

Position Paper

UEAPME¹ position on the fifth report on economic, social and territorial cohesion: the future of cohesion policy.²

Key recommendations

- Concentrate the priorities on those of UE2020, but with a strong flexibility and a margin allowing the national and regional authorities in partnership with the economic and social partners, on the one hand to adapt this priorities the realities of territories, on the other hand to define individual particular measures on the basis of specific territorial needs;
- Establish a principle of multilevel and multi-actor governance, guaranteeing an effective partnership between the public authorities and the economic and social partners for the elaboration of the legislative procedures, the choice of the priorities, their implementation and the follow up. In this context, associate the representative European economic and social Partners to the whole legislative and decision-making process of the ERDF, as it is the case at present for the ESF;
- Apply the Small business act and the sound principle " Think small first " as basic rule for the elaboration of the European regulations and for their implementation at national and regional level,
- Guarantee a synergy and a complementarity between the various programs and financial instruments at European and national level, in particular between the rural policy and the structural funds,
- Adopt a much more dynamic policy of accompaniment of SMEs, micro and craft-type enterprises, by an active support for actions of accompaniment and advice giving by their territorial intermediary organizations and their direct and simplified access to structural financing,
- Simplify the administrative and financial procedures by referring to the experience of the project managers and of the intermediary organization, by the implementation of dialogue groups at national and European level between the project managers, the public authorities and the offices of auditing;
- Reorient the priorities of the technical assistance to improve their access by the intermediary organizations and set up actions of information, training and dialogue of all the actors.
- Create a new criterion of conditionality respecting the principle of governance, subjecting the allocation of the European funds to the effective participation of the regional and national economic and social partners in the choice of the priorities and their implementation. The reserve of performance should be used in favour of regions the most engaged in terms of partnership governance with the territorial economic and social partners.
- Set up the system of evaluation on the basis of results, by taking into account requirements such as the duration of the project, the skills of the controller, the criteria of audit and analysis, as well as the needs of preliminary training of the public and private stakeholders. The principles and the conditions of implementation of this evaluation should be defined in partnership between all the concerned actors.

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is 55820581197-35.

² 5th Cohesion Report, http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

1 - General Remarks

More than 95 % of the European enterprises act on local markets, whether they are local markets or export based on local skills and resources. Small and micro enterprises and particularly micro and craft enterprises are the most important creators of jobs at the level of territories, sometimes even the only ones in the rural spaces, the sensitive urban districts or in areas with natural particularities or other handicaps. Besides, they participate strongly in the local development and contribute to the improvement of the quality of life, to the attractiveness of territories and to the preservation of the social link. Nevertheless, the European policies often granted in the past the priority to the big companies, to the companies with fast growth or with exporting vocation, that is a small minority.

92 500 local and regional communities of the EU are responsible for the implementation of more than two thirds of the European legislation, the largest part of which affect directly small firms. With the Treaty of Lisbon and the priorities of the strategy EU 2020, regions will see their role and their responsibilities increased and are going to have to manage the transposition of the big decisions implementing the priorities of the strategy UE2020, among which most will have important impacts on SMEs and micro or craft enterprises.

Although the current regulations on structural funds underline that SMEs and microenterprises are priority addressees of the European policies of territorial development, several sources give evidence that hardly 2 in 3 % of small firms benefit from them. According to member states, they benefit in reality from hardly more than 1 or 2 % of funds. Finally, the economic and social impact of structural funds is not known: although more than 20 billion euro are intended for SMEs through structural funds, no serious analysis was dedicated to their impact on small firms.

Several factors still limit the full integration of the small and micro enterprises in the cohesion policy, in particular:

- The internal weakness of the resources and the very small size of the companies which restrict their capacity of direct access to structural funds,
- The priorities of the funds which do not often correspond to the realities of small firms,
- Tools or financial instruments which are unsuitable or with difficulty accessible, such as global subsidies,
- The insufficient participation of the intermediary organizations in the elaboration, the implementation and the follow-up of the programs,
- The extreme heaviness of administrative procedures and the length of the circuits of payment, which discourage companies and their organizations and force them to turn away from structural funds.

2 - Reactions to the priorities of the 5th report on the cohesion

Globally, UEAPME supports the will of the Commission to strengthen the efficiency of the cohesion policy as well as the evoked major principles:

- **the cover of all the European regions**, whatever their level of development. The objective is to strengthen the competitiveness of regions, source of new jobs, social inclusion and stability: if it is necessary to concentrate the means on regions having the most important needs, the most advanced regions or "richer" ones also know internal disparities; they too will have to apply the priorities of the EU 2020 strategy;

- **the concentration of the means on the implementation of the priorities UE2020**: the cohesion policy must not be considered as a simple instrument of the implementation of the priorities of UE2020, in reason in particular of its own objectives registered in the EU Treaty. However, if the European budget must be focused on European priorities, certain flexibility in the targeting of the actions must be granted to the regional authorities so that the operational measures are adapted to the differences of regional situations and to the various actors.

