union must mobilise all appropriate national and Community resources – including the cohesion policy”¹.

I - INTRODUCTION

1. Article 158 of the Treaty states that, in order to strengthen its economic and social cohesion, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.

2. The recently published Third Interim Report on Cohesion confirmed that the enlargement of the Union to 25 Member States, later to 27 or more, presents an unprecedented challenge for the competitiveness and internal cohesion of the Union. At the same time, the report noted that some of the poorest parts of the new Member States have some of the highest growth rates in the Union (see map in the annex).

3. In meeting the political objectives set out in the Treaty, and in particular the key objective of fostering real convergence, the actions supported with the inevitably limited budgetary resources deployed by cohesion policy, should be concentrated where needs are greatest in pursuit of priorities that promote growth, competitiveness and employment as set out in the renewed Lisbon strategy. In addition, the success of cohesion policy depends on a range of conditions which favour investment (including macroeconomic stability, structural and administrative

reforms, good governance, a business-friendly climate including the availability of a highly qualified workforce)².

4. These are the principles governing the proposals for the reform of cohesion policy for the period 2007-2013 presented by the Commission in the Third Cohesion Report of February 2004 and in budgetary and legislative form in July 2004.

5. The Commission's proposals seek improvements in two main areas. First, the strategic dimension of cohesion policy is strengthened to ensure that Community priorities are better integrated into national and regional development programmes. Second, efforts are made to ensure greater ownership of cohesion policy on the ground. This is reflected in a reinforced dialogue between the Commission, the Member States and the regions and in a clearer and more decentralised sharing of responsibilities in relation to key areas such as financial management and control, while promoting public-private partnerships. The proposals also create the conditions for a clearer division of responsibilities between the Commission, Member States and the Parliament.

6. The Community Strategic Guidelines to be proposed by the Commission will reflect the more strategic approach proposed for future cohesion policy. In accordance with Article 23 of the draft Council Regulation (EC) laying down general provisions for the European Regional Development Funds (ERDF), the European Social Fund (ESF) and the Cohesion Fund³, it is for the Council to establish, after the adoption of the regulations and on the basis of a Commission proposal, Community strategic guidelines for cohesion policy to “give effect to the priorities of the Community with a view to promote

¹ Presidency conclusions, European Council, March 2005.

² “The EU Economy: 2004 Review”, COM (2004) 723, 26 October 2004.

³ COM (2004) 492 final, 14 July 2004. In the rest of the paper, “Funds” is used in relation to the three Funds and “Structural Funds” when reference is made to the ERDF and ESF only.

*balanced, harmonious and sustainable development*⁴.

7. The suggested Community Strategic Guidelines sketched out in this paper by Commission services have the following main characteristics:

- The financial instruments at the disposal of Cohesion policy are the Structural Funds (the ERDF and the ESF) and the Cohesion Fund.
- Their key objective is to identify Community priorities for support under cohesion policy with a view to strengthening synergies with, and helping to deliver, the Lisbon strategy as defined by the integrated guidelines for growth and jobs;
- They concern only the part of national and regional investments co-financed by the Structural Funds and the Cohesion fund;
- They need to be understood along with the legislative proposals. The latter define the purpose and the scope of assistance of each Fund, while the Community Strategic Guidelines seek to identify within that scope the areas important for the realisation of Community priorities, particularly those of the renewed Lisbon strategy;
- They reflect initial discussion with the Member States and within the different Commission services.

8. Once adopted by the Council, the Guidelines will form the basis for preparing national strategic reference frameworks and the resulting operational programmes (see Section VI, p.21).

II - COHESION, GROWTH, JOBS

The renewed Lisbon agenda

9. The conclusions of the March 2000 European Council in Lisbon⁵ – the basic text defining the Lisbon strategy – defined a strategy and a broad range of objectives and policy tools with the aim of making the European Union more competitive.

⁴ COM (2004) 495 final, Article 23.

⁵ Presidency Conclusions, Lisbon European Council, 23 and 24 March 2000.

10. The mid-term review of the process concluded that results so far were mixed. Aggregate economic growth in the Union remained sluggish underpinned by slow progress in productivity growth, net job formation and in the shift to new activities relating to the knowledge economy and information and communication technologies (ICTs). Although the poor economic performance has partly been the result of the cyclical slowdowns at world level, more needs to be done to stimulate economic growth in Europe.

11. In February 2005, the Commission proposed a new Partnership for Growth and Jobs⁶ to the European Council of March 2005. The Council confirmed its objectives and underlined the need to re-launch the Lisbon Strategy.

12. This renewed effort requires that “*the Union must mobilise all appropriate national and Community resources – including cohesion policy*”⁷. In addition, it concluded that greater ownership of the Lisbon objectives on the ground was necessary involving regional and local actors and social partners, for example, in areas where proximity matters such as in innovation and the knowledge economy, employment, human capital, entrepreneurship, support for small and medium-sized enterprises (SMEs) or access to risk capital financing. Moreover, national policies should also be consistently addressed to the same strategic objectives in order to mobilise the widest amount of resources and avoid conflicting actions on the ground.

13. In the period since the March 2005 European Council, the Commission has adopted guidelines for the growth and jobs⁸ agenda in order to assist Member States in developing national reform programmes. In parallel, the Commission will prepare a Lisbon Community Programme.

⁶ Communication to the Spring European Council “Working Together for growth and jobs – a new start for the Lisbon Strategy”, COM (2005) 24, 2 February 2005.

⁷ As above, point 6.

⁸ COM (2005) 141.

The contribution of cohesion policy to growth and jobs

14. Cohesion policy already contributes to the Lisbon strategy. The policy has a significant macro-economic impact in the less developed Member States and regions, and a multiplier effect on the EU as a whole⁹. It also contributes to the competitiveness of regions by tapping underutilised resources and mobilising endogenous potential. In the realisation of the Lisbon objectives, geography matters.

15. Moreover, cohesion policy contributes to strengthening economic and political integration through, for example, developing infrastructure networks, raising the skills of the Community's citizens, enhancing the accessibility of remote regions and promoting cooperation.

16. There are several ways in which cohesion policy can continue to make a significant contribution to the Lisbon priorities by:

- a) **Reinforcing linkages between expenditure and policy priorities.** Cohesion policy provides key support for investment in physical and human capital to address structural weaknesses, particularly in less developed countries and regions, thus contributing to an increase in the Union's economic and employment growth potential.
- b) **Supporting the implementation of coherent strategies over the medium to longer term.** Cohesion policy is the only policy to provide a stable seven-year framework of investment.
- c) **Developing synergies and complementarities with other Community policies.** Cohesion policy acts as a powerful lever for the implementation of other Community policies. For example, Trans European Network projects are financed directly by the Cohesion Fund in the cohesion countries, leading to substantial gains in accessibility to the rest of Europe; compliance with the environmental acquis and with the broader aims of sustainable development is heavily supported by cohesion policy; RTD policy and its concerns with, in particular, research infrastructures and the development of human

resources in research is also supported by cohesion policy.

- d) **Having a major leverage effect.** Activities co-financed by cohesion policy secure a high degree of additionality for EU funds, in particular by shifting resources for investment to areas where expenditure can have the greatest impact and added value. The rules on co-financing help to mobilise additional resources from public and private national sources in favour of key growth-enhancing investments. Each euro spent at the EU level by cohesion policy induces further expenditure, averaging 0.9 euros in less developed regions (Objective 1), and 3 euros in regions undergoing restructuring (Objective 2).
- e) **Improving governance.** The unique delivery system favours public-private partnership arrangements; improvements in institutional capabilities in policy design and delivery; the diffusion of an evaluation culture; transparency; regional cooperation; and the exchange of best practices. It also contributes to better governance at all levels by improving responsibility and ownership of the Lisbon strategy at sub-national level.

17. The following section identifies the priorities of Community importance. Within each priority, it clarifies the most relevant fields for action for cohesion policy, and for each field for action it proposes a set of precise guidelines to Member States and regions to help them prepare their national strategic frameworks and operational programmes.

III - THE PRIORITIES FOR COHESION POLICY 2007-2013

18. Growth in economic output is essentially dependent on two drivers: employment and productivity growth. They are intimately related and must be boosted simultaneously to achieve maximum impact. To promote a sustainable development path and strengthen competitiveness in the knowledge-based economy, it is essential to ensure availability of basic infrastructures, to increase investment in human capital, and to promote innovation, including access and strategic use of information and communication technologies (ICTs). Both tangible and intangible assets are required.

⁹ See Third Cohesion Report, p. 149.

19. The policy mix for a Member State or region to achieve an appropriate combination of investments for growth depends on its level of development; its structure of economic activity; and the nature and extent of its structural deficiencies and its potential areas of comparative advantage. The policy mix inevitably evolves over time, bringing a change in the type of policies and instruments used. In other words, each region has to find the right policy mix for its own development path in the light of its particular economic, social, cultural and institutional conditions.

Convergence

20. For regions and Member States eligible for cohesion policy support under the new Convergence objective, the key objective will be to promote growth-enhancing conditions which lead to growth rates above the Community average, in the light of the unprecedented increase in disparities within the enlarged Union and the long-term nature of the efforts that will be needed to reduce them,.

21. Their strategies therefore will focus on the investments and collective services which are required to increase long-term competitiveness, job creation and sustainable development. Basic infrastructures and services will need to be upgraded and expanded in order to open up regional and local economies and exploit the opportunities afforded by the Single Market. Moreover, substantial efforts are required to expand investment in human capital; increase access to employment; strengthen social inclusion; introduce and implement reform in education and training systems.

22. The strengthening of institutional capacities is essential to design and deliver effective policies.

23. Action is required to modernise and restructure the productive capacity of regions by providing services to enterprises, particularly SMEs; by improving access to finance; by promoting RTD and innovation; by developing human resources; by promoting the penetration, diffusion and take-up of ICTs.

Regional competitiveness and employment

24. The aim of the Regional competitiveness and employment objective is to **anticipate and promote economic change** by improving the competitiveness and attractiveness of EU regions (through investments in infrastructure, energy, health, knowledge and innovation); supporting the adaptability of workers and enterprises; reinforcing participation in the labour market; and promoting social inclusion.

25. Traditional industrial regions - many with large manufacturing firms, high population densities and high economic growth rates - co-exist with other regions that combine modern industry and a relatively rapidly growing service sector. Both types of region may be confronted by pockets of urban decline and poverty, by congestion and environmental pressure, by the effects of globalisation and by the need to adapt to economic change. In areas characterised by a low population density, economic development is often driven by small firms but the challenges facing them are similar. The low population density makes it most difficult to meet those challenges and key socio-economic indicators have not changed significantly over the past decade.

26. There is a wide variation in the economic situation of rural areas. Some have good links to urban centres, and, with agriculture continuing to play a significant role, are experiencing increasing economic diversification and growing activities in the agro-industry or service sector, tourism in particular. Other more remote rural areas are confronted by a highly dispersed and ageing population, poor infrastructures, inadequate services, and weak links with the rest of the economy.

27. The need for concentration on key priorities, and in particular on innovation and job creation is particularly compelling under this objective in order to ensure best use of limited financial resources. In order to ensure a smooth adaptation following economic change and restructuring, investment in human capital can play an important role.

European territorial cooperation

28. The ultimate aim of this objective, whose European value added is uncontested, is to promote a **stronger integration** of the territory of the Union in all its dimensions (economic, social and cultural). In so doing, cohesion policy supports the **balanced and sustainable development** of the territory of the Union at the level of its macro-regions, as well as the reduction of the “barrier effects” through cross-border cooperation and the exchange of best practices.

29. These actions are based on shared development strategies of the territories concerned (national, regional, local) and on the networking of the key stakeholders.

Governance

30. The revised Lisbon Strategy calls for better legislation, policy design and delivery to create the conditions for economic growth and job creation. A key element in this regard is the human capital of administration and public services at all territorial levels. Promoting effective policy design and implementation, in close cooperation with all relevant stakeholders, is a key role of cohesion policy as it enhances social inclusion and territorial cohesion between Member States and regions.

31. Cohesion policy has a clear role to play by investing in improving the quality of human capital in public administrations and public services at national, regional and local level, producing benefits for the economy and society as a whole.

32. A first concern is to strengthen institutional capacities and governance where they are considered to be weak. The rule of law; its non-discriminatory, predictable and transparent enforcement; the assignment and enforcement of tradable property rights; and a public administration which minimises the administrative burden for economic agents are – besides effective infrastructure networks – the publicly provided backbones for enabling competitive economic activity.

33. Thus, when developing their national strategies, Member States should systematically analyse to what extent a more efficient public administration can help to raise productivity levels. Capacity building for public administrations at national, regional and local level, to improve the administrative framework for economic activity, good policy design and implementation, including impact analysis of policy proposals, regular screening of delivery mechanisms, should, thus, be supported by the Structural Funds.

34. Accordingly, Member States should ensure that the strengthening of administrative capacity is adequately addressed in the new programmes emphasising good policy and programme design and enhance capacity building in policy delivery.

35. A second concern refers to measures and actions specifically needed to improve the capacity of Member States in **managing and implementing the cohesion policy**. Sound and efficient management of the Funds requires appropriate and effective structures in central and regional administrations which are able to perform the tasks related to the implementation of the Funds, such as public procurement, financial control, monitoring, evaluation and the prevention of, and fight against, fraud and corruption. The effective use of the Funds is also influenced by the capacities of project holders to develop and implement high quality projects. Therefore action is needed in this field also and can be supported by the technical assistance.

36. A related factor determining the effectiveness of cohesion policy is the quality of the **partnership** between all stakeholders, including those at regional and local level, in the preparation and implementation of programmes. In addition, a strong partnership between the Commission and the Member States is the basis for the determination of cohesion strategy and its ultimate implementation through the operational programme.

37. Apart from the financial leverage it provides, public private partnership at project level improves the quality of the implementation and subsequent management of projects. Member States are

therefore encouraged to avail of such partnership where they are available.

38. Regions are encouraged to develop regional development strategies building consensus on the objectives to be achieved through regular and systematic dialogue with key stakeholders. Partnership is essential in the elaboration and the implementation of development strategies, and relies on consultation and participation of stakeholders, such as competent authorities, economic and social partners, and representatives of civil society including non-governmental organisations. Partnership provides a base for openness and transparency in the preparation and implementation of programmes.

Concentration

39. In light of the above and of the revised Lisbon strategy for growth and jobs, programmes co-financed by cohesion policy should seek to target resources on the following three priorities¹⁰:

- improving the **attractiveness of Member States regions and cities** by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- encouraging **innovation, entrepreneurship** and the growth of the **knowledge economy** by research and innovation capacities, including new information and communication technologies; and
- creating **more and better jobs** by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

40. The most appropriate mix of investments ultimately depends on the analysis of the strengths and weaknesses of each region. Not all the guidelines which are presented in the following paragraphs will be relevant to all regions. The guidelines rather represent a single framework which Member States and regions are invited to use at the moment of the development of national and regional programmes,

with a particular view to assessing their contribution to the objectives of the Union in terms of cohesion, growth and jobs. In other words, the Guidelines are a necessary but insufficient condition for achieving the right level of concentration on key priorities for each Member State and region in accordance with the renewed Lisbon agenda.

41. In line with the re-launch of the Lisbon strategy for Growth and Jobs, cohesion policy should focus on knowledge, research and innovation and human capital. Accordingly, the global financial effort in support of these fields of action should be significantly increased. In addition, Member States should be inspired by best practice where this has delivered visibly positive results in terms of growth and jobs.

Priority number one – Making Europe and its regions a more attractive place to invest and work

42. One of the preconditions for growth and jobs is to ensure that the necessary infrastructure (for example, transport, environment, energy) is available to businesses. A modern infrastructure is an important factor in the performance of many enterprises, affecting the economic and social attractiveness of regions. Infrastructure investment in regions lagging behind, especially in the new Member States, will encourage growth and thus reinforce convergence with the rest of the Union. Resources should come not just from grants but also from loans, notably from the European Investment Bank (EIB). There is also the potential to make greater use of the expertise of EIB in the Member States in the preparation of suitable projects for European funding.

I. Expand and improve transport infrastructures

43. The provision of transport infrastructure, to facilitate the movement of people and goods, is a necessary precondition for economic development. Transport networks boost opportunities for trade, while raising efficiency. Furthermore, the expansion and improvement of European wide transport infrastructures (Trans-European Networks), with a

¹⁰ Communication to the Spring European Council "Working Together for growth and jobs – a new start for the Lisbon Strategy", COM (2005) 24, 2 February 2005.

particular focus on cross-border projects, is essential to achieve greater integration of national markets, especially within the context of an expanded Union.

44. Infrastructure investment needs to be adapted to the specific needs and level of economic development of the regions and countries concerned. Typically, infrastructure investments (as with other investments) come with diminishing rates of return beyond a certain level of endowment. The economic returns to such investments are high when infrastructure is scarce and basic networks have not been completed but are likely to decrease once a certain level has been attained.

45. The level of regional economic development and the existence of large infrastructure endowments should thus be taken into account. In the least developed regions and countries, international and interregional connections, as opposed to small-scale regional transport infrastructure, tend to offer higher returns in terms of enterprise competitiveness while facilitating labour mobility.

46. In order to maximise the benefits deriving from transport investments, assistance from the Funds should be based on a number of principles.

47. First, objective criteria should be used to determine the level and nature of infrastructure investment to be supported. For instance, the level of economic development of the regions concerned, the prevailing density of infrastructures or the degree of congestion should be used to measure potential rates of return. When determining the social rates of return, due account has also to be taken of environmental and social implications of envisaged infrastructure projects.

48. Second, the principle of environmental sustainability should be respected to the greatest possible extent, in accordance with the White paper¹¹. Balancing the dominance of road transport in Europe

by promoting alternative modes and combined transport should be a key concern. Member States are recommended to establish national and regional transport strategic frameworks which indicate quantified targets based on objectives of sustainability (in particular, for air quality; CO₂ emissions; and noise) which provide the basis progress for setting up cleaner transport systems and measuring process.

49. Third, particular attention should be paid in the Convergence regions and in the Member States eligible under the Cohesion Fund to modernising the railway system by carefully selecting the priority sections ensuring their interoperability within the framework of the European Rail Transport Management System (ERTMS).

50. Fourth, investments in transport infrastructure should be accompanied by proper traffic management, with particular attention to safety. National or regional strategies should take into account the need to achieve a balanced (and clean) modal split. Strategies should include, for example, intelligent transport systems, multi-modal platforms, and, in particular, technology used for the ERTMS and SESAME (for a more uniform air traffic management system in Europe).

51. Based on the above principles, the guidelines for action are as follows:

Ø Member States should give priority to **projects of European interest**, located in Member States and regions eligible under the Convergence objective¹² (see map in the annex). Within this group of projects, cross border links (in the context of the transnational strand of the European Territorial Cooperation objective) and those overseen by a European co-ordinator merit special attention. Member States should make use of the co-ordinators so as to allow for shortening the time lapse between designation of the planning of the network and the physical construction.

Ø support for **rail infrastructure** should seek to ensure greater access. Track fees should

¹¹ "European transport policy for 2010 : time to decide", COM(2001) 370.

¹² Decision n. 884/2004/CE of the European Parliament and of the Council, 29 April 2004.

facilitate access for operators. They should also enhance the creation of an EU-wide interoperable network. Compliance and applications of the interoperability and the filling of ERTMS system on board and on track should be part of all projects financed.

- Ø more attention should be given to developing the “**motorways of the sea**” and to short-sea shipping as a viable alternative to long distance road and rail transport. Projects will only be financed in those Member States which apply Community legislation on maritime safety.
- Ø in order to guarantee the optimal efficiency of transport infrastructures for promoting regional development, attention should be paid to improve the **connectivity** of landlocked territories to the Trans-European network (TEN-T). In this respect, the development of secondary links, with a focus on inter-modality and sustainable transport, should be promoted (see map in the annex). In particular, harbours and airports should be connected their hinterland.
- Ø promoting environmentally sustainable **transport in urban and between urban areas**. This includes mobility plans, public transport facilities (including park and ride infrastructures), increasing the security on crossroads and roads, soft traffic (cycle lanes, pedestrian tracks) and providing for accessibility to common public transport services for certain target groups (elderly people, disabled persons).

52. Where Member States benefit from both the Cohesion Fund and the Structural Funds support, a distinction should be made in the programmes between the types of actions funded by each of the Funds. The Cohesion Fund should in general focus on Trans-European transport networks, giving priority to the projects of European interest, access to these networks and, as a complement to its action in support of sustainable development strategies, on infrastructure related to environmentally sustainable transport such as rail, river and sea, as well as inter-modal transport systems and urban transport systems.

53. In turn, the Structural Funds should in general focus on the development of infrastructure linked to measures to stimulate economic growth (like tourism development, improvements to increase attractiveness of industrial sites, etc.).

54. Co-financing from the Cohesion Fund and the Structural Funds should be complementary to grants from the budget for Trans-European Networks. Member States will need to determine in advance the instrument most suited to planned projects. Cohesion policy funding can be combined with the loan guarantee part of the TEN instruments.

II. Improve the environmental contribution to growth and jobs

55. The attractiveness of Member States and regions for new investment and for drawing in skilled workers is increasingly linked to the quality of the environment. Future cohesion programmes should seek to strengthen potential synergies between environmental protection and growth. The provision of environmental services such as waste and wastewater treatment infrastructures, the decontamination of land to prepare it for new economic activities, and protection against certain environmental risks, all should have high priority in this context.

56. Specific measures should be promoted when environmental issues hamper economic development and business location, especially in the new Member States where a lack of clean environment (soil contamination in particular), prevents the economic development of certain regions.

57. Development strategies should be based in part on a prior evaluation of needs and specific issues faced by regions, using where possible appropriate indicators. Efforts should be made to promote the internalisation of external environmental costs, with support for the setting up and development of market-based instruments (see, for example, instruments proposed in the Environmental Technologies Action Plan).

58. Accordingly, the recommended guidelines for action are the following:

- Ø addressing the significant needs for investment in **infrastructures** in the Convergence regions, particularly in the new Member States, to comply with environmental legislation, whether in the field of water, waste, and air.

- Ø ensuring that **attractive conditions exist for business and their highly-qualified staff**. This can be ensured by promoting land-use planning which reduces urban sprawl, and by rehabilitating the physical environment, including natural and cultural assets. Investments in this area should be clearly linked to the development of innovative and job-creating businesses on the sites concerned.
- Ø promoting, in addition to the investments in sustainable energy and transport covered elsewhere, investments that contribute to the EU **Kyoto commitments**.
- Ø undertaking **risk prevention** measures through an improved management of natural resources, more targeted research and better use of ICTs, and more innovative public management policies (see map in the annex).

59. Where Member States benefit from both the Cohesion Fund and the Structural Funds support, a distinction must be made in the programmes between the types of actions funded by each of the Funds. The Cohesion Fund should in general focus on infrastructure investments in water, waste and air pollution, while the Structural Funds should in general focus on the promotion of environmental management systems, on the diffusion of clean technologies in SMEs and the rehabilitation of contaminated sites.

III. Address Europe's intensive use of traditional energy sources

60. A related priority is the need to reduce traditional energy dependency through improvements in energy efficiency and renewable energies. Investments in these fields contribute to security of energy supply for long-term growth while acting as a source of innovation and providing opportunities for exports (as in wind technologies).

61. Investment is also needed in traditional sources of energy, to ensure security of supply. In particular, the Funds should concentrate – where market failure can be demonstrated and liberalisation of the market is not contravened – on the completion of interconnections, with special emphasis on the Trans-European networks, the improvement of electricity grids and the completion and improvement of gas transmission and distribution networks.

62. Guidelines for action under this heading are the following:

- Ø supporting projects to improve **energy efficiency**, and diffusion of low energy intensity development models.
- Ø supporting the development of **renewable and alternative technologies** (wind, solar, biomass) which can give the EU a leading edge and thus strengthen its competitive position. Such investments also contribute to the Lisbon objective of ensuring that, by 2010, 21 % of electricity is generated from renewable sources.
- Ø limiting Investment in traditional energy sources to overcoming **market failure** and to developing the **networks**.

63. These investments mostly concern the Convergence regions.

IV. Help maintain a healthy labour force

64. In the light of a likely decline in population and ageing demographic structures, it is essential that the Union takes steps to increase the number of healthy years of work for members of its workforce. Investment in health promotion and disease prevention will help to maintain and prolong participation in the economy for as many people as possible, thus maintaining their economic contribution and reducing dependency levels. This has a direct effect on competitiveness and productivity.

65. Regional differences in standardised death rates reflect differences in the quality of, and access to, health care services. In general, mortality is high in certain regions of the new Member States. It is therefore important for cohesion policy to contribute to the improvement of long-term care facilities and invest in systems to improve overall health status, labour force participation and a healthy ageing for all citizens. Regions have a key role to play as they are closer to the citizen and better placed to adapt intervention to specific needs.

66. The guidelines for action under this heading can be identified as follows :

- Ø **preventing health risks** by generic health campaigns; by improving the delivery of health

services to less favoured communities; by ensuring a transfer of knowledge and technology and by equipping health services with the necessary products and equipment to prevent risks or minimise their potential damage.

- Ø filling the gaps in **health infrastructure** and promoting efficient services' provision where this hampers the economic development of regions eligible under the Convergence objective. This requires a thorough analysis of the optimal level of services provision and appropriate technology, such as telemedicine and the cost saving potential of e-health services.

Priority number two – Improving knowledge and innovation for growth

67. The growth and job creation aims of the Union will require a structural shift in the economy towards knowledge-based activities. This requires action on a number of fronts: to address low levels of Research and Technological Development (RTD), especially in the private sector; to promote innovation through new or improved products, processes and services which can withstand international competition; to increase regional capacity to generate and absorb new technologies (ICTs in particular); and to provide more support for risk-taking.

68. RTD expenditure as a percentage of GDP has been increasing but only marginally and, at 1.9% of GDP, remains well short of the Lisbon target of 3%¹³. An increase in the share of RTD expenditures in GDP from 1.9% to 3% (in order to reach the Lisbon target by 2010) would result in an increase of 1.7% in the level of GDP by 2010¹⁴. While the gap in business investment in RTD remains significant, there are signs that public investment in this field is also coming under pressure. The RTD and innovation gap within and among countries, in particular concerning business expenditure on RTD, is much bigger than the income gap. While a combination of national and Community initiatives has been undertaken, more

action is needed to match business needs with RTD supply from public and private RTD institutions.

69. In this respect, it is necessary to enhance national and regional RTD capacities; to diffuse technology and knowledge through appropriate technology transfer and knowledge exchange mechanisms; to better use existing RTD potential, including regional capacities; to enhance the RTD absorption capacity of firms, and SMEs in particular; to encourage the creation and exploitation of a larger pool of high-quality research talent in Europe; to raise private and public RTD and innovation investment; and to encourage RTD partnerships across the different regions of the Union.

70. While direct grants remain important, there is a need to focus on the provision of collective business and technology services to groups of firms, in order to help them improve their innovative activity. Direct grants to individual firms should be targeted at improving the RTD and innovation capacity of the firm, rather than at a temporary reduction of its production costs. This is particularly important in traditional sectors (such as textile, wood, leather, agri-food, and ceramics), and in SMEs which often represent the highest source of employment at the regional level. Most importantly, these policies need to be adapted to the particular conditions of each region, and in particular to the needs of SMEs. National and regional strategies must be based on a comprehensive analysis of RTD investment opportunities.

71. Knowledge and innovation are at the centre of the Union's efforts to promote faster growth and more jobs. Two related framework programmes are proposed at the Union level: the Seventh Framework programme on RTD and the Framework Competitiveness and Innovation Programme. Synergy between cohesion policy and these instruments is vital and national and regional development strategies must show how this will be achieved. Cohesion policy can help all regions to build up research and innovation capacity, thus contributing to the research and innovation activities of the Union. In particular, it has two important roles to play. The first is in helping

¹³ "Investing in research: an action plan for Europe", COM (2003) 226 final, 30 April 2003.

¹⁴ "The economic costs of non-Lisbon", SEC (2005) 385, 15 March 2005.

regions to develop regional innovation strategies and action plans which have a high potential effect on competitiveness, both at regional level and at the level of the Union as a whole; the second is on contributing to increased research and innovation capacity in the region up to a level where it can participate in trans-national projects for research excellence.

72. Regional strategies should thus concentrate on investing in RTD; ensuring that these investments respond to the economic development needs of the region and are transformed into product, process and service innovation; enhancing technology transfer and knowledge exchange; promoting the development, diffusion and uptake of ICTs within firms, and ensuring that enterprises willing to invest in such high added value goods and services have access to finance.

V. Increase and improve investment in RTD

73. The competitiveness of European enterprises crucially depends on their ability to bring new knowledge to the market as quickly as possible. Due to well-identified market-failures, such as the public-goods character of some RTD, property-rights problems, or the 'critical mass' problem, public support for RTD is necessary.

74. The specific nature of RTD must be considered when implementing regional policy. In particular, RTD requires close interaction between actors to encourage the formation of poles of excellence which are needed to reach critical mass. Geographical proximity, through, for instance, the existence of clusters of SMEs and innovation poles around public research institutions must play a key role. As a result, RTD activities need necessarily to be concentrated at spatial levels while fostering the absorptive capacity of low RTD intensive areas.

75. RTD in the most backward countries should be developed around existing poles of excellence while avoiding excessive spatial dispersion of resources. Investments should also complement European priorities set out in the Seventh Framework

Programme and support the objectives set out in the renewed Lisbon agenda.

76. In terms of method, actions in RTD need to be designed with reference to indicators on patenting at regional level; on employment and mobility of RTD workers and post-graduate students; on the geographical location of private and public research institutions; and on the existence of clusters of innovative businesses with a special focus on SMEs, in particular those associated or located nearby public research institutions.

77. The guidelines for action in the field of RTD can be identified as follows:

- Ø strengthening **co-operation** between businesses and between businesses and public research institutions by supporting the creation of regional and trans-regional clusters of excellence and the setting up of trans-national European technology initiatives
- Ø supporting **RTD activities in SMEs** and enabling SMEs to access RTD services in publicly-funded research institutions.

78. In the regions eligible under the Convergence objective, programmes can contribute to developing RTD and education infrastructure (including regional high-speed data networks between and within research establishments), equipment and instrumentation in both publicly funded research institutions and businesses, provided that these investments are directly linked to regional economic development objectives. This may include research infrastructure for which the feasibility studies have been financed from earlier Framework Programmes. Support for Seventh Framework Programme priorities should seek to develop the full potential of emerging and existing centres of excellence and to step-up investments in human capital, particularly by training researchers at national level and by creating conditions to attract researchers trained abroad.

VI. Facilitate innovation and promote entrepreneurship

79. Innovation is the result of complex and interactive processes, including the ability to connect to

complementary knowledge from other organisations and institutions.

80. Investments in innovation represent an overarching priority for cohesion policy throughout the Union. Their co-financing should represent the main priority in the regions covered under the new Regional competitiveness and employment objective, where limited financial resources need to be concentration so to reach critical mass and generate a leverage effect.

81. The main objective should be to promote a business climate which promotes the production, dissemination and use of new knowledge by firms. In order to create efficient regional innovation systems, economic, social and political actors need to be brought into contact with the leading edge of technology and business practice in the world, beyond the national or local level.

82. Start-up companies, particularly those linked to RTD, need to be supported with the aim of developing partnerships with research institutions based on a longer-term vision and clear market orientation. Cohesion policy cofinanced should seek to compensate for market failure hampering innovation and entrepreneurship. Actions should seek to build on existing poles of activity in order to exploit regional potential for RTD and to foster networking and technological cooperation within and between regions.

83. Public authorities should ensure that research institutions, the private sector and the public sector exploit to the full the potential synergies between them.

84. In terms of method, economic development strategies could be informed by the collection of data on existing innovative activities in the regions concerned, for example, on private patenting or on the nature, scope and development potential of existing clusters of innovative activities including those involving both private and public research institutions.

85. The guidelines for action under this heading are the following:

- Ø making regional RTD innovation and education supply more efficient and accessible to firms, in particular SMEs, for example by establishing **poles of excellence**, bringing together high technology SMEs around research and technological institutions, or by developing and creating regional **clusters** around large companies.
- Ø ensuring **business support services** to enable enterprises, and in particular SMEs, to increase competitiveness and to internationalise, notably by seizing the opportunities created by the Internal Market. Business services should prioritise the exploitation of synergies (e.g. technology transfer, science parks, ICT communication centres, incubators and related services, co-operation with clusters) and give more traditional support in the areas of management, marketing, technical support, recruitment, and other professional and commercial services.
- Ø ensuring full exploitation of European strengths in the domain of **eco-innovations**. Eco-innovations should be promoted, together with the improvement of SME practices through the introduction of environmental management systems. By investing in this area now EU businesses will be in a strong position in the near future when other regions appreciate the necessity of such technologies. This is an area with a clear link to the Framework Programme for Competitiveness and Innovation.
- Ø promoting **entrepreneurship**, facilitating the creation and **development of new firms**, and promoting spin-out and spin-off companies from research institutions or firms through a variety of techniques (for example, awareness raising; prototyping; tutoring and the provision of managerial and technological support to entrepreneurs-to-be).

86. In delivering these guidelines, it is important to ensure that companies, including SMEs, can make commercial use of research results.

87. The delivery of business services should preferably be done by the private sector or by mixed public-private organisations. The services should be top class, readily available, easy to access and should respond to the needs of SMEs. The quality of the services should be defined and monitored and there should be coherence between service

providers, e.g. by establishing public-private partnerships and one-stop shops.

88. Administrative procedures are often too complex. Information and initial support, including on the various actions cofinanced by Cohesion Policy, should be available from a network of one-stop shops, which could provide the interface between the public sector and the grant applicant. These providers should have competence for the full range of state aids, independently of national or regional responsibilities. They should have targets for the efficiency of their operation, which are monitored regularly.

89. Whenever the circumstances are appropriate, tailored support should be made available to specific categories of business (such as start-ups or recently transferred companies) or entrepreneurs (such as young people, women, older workers or those from ethnic minority communities). Entrepreneurship education should also be encouraged in schools.

VII. Promote the information society for all

90. The diffusion of ICT across the Union's economy represents a major lever for improving productivity levels and improving the competitiveness of regions. The diffusion of ICT also encourages the re-organisation of production methods and the emergence of new business and private services. The efficient and effective delivery of public services - and e-government and e-health in particular - has a significant potential for economic growth and for enabling new services. Measures should encourage the development of products and services with a view to facilitating and stimulating private investment in ICT while guaranteeing competition in the ICT sector. Technology diffusion can contribute to regional development by favouring the creation and growth of poles of excellence in ICT activities and developing connectivity and networking among enterprises and SMEs in particular.

91. Policy measures should therefore focus on improving innovation support services for SMEs with the particular objective of boosting technology transfer

between research institutions and enterprises. Cohesion policy cofinance should also be used to develop skills needed in the knowledge economy and to develop content through the delivery of applications and services (such as e-government, e-business, e-learning, e-health) which provide interesting alternatives to other often more costly types of infrastructures. This is particularly relevant for remote and sparsely-populated areas. Clearly the use and development of products and content-based services can only work if the appropriate infrastructure is available and capable of supporting broadband services. It is therefore important that an appropriate broadband communication infrastructure is available across the Union at an accessible cost.

92. Actions need to be based on context indicators related to the existing economic structure (notably in terms of industrial specialisation; level of economic development; quality of connectivity to ICTs, and potential synergies between regional poles of economic activity). The identification of regional needs should take into account existing Union initiatives in favour of ICTs, in particular the i2010 European Information Society Initiative.

93. Given the fact that ICTs cut across all sectors of economy and society, it is imperative that Member States and regions develop compatible information society strategies which ensure coherence and integration among sectors, by adopting a balanced approach between supply and demand measures on the basis of local requirements, stakeholders' participation, and strong public political support.

94. The guidelines for action are as follow:

- Ø ensuring uptake by firms and households of ICTs and promoting method development through the balanced support for the supply and demand of **ICT products and services**, as well as from increased investment in human capital. This should be the main focus for ICT investments, which will increase productivity, promote an open and competitive digital economy and an inclusive society and thus boost growth and jobs

VIII. Improve access to finance

95. Another key ingredient for the promotion of knowledge and innovation is to facilitate access to finance. For the purpose of fostering growth and job creation, it must once again become more rewarding for entrepreneurs and enterprises to invest in the development and production of goods and services rather than to focus efforts, for example, on rent-seeking activities.

96. Access to finance in this context is often difficult to achieve, thus creating an obstacle to growth and job-creation. Improving access to capital both for RTD activities and for start ups is important. Risk capital markets related to innovation activities need to be developed in conjunction with a better regulatory environment easing entrepreneurship. The regulatory and institutional environment for accessing secured credit should also, where necessary, be improved to allow businesses, especially SMEs, to use their entire asset base as collateral.

97. These programmes could be undertaken in close cooperation with the European Investment Fund (EIF) in order to develop financial resources where market failures hamper entrepreneurship due to the high risks related to RTD activities. Due account must also be taken of the impact of business creation support through public interventions in order to avoid the crowding-out of private investment and measures damaging competition.

98. Private equity and venture capital, and rotating funds for innovative start-ups should play the essential role as an engine for entrepreneurship, innovation and job creation; public sector institutions are not suited to risk taking. The priority should be to create or expand, where market failure exists, specialised providers of risk capital and bank guarantees. Typically, they will be more effective if they provide an integrated package of support, from training prior to the business start-up or expansion.

99. Based on these principles, the guidelines for action are:

Ø Supporting **non-grant instruments** such as loans, secured debt financing for subordinate

debt, convertible instruments (mezzanine debt) and risk capital (e.g. seed capital and venture capital), but where appropriate grants should be part of the range of instruments. Principally, grants should be used to build and maintain infrastructures that facilitate access to finance (e.g. technology transfer offices, incubators, business angels' networks, investment readiness programmes). Guarantee and mutual guarantee mechanisms should also be supported, in particular to facilitate access to micro-credit by SMEs.

Ø outreaching to **specific groups**, such as young or female entrepreneurs or those from disadvantaged groups including ethnic minorities.

100. It is particularly important to work closely with the EIF, in view of its expertise developed over a number of years, in order to give SMEs the required support, at the same time as developing the European risk capital market.

Priority number three – More and better jobs

101. The drive for more job creation and for an improvement in the employment rate depends on a wide variety of actions including those already discussed under Priorities 1 and 2 above. Investment in infrastructure and business development will provide job opportunities both in the short-run as a result of first-round effects, for example, in the construction phase and, in the second round, as a result of the positive effect on long-term competitiveness. Filling new job opportunities requires matching investment in the skills of Europe's citizens and in improvements in the way the labour market works. Such investment also contributes to promoting social inclusion, combating poverty and – through increased labour market participation – countering the decline in the Union's working age population.

102. In accordance with the draft regulations¹⁵, the priorities of the Community Strategic Guidelines on

¹⁵ Article 23 of the draft Council Regulation (EC) laying down general provisions for the European Regional Development Funds (ERDF), the European Social Fund (ESF) and the Cohesion Fund.

cohesion in the sphere of employment and human resources shall be those of the European Employment Strategy, taking account of regional and local specificities. In relaunching the Lisbon strategy, the European Council endorsed a single set of Guidelines bringing together the Broad Economic Policy Guidelines and the Guidelines of the European Employment Strategy¹⁶ thereby integrating macro-economic, micro-economic and employment policies for growth and jobs.

103. The European Employment Strategy adopted by the Member States in the Spring Council 2005 highlights three priorities for action:

- to attract and retain more people in employment and modernise social protection systems;
- to improve adaptability of workers and enterprises and the flexibility of the labour markets;
- to increase investment in human capital through better education and skills, and through enhanced administrative capacity at national, regional and local level.

104. The Employment Guidelines¹⁷ proposed by the Commission are a direct reflection of these priorities at European level (the various titles of the Guidelines are reproduced in the boxes below).

105. Cohesion policy should contribute to addressing the specific challenges of the European Employment Strategy in each Member State, by supporting actions within the framework of both the Convergence and Regional competitiveness and employment objectives. The range of eligible actions and financial means are greater for the former objective. For the latter, EU resources will need to be much more focused to achieve a significant impact. The Employment Recommendations highlight country-specific challenges and priorities.

106. Employment programmes can be managed at national or regional level, reflecting the specific characteristics of each Member State. Nevertheless, in order to effectively address regional disparities, national programmes should have a regional dimension, if no specific regional programmes are in place.

IX. Attract and retain more people in employment and modernise social protection systems

107. Raising employment levels and reducing unemployment is vital to sustain economic growth, promote socially inclusive societies and combat poverty. Increasing labour market participation is all the more necessary because of the expected decline in the working age population.

108. In the framework of the Employment Guidelines, Member States are called upon to:

- Ø implement **employment policies** aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion
- Ø promote a **lifecycle approach** to work
- Ø ensure **inclusive labour markets** for job-seekers and disadvantaged people
- Ø improve **matching** of labour market needs.

109. A primary focus should be on the modernisation of **labour market institutions**, in particular employment services. These institutions are essential to improve the functioning of the labour market, facilitate access to employment and respond to labour market needs at local level. This is all the more necessary in countries and regions experiencing rapid restructuring of their economy.

110. Modern labour market institutions have an essential role to play in matching supply and demand of labour and supporting **occupational and geographic mobility**, especially through the provision of effective services to job seekers on a personalised basis. Easy access and transparency of services on offer are crucial. The EURES network is a

¹⁶ Article 99 of the Treaty for the Broad Economic Policy Guidelines and Article 128 for the Employment Guidelines.

¹⁷ COM(2005) 141 final of 12.04.2005

central tool to increase occupational and geographic mobility, both at national and European level.

111. Labour market institutions should play a pivotal role, in cooperation with other relevant actors, for improving the **anticipation of labour market shortages and bottlenecks**, as well as of future occupational and skills requirements - especially in the context of the transition towards a knowledge economy. This should also serve to assist positive management of economic migration.

112. In addition, supported actions should target access to employment of job seekers, prevent unemployment, support entrepreneurship, and increase participation in employment, including by supporting active ageing policies. These include:

- the implementation of **active and preventive labour market** measures, ensuring early identification of individual needs followed by personalised assistance. Actions should provide support to overcome obstacles in entering or remaining in the labour market and include personalised job search assistance, training for the unemployed and inactive, as well as those at risk of becoming unemployed, support to mobility and specific support for becoming self-employed or creating businesses. The importance of ICT skills and digital literacy should be also taken into account in the development of active labour-market policies.
- implementing the **European Youth Pact** by facilitating access to employment for young people, by easing transition from education to work, including through career guidance, assistance to complete education, access to appropriate training and apprenticeships.
- actions to increase sustainable participation of **women** in employment, through female training and entrepreneurship. This requires action to reduce gender segregation in occupations and sectors and address the causes of gender pay gaps and gender stereotyping. It is necessary to mainstream gender considerations in policies and measures at all levels and to strengthen the enforcement of anti-discrimination rules, including through awareness-raising campaigns and greater dialogue among the stakeholders. Action should also focus on promoting more family-friendly business environment, and the reconciliation of

professional and private life, including by facilitating access to childcare and care services for dependent persons.

- specific action to strengthen access of **migrants** to the labour market with special regard to third country nationals, with a view to facilitate participation in employment and social integration. Actions should include training, personalised guidance, language training and validation of competences acquired abroad, including appropriate support for entrepreneurship and awareness raising among employers and migrant workers about their rights and obligations.

113. Finally, cohesion policy should support actions to reinforce social inclusion of people at a disadvantage, such as early school leavers, low-skilled workers, minorities and people with disabilities, and to combat discrimination. This includes:

- building **pathways to integration** in employment for people at risk of social exclusion. Interventions should aim to improve the employability of disadvantaged people, by providing better access to vocational education and training, accompanied by the necessary social support and care services, including through the development of the social economy. Particular effort is needed to ensure reintegration of long-term unemployed and people excluded from the labour market, as well as to promote access to employment for disabled people, for instance through vocational rehabilitation, appropriate incentives and working arrangements.
- **combating discrimination** and promoting the acceptance of diversity in the workplace. Actions in this field may include diversity training and awareness raising campaigns, in which local communities and enterprises should also be involved.

X. Improve adaptability of workers and enterprises and the flexibility of the labour market

114. In today's increasingly global and open economy, with the continual introduction of new technologies, Europe must increase its capacity to anticipate, trigger and absorb economic and social change if more jobs are to be created and filled.

115. In the framework of the Employment Guidelines, Member States are called upon to:

- Ø promote **flexibility** combined with employment security and reduce labour market segmentation
- Ø ensure employment-friendly wage and other **labour cost** developments.

116. Cohesion policy should focus on the development of lifelong learning strategies to equip employees, especially the low-skilled and older workers, with the necessary skills to adapt to the knowledge economy and to prolong working life. In particular, actions should:

- contribute to the design of **lifelong learning strategies** and systems at national, regional, local and sectoral level; to raise investment by enterprises and participation of workers in training, through the involvement of all stakeholders; and the definition of appropriate incentives and cost-sharing mechanisms between all actors, such as regional and sectoral funds.
- support the implementation of these strategies by contributing to the schemes and training activities. Special emphasis should be placed on SMEs, including facilitating their access to external sources of competence and training solutions. Actions should also aim to increase the participation of the **low-skilled and older workers** in training and re-training. ICT training, as well as the development of management skills, including e-business skills, should also be priorities.

117. Cohesion policy also supports the development and dissemination of modern forms of **work organisation**. To take advantage of new technologies at sectoral and/or regional level, it is essential for companies to compare work practices and to integrate innovative and more productive forms of work organisation, for instance teleworking. In this respect, action should also contribute to better reconcile work and family life, improve health and safety at work and strengthen the fight against undeclared work. Specific action should also be developed to raise awareness of corporate social responsibility.

118. Finally, supported actions should promote the **anticipation and positive management of economic restructuring**. This should include the establishment of permanent monitoring systems

involving all relevant stakeholders, such as social partners, enterprises and local communities, to scrutinise socio-economic changes at national, regional and local level, and assess future labour market trends. Anticipation of progressive changes throughout the Union in sectors such as agriculture, textiles, automobile needs to be established, along with active measures to reinforce the economic well being of regions. The ESF also has a direct role to play in the development of specific employment, training and support services to workers in the context of company and sector restructuring, such as rapid response schemes in the case of collective lay-offs.

XI. Increase investment in human capital through better education and skills

119. To enhance access to employment, raise productivity levels and quality at work, the EU needs higher and more effective investment in human capital and lifelong learning strategies for the benefit of individuals, enterprises, the economy and society. In line with the Lisbon objective to increase investment in human capital, efforts must be stepped up.

120. In the framework of the Employment Guidelines, Member States are called upon to:

- Ø expand and improve investment in **human capital**
- Ø adapt **education and training systems** in response to new competence requirements.

121. Cohesion policy has a direct role to play in investing more in human capital by supporting labour market training for job-seekers and the development of lifelong learning strategies and systems to increase investment by enterprises and participation of workers in training, especially low-skilled and older workers.

122. Moreover, it supports actions to improve the design and facilitate the introduction of reforms in education and training systems in order to enhance their labour market relevance. This is a priority both for the "Regional competitiveness and employment" objective and the "Convergence" objective. Action includes:

- measures to **adapt the education and training systems** to the requirements of the labour-market with view to the knowledge-based economy, including the continuous updating of the skills of training personnel, ensuring greater transparency and the recognition of competences and qualifications, as well as the validation of non-formal and informal learning.
- action to strengthen the links between universities, research and technological centres and enterprises, particularly through **networking** activities and joint actions.

123. Given the range of challenges, actions should be even more substantial and have a larger scope for Member States and regions under the "Convergence" objective. In addition to the activities mentioned above, cohesion policy also supports, under this objective:

- the **implementation of reforms**, using where relevant common European references and principles, especially to reduce early school-leaving and expand access to education and training with a view to increasing employment opportunities throughout the lifecycle. Actions should also aim to create an appropriate institutional framework for lifelong learning which ensures an adequate supply of attractive, accessible and high quality education and training at all levels, including flexible learning pathways. Moreover, actions should promote the quality and attractiveness of vocational education and training, including apprenticeship and entrepreneurship education. Reforms should contribute to reducing educational disparities and creating equal educational opportunities between regions and citizens, in particular and facilitating access to vocational training and tertiary education. Actions should include the assessment of the quality of education and training, the improvement the information and guidance systems, as well as the development of new vehicles for training, such as distance learning and e-learning.
- actions to develop **human potential in research and innovation**, notably through post-graduate studies and further training of researchers.
- investment in **education and training infrastructure**, where such investments are necessary for the implementation of reform

and/or where they can significantly contribute to increasing the quality and effectiveness of the education and training system. Investments should ensure the availability of ICT infrastructure.

IV - TERRITORIAL COHESION AND COOPERATION

124. Contrary to sectoral policies, one of the determining features of cohesion policy lies in its capacity to adapt to the specific needs and characteristics of territories. Accordingly, when developing their programmes and concentrating resources on the priorities presented in the previous sections, Member States and regions should pay particular attention to these specificities, whether in urban and rural areas or in developing joint cooperation programmes on cross-border and trans-national areas.

125. The concept of territorial cohesion extends beyond the notion of economic and social cohesion, its objective being to help achieve a more balanced development by reducing existing disparities, avoiding territorial imbalances and by making both sectoral policies which have a spatial impact and regional policy more coherent. This also involves improving territorial integration and encouraging cooperation between and within regions.

126. The overall aim should be to diversify centres of economic activity by working towards a more polycentric model of economic development. This involves a more concerted approach towards urban and rural development.

The contribution of cities to growth and jobs

127. In **urban areas**, the focus should be on improving the competitiveness of neighbouring cities and urban functional areas (through clustering and networking) and the balance between the economically strongest regions and the rest of the urban structure.

128. Account needs to be taken of problems of social exclusion, high and rising crime rates, and the general worsening of the quality of life in deprived urban areas. In general, support should focus on the development of participative and integrated strategies capable of tackling the high concentration of economic environmental and social problems affecting urban agglomerations.

129. Action supported include those to rehabilitate the **physical environment**, redevelop brownfield sites, and preserve and develop the historical and cultural heritage. The regeneration of public spaces and industrial sites can play an important role in helping to create the infrastructures necessary for sustainable economic development.

130. Also important are measures to promote **entrepreneurship, local employment and community development**, as well as the provision of services to the population taking account of changing demographic structures. Attracting very highly skilled personnel is also important (with measures regarding accessibility, high quality education, the supply of cultural services, and opportunities for RTD and innovation).

131. In the light of the often deep-seated problems of **social cohesion**, actions are important that strengthen security, promote economic, social and cultural integration of the least favoured, fight discrimination, and improve the availability of, and access to, key services.

132. The key partners in the cities have an important role to play in achieving these objectives. The preparation of a medium- to long-term development **plan for urban regeneration** is generally a precondition for success by ensuring the coherence of investments and of their environmental quality. This will also help to ensure the commitment and participation of the private sector in urban renewal

Supporting the economic diversification of rural areas

133. Cohesion policy also plays a key role in the current programming period in support of the economic regeneration of **rural areas** complementing the new rural development instrument (European Agricultural Fund for Rural Development) which will focus on support for the main stakeholders of the agricultural sector.

134. The synergy between the two instruments needs to be ensured in the next programming period, notably at the level of the respective strategic guidelines, national frameworks and operational programmes where single ex-ante evaluation may help in identifying coherent and complementary actions to be financed on a given territory.

135. For cohesion policy, action in favour of rural areas should contribute to ensuring a minimum level of access to **services of general economic interest** with a view to improving the quality of life in rural areas needed to attract firms, qualified personnel and limit out migration. Connectivity to the main national and European networks is also necessary. In addition, cohesion policy should support the endogenous capacity of rural territories, by promoting, for example, the marketing of local products on national and global markets, and favouring process and product innovation in existing economic activities.

136. Many rural regions depend heavily on tourism. These regions require **an integrated approach** dedicated to quality, taking advantage of their natural and cultural assets, focusing on consumer satisfaction and based on the economic, social and environmental dimensions of sustainable development. The integrated approach should seek to have a positive impact on the tourism sector, the local economy, the people working in the tourism sector, visitors, the local population as well as the natural and cultural heritage.

137. In so doing, it is important to recognise the potential constraints. Achieving the critical mass needed to deliver services efficiently is a particular challenge. Ensuring universal access to all services, particularly in very sparsely populated areas, may be

achieved by investing in **development poles** in rural areas (for example on small and medium sized towns) and on the development of economic clusters based on local assets.

Cooperation

138. Measures in favour of cross-border and trans-national cooperation should complement the three priorities indicated above. As a consequence, closer cooperation across EU regions should help speed up economic development and achieving higher growth. National borders are often an obstacle to the development of the European territory as a whole, and can restrict its full competitiveness potential. In the cross-border and trans-national context, transport, water management and environment protection are clear example of challenges requiring a focused and integrated approach going beyond national boundaries.

Cross-border cooperation

139. The ultimate objective of cross-border cooperation in Europe is to integrate areas divided by national borders that face common problems requiring common solutions. The challenges generally stem from fragmentation of markets, the labour force, investment patterns, infrastructure, fiscal resources, institutions and services of general interest.

140. Though cooperation programmes should be tailored according to the particular situation faced by each border region, it is important that an effort is made to concentrate the assistance on the most significant priorities in support of growth and job creation.

141. Generally applicable recommendations for future cross-border cooperation are difficult to be issued and not always relevant, due to the large diversity of situations. Nevertheless, the improvement of existing transport and communication infrastructure and the development, where necessary, of new connection links represent the necessary pre-conditions for establishing or developing cross-border contacts.

142. Cross-border cooperation should contribute to developing integrated border regions, with similar economic and development potential. Accordingly, when the cooperation drawbacks arise from their economic disparities, the catching-up type activities should constitute the priority: ex. knowledge and know-how transfer, development of cross-border business activities; development of cross-border education/training potentials and integrating the cross-border labour market; joint management of environment and common threats. For regions where basic conditions for cross-border cooperation are already in place, the Funds should focus its assistance on priorities that could bring an added-value to cross-border activities: e.g. increasing border competitiveness through innovation and special accent on research and development; evolution from connecting immaterial networks (services) or material networks (transports) to the reinforcement of the cross-border identity in the framework of European citizenship.

Trans-national cooperation

143. La forte ambition affichée pour la coopération transnationale, instrument reconnu pour l'accomplissement des grandes priorités de l'Union et l'intégration de son territoire, permet de donner à ce type de coopération un caractère véritablement stratégique pour mieux structurer le territoire de l'Union.

144. Pour répondre à cette ambition, des actions d'envergure dites « structurantes » seront donc menées à l'échelle des macro régions, visant à assurer une structuration durable de ces grands espaces. Plus précisément, de telles actions amélioreront l'interconnexion des territoires, tant matérielle (ex : investissements dans les transports) qu'immatérielle (réseaux, échanges entre régions et entre acteurs) et favoriseront une gestion plus concertée et préventive de ces territoires. Elles représentent le meilleur compromis possible entre une logique sectorielle (garantissant un impact) et une logique plus intégrée de cohésion territoriale (garantissant une répartition équilibrée des populations et des activités).

145.Des actions de soutien complémentaire à la réalisation des corridors de transport européens (en particulier leurs sections transfrontalières), de prévention des risques naturels, de gestion de l'eau à l'échelle d'un bassin fluvial, de coopération maritime intégrée et de réseaux de R&D/innovation répondent parfaitement à cette définition.

146.Ces actions structurantes seront bien entendu prioritaires, sans pour autant exclure des actions plus légères dans les domaines de la coopération maritime bilatérale, de l'environnement et de la R&D/innovation.

147. La configuration des espaces actuels de coopération transnationale doit être examinée sous l'angle de sa pertinence au regard de cette nouvelle ambition. La délimitation des espaces futurs devra garantir qu'ils puissent porter des projets structurants et se fondera essentiellement sur des critères fonctionnels de type géographique : appartenance à un même bassin fluvial, à un même littoral, à un même massif montagneux ; traversée d'un grand corridor de transport. Le critère politique (ancienneté des structures institutionnelles, degré de coopération existant) sera également pertinent. Enfin le critère de cohérence territoriale, permettant d'éviter les espaces surdimensionnés ou trop restreints et de ne pas multiplier les chevauchements entre espaces, a son importance également. A first attempt to define the criteria and the logic for determining the new trans-national spaces is provided in the annex.

148.Finally, the successful experience of the EQUAL Community Initiative, which promotes an inclusive society through fighting discrimination and exclusion based on sex, racial or ethnic origin, religion or belief, disability and age is mainstreamed across all actions to further build on partnership, empowerment, innovation and trans-national cooperation to allow Member States to share good practices.

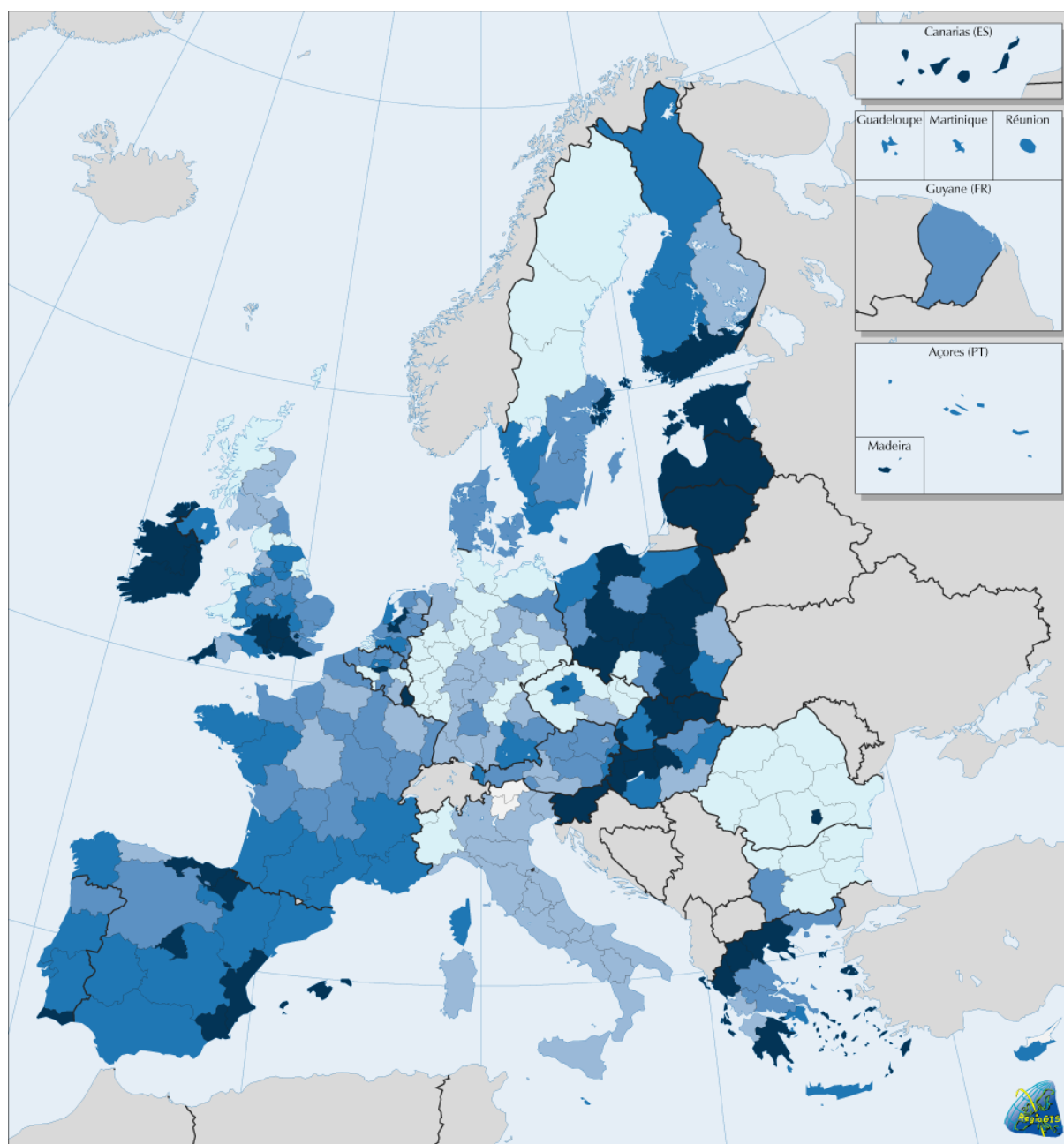
Interregional cooperation

149.Interregional cooperation will be focused on strengthening innovation, SMEs and entrepreneurship, environment and risk prevention. In

addition, exchange of experiences and best practices regarding urban development and the implementation of cooperation programmes will be encouraged. Interregional cooperation will also be supported within programmes for convergence, and regional competitiveness and employment.

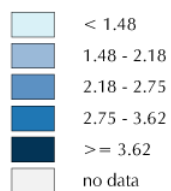
ANNEX

The maps presented in this annex do not have any normative purpose. Their only function is to illustrate some of the issues raised in the guidelines.



GDP growth, 1995-2002

Annual average % change



EU-27 = 2.35

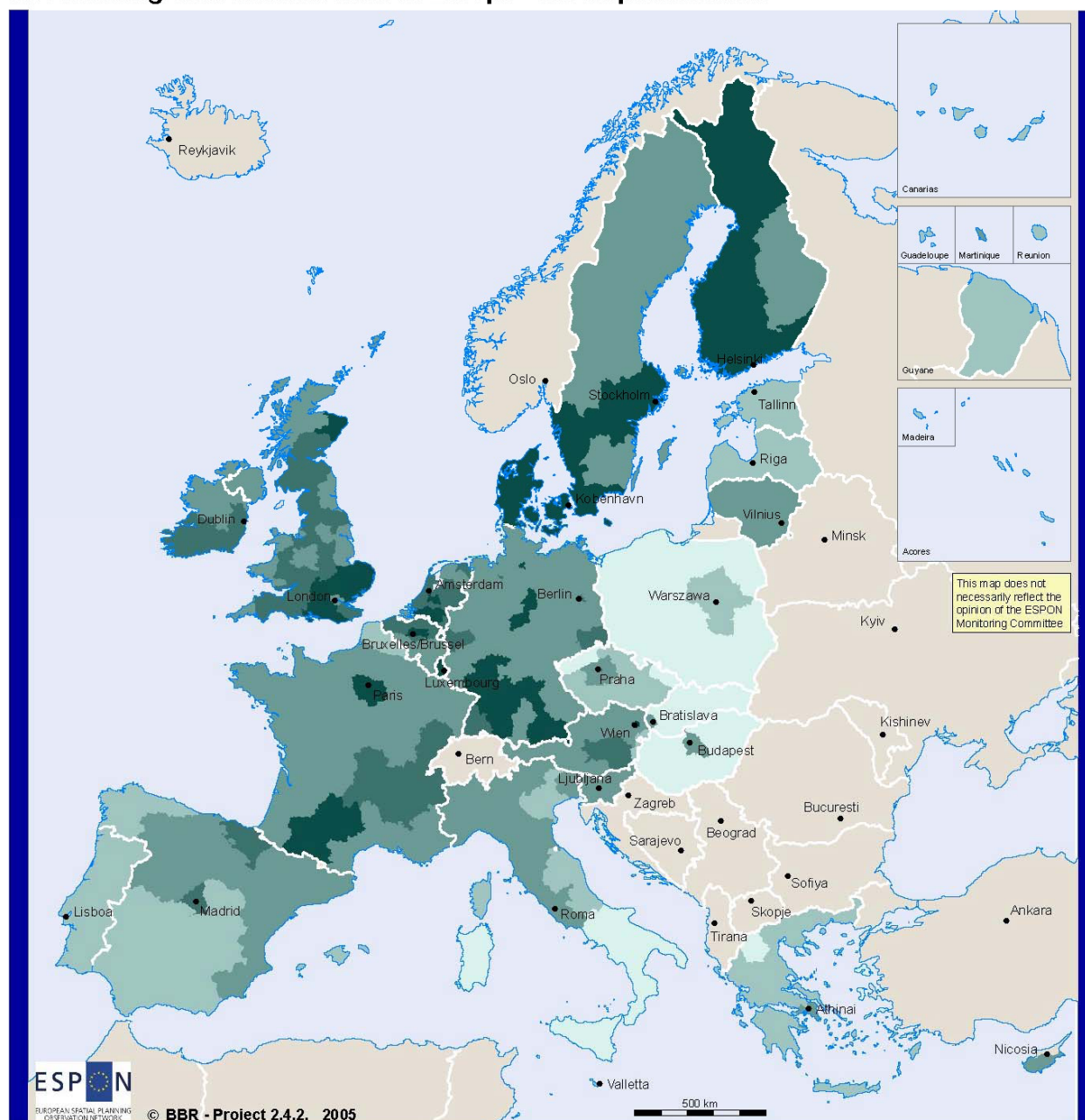
HU: 1995-2001

Source: Eurostat - DG REGIO

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Revised Regional Classification of Europe - lisbon performance



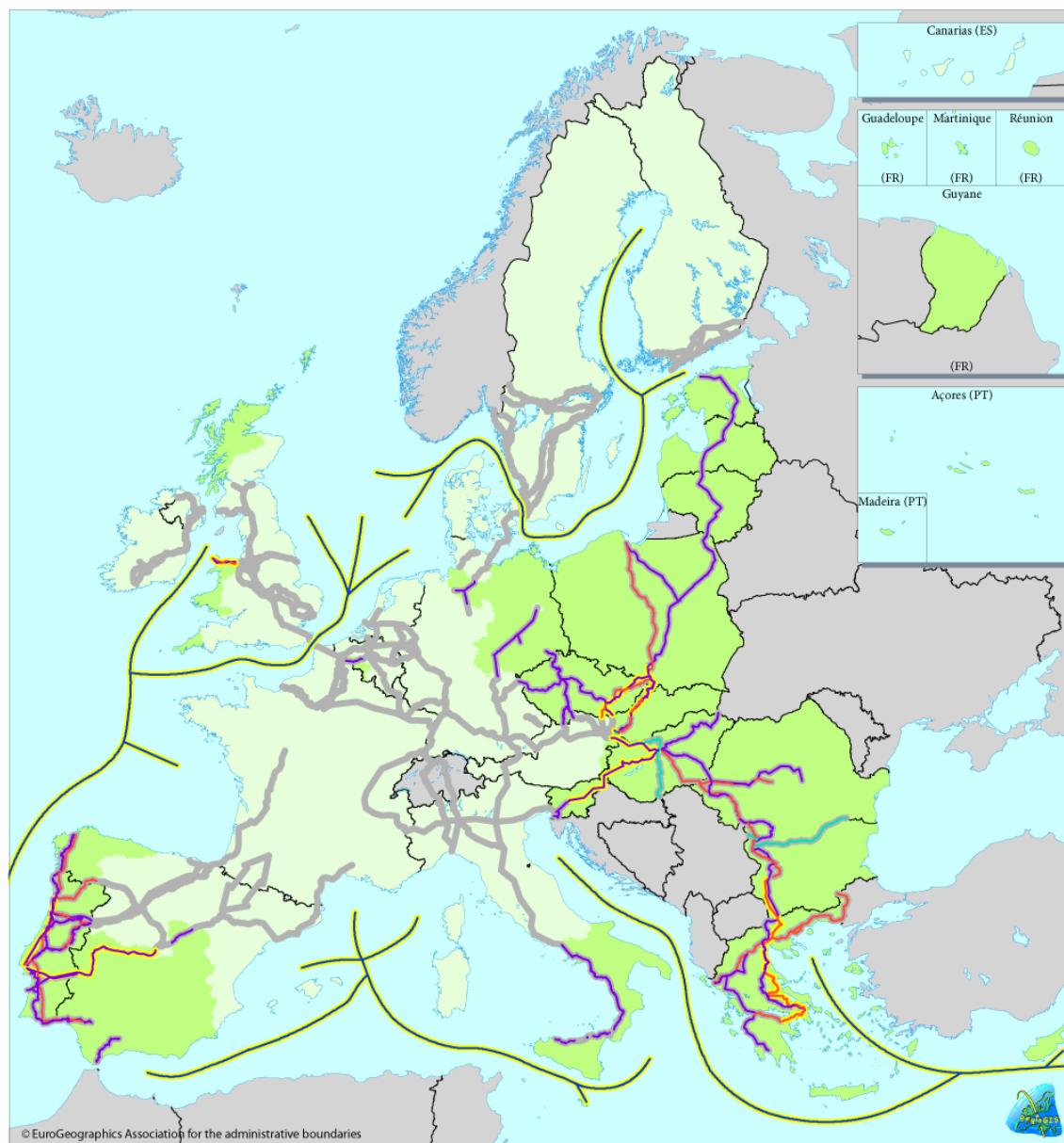
Lisbon performance

highly below average
below average
average
above average
highly above average

Indicators

Productivity	GDP per person employed 2002
Employment rate	Employed population / population aged 15-64 in 2003
Expenditure on R&D	Expenditure on R&D / Total GDP 2001
R&D Business Enterprise Sector	BES R&D personnel per 1.000 active person 2001
High educated population	Highly educated population / total educated pop. 2002

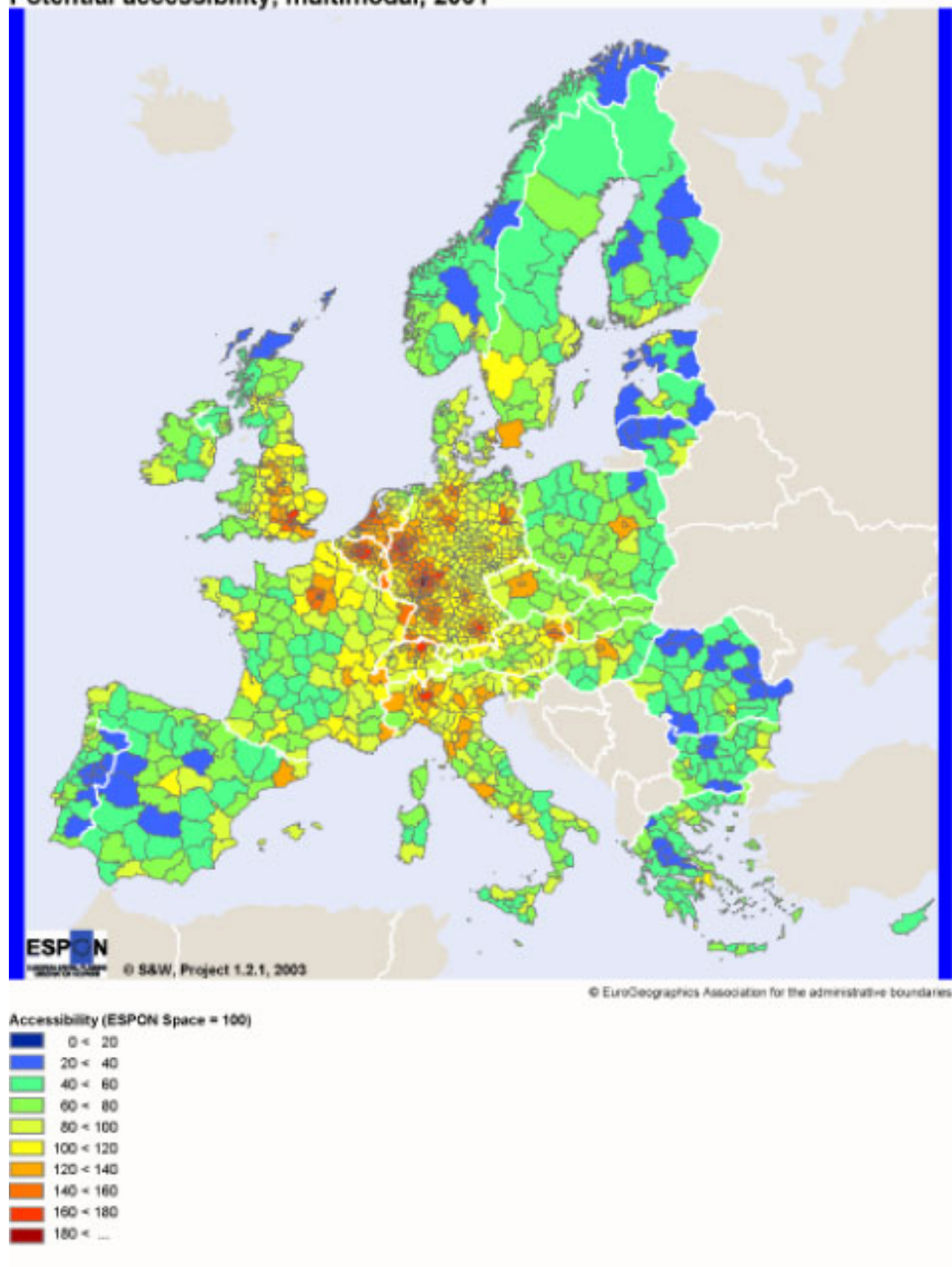
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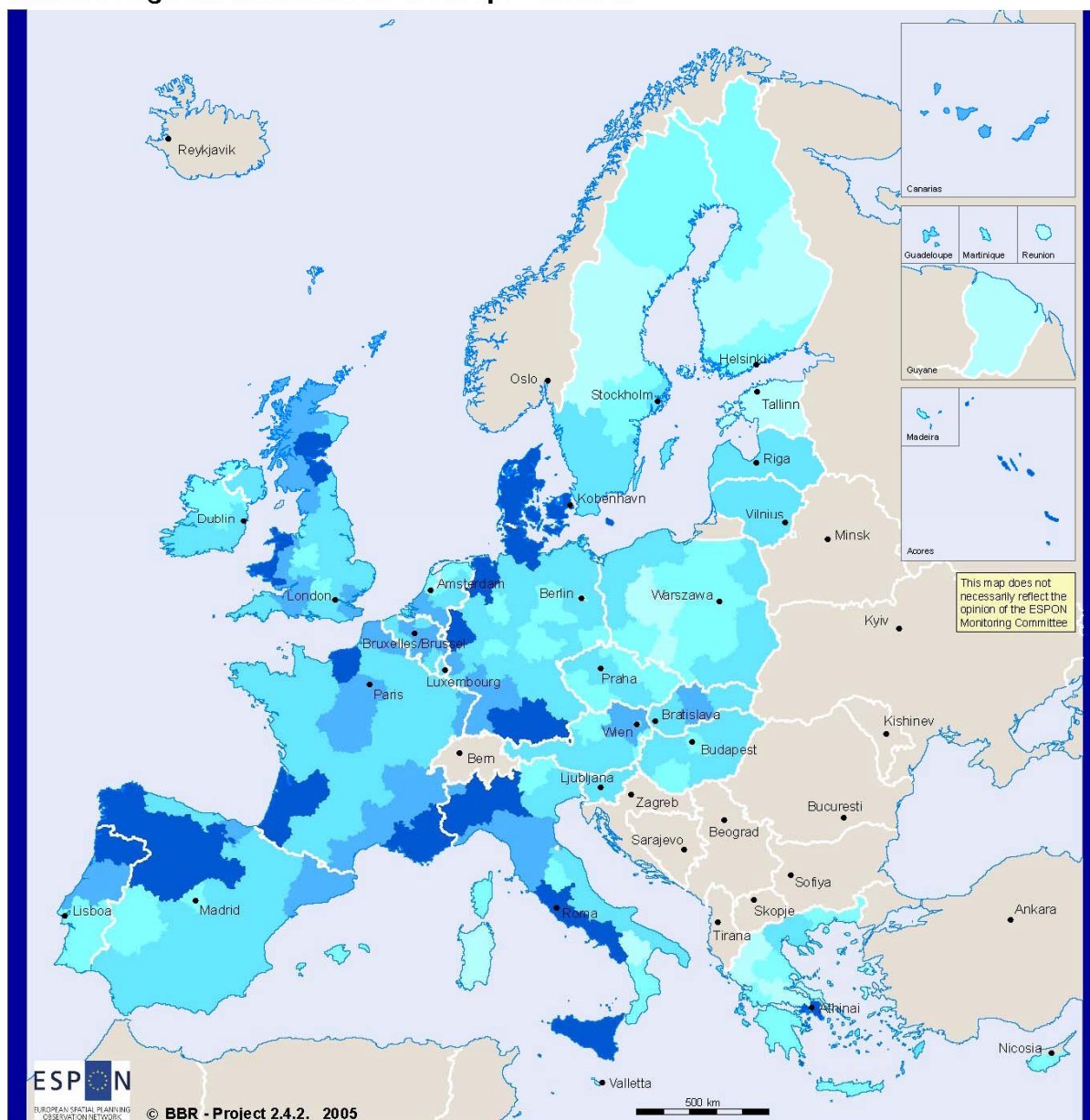
TEN-T priority projects in Convergence Regions and Cohesion Countries

Transport mode	Convergence Regions and Cohesion Countries
— Road	Other areas
— Rail	Quick start sections
— Inland Waterways	Other priority project sections
— Motorways of the Sea	

0 500 km

Potential accessibility, multimodal, 2001

Revised Regional Classification of Europe - hazards



Hazards

highly below average
below average
average
above average
highly above average

Indicators

Flood events	Regional average number of flood events
Winter storms	Probability of winter storm occurrence
Risk of radioactive contamination	Distance from nuclear power plants
Earthquake hazard potential	Earthquake hazard potential
Volcanoes	Number of all volcanoes in NUTS 2 area
Oil hazards	Average of 3 indicators (harbours, pipeline, refineries)
Forest fires	Number of fires 1998-2002

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PREMIERE REFLEXION SUR LES ESPACES DE LA COOPERATION TRANSNATIONALE

Quatre espaces présentent une forte **vocation maritime**, le caractère et les fonctions maritimes représentant le trait d'union entre les régions qui les composent : Espaces Baltique, Atlantique, Mer du Nord et Méditerranée. Des actions de coopération maritime intégrée incluant la sécurité maritime, la qualité de l'eau, les autoroutes de la mer, le cabotage, l'aménagement concerté des zones côtières et le développement portuaire, pourraient être privilégiées. D'autres actions, spécifiques de l'espace considéré, pourront également être conduites telles que par exemple la prévention contre la sécheresse en Méditerranée, les corridors de transport dans l'espace Baltique, la RDT et l'innovation dans l'Espace Atlantique. Quelques ajustements des espaces actuels pourraient être envisagés, afin de garantir cette cohérence maritime : transfert vers d'autres espaces de régions « intérieures », intégration du Channel dans l'espace Mer du Nord et des Périphéries Nordiques dans l'espace Baltique.

Deux espaces trouvent leur pertinence et se structurent autour de grands **corridors de transport assurant en particulier un franchissement montagneux** : Espace Alpin et Espace Sud-Ouest-Trans-Pyrénéen. Un soutien complémentaire à la réalisation des corridors de transport (effet de levier) et, en particulier, de leurs sections transfrontalières sera privilégié. D'autres actions plus spécifiques de chaque espace seront également encouragées : prévention contre les risques naturels, réduction de l'impact environnemental, RDT et innovation. Enfin quelques ajustements des deux espaces actuels pourraient être envisagés pour centrer l'Espace Sud-Ouest sur les régions irriguées par les grands corridors et l'Espace Alpin sur des régions présentant de véritables caractéristiques montagneuses.

Deux espaces actuels devraient être recomposés, du fait soit d'un surdimensionnement géographique

marginalisant les régions situées aux extrêmes (Espace Nord-Ouest Europe) soit d'un nombre trop élevé de pays participants rendant la gestion très lourde et réduisant les possibilités de projets stratégiques communs (CADSES)

- Le fractionnement de l'Espace Nord-Ouest Européen en un espace intégré dans l'Espace Mer du Nord et prolongeant celui-ci vers le sud centré sur des actions de RDT et innovation, de sécurité maritime et de renforcement des corridors de transport (UK-Benelux) d'une part et un espace Rhin-Meuse, centré sur la gestion intégrée de l'eau et la prévention des risques d'inondation, d'autre part, constituerait une option.. Une autre option serait de rendre cet Espace plus compact (en transférant vers d'autres Espaces certaines de ses régions périphériques) et de le centrer sur la RDT et innovation (pôles de recherche), le renforcement des corridors (ex : IRL-UK- Benelux) et la gestion fluviale (Rhin, etc...).
- De la même façon, la division de l'Espace CADSES en un espace CADSES-Nord (Centre-européen) et un espace CADSES-Sud englobant le Danube, les Balkans et La Mer Noire (intégrant l'Espace Archimède actuel quelque peu sous-dimensionné et marginalisé) devrait pourrait s'effectuer autour de quelques grands thèmes structurants. Un certain nombre de régions en position de charnière entre ces deux espaces pourraient bénéficier de la double appartenance (chevauchement). Les thèmes prioritaires possibles (de manière assez large pour l'instant) seraient les corridors de transports, la gestion intégrée de l'eau, la prévention contre les risques d'inondation et la coopération maritime intégrée (en fonction des bassins fluviaux et maritimes propres à chaque espace).

Enfin, les **trois espaces actuels concernant les RUP** méritent d'être reconsidérés sous l'angle de la portée stratégique. L'Espace Açores-Madeira-Canaries pourrait bénéficier d'une insertion dans

l'Espace Atlantique autour d'une dimension maritime forte. Cela n'exclurait pas des actions spécifiques de coopération de ces trois régions sur des problématiques spécifiques, telles que la prévention contre les risques sismiques/volcaniques ou la protection de l'environnement. Quant aux deux espaces Caraïbes et Océan Indien, leur caractère excentré par rapport au continent et la nécessité d'insertion dans leur environnement régional amènent à placer toute considération d'actions transnationales dans le cadre plus large du développement et de la coopération régionaux.