Room for manoeuvring should be granted to regions for punctual actions answering to the specificities of the territory and to the different actors. The list of the thematic priorities of the future regulations must be wide enough to take into account the variety of territories and the regional specificities which are not included in the priorities of the strategy UE2020.

- **The elaboration of a common strategic Framework (CSF)** including structural funds and funds of rural development would allow a better synergy between them. To be effective the CSF should:

- Be defined between the decision-makers community policies and the economic and social partners.
- To be coherent with all the other policies and the community programs which regions will be responsible for implementing, in particular those concerning SMEs and microenterprises (CIP, Research,...),

- **The contracts of partnership for the development and the investment**, which have to define the thematic priorities and the financial commitments, are a good example of the necessity of guaranteeing a perfect multilevel and multiactors governance:

- Measures of territorial application should not only be decided between member states and the Commission: both the regions and local communities and the economic and social actors should be part of their elaboration and their implementation;
- They have to watch the coherence and the synergy of the measures, in particular between structural funds and rural / fishing funds.

- **the consideration of the territorial specificities**: the initiatives of local development, allowing to associate the public authorities and the economic and social actors around integrated development projects just like LEADER or URBACT must be strengthened. Initiatives taking into account the geographical or other specificities, as islands and mountains, allow setting up regional and multiregional development projects in an integrated manner.

Also UEAPME encourages macroregional initiatives connected to economic geographical areas or life basins of the type "Baltic Sea" or "Danube" as well as those bound to the synergy between the urban, peri-urban and rural spaces; particular measures within the framework of the priorities of cooperation between the territories should be developed.

The big interest of these initiatives based on territorial specificities is that they encourage the public and private partners, in particular the economic and social partners, to elaborate strategies of local development based on an integrated approach.

It will however be necessary to pay attention that all the actors intervene; it is necessary to be afraid that, due to the lack of training, of preparation, knowledge of the economic and social circles, certain actors as the representatives of the small and microenterprises and the craft companies are excluded.

UEAPME recommends engaging towards all these actors some initiatives of training and accompaniment, which can be taken in charge within the framework of the technical assistance.³

- **The evaluation based on results**; this approach is particularly positive. It is nevertheless necessary to take into account four realities:

- The results of a project and its impact on the economic and social activity can be measured mostly only after a long period;
- While the current system of evaluation based on a management control could be easily led by the authorities of management, an evaluation on the result can be driven reasonably only by competent persons to analyze the projects in depths and not only the form of them.
- The need of indicators or precise and adapted reference tables; however current indicators are often unsuitable for the realities of small firms and the practical work on the ground done by the intermediate organizations.
- The application of these new evaluation rules will require one time of adaptation of the project managers as well as their preliminary training.

UEAPME recommends

- To set up a system of performance appraisal by peers; the management control could itself be simplified by adopting principles of proportionality and of lump sums for projects of reduced amounts, or confiding it to classic services of control of the accounts,
- To organize a dialogue between the Commission, the member states and the project managers and intermediary organizations, to define the principles and conditions of good implementation as well as the indicators or the necessary references.
- To set up a training plan for the project managers, public authorities and supervisory authorities before the effective implementation of the new system of evaluation.

- **The appeal to the instruments of financial engineering** to increase the leverage of the community funds; on this point, the initiatives JEREMIE and JESSICA would deserve to be revised in dialogue with the addressees, in particular the small firms, to be better adapted to them.

³ UEAPME proposes a joint program of training called OLIO. Cfr. "Measures of simplification of structural funds", UEAPME position paper, March 2010. Info: http://www.ueapme.com/IMG/pdf/100316_pp_simpl_admin_en.pdf

However, UEAPME worries about several capacities:

- **The principle of conditionality bound to macroeconomic criteria** of the Stability pact and the principle of penalties for the non compliance with the transposition of directives or with implementation of structural reforms is not realistic. It is not up to cohesion policy to put in place the Stability pact and the economic and social actors cannot be held responsible of national choices nor of reasons of the national public deficits. Besides, the conditionality bound to the Stability pact risks to penalize much more the citizens the most deprived as well as SMEs and especially the microcompanies which are those capable of bringing an answer in terms of employment and employability.

UEAPME proposes a more realistic criterion of conditionality, specifically dedicated to the cohesion, connected to the respect for the partnership principle, and which is based on two demonstrating criteria:

- The existence of multiactor governance and of an effective participation of the territorial economic and social partners for the choice of the priorities of the territorial operational programs, as well as the dialogue between the national and territorial authorities,

- The synergy and the complementarity between the various programs and their additionality with the own regional financing;

Concerning the reserve of performance, it should be bound to this conditionality partnership and allocated to regions and member states having developed effective partnerships with the economic and social partners.

- **The lack of reference to the rural policy:** the rural and outer-urban territories represent more than 80 % of the European space but the rural dimension is excluded from the cohesion policy in spite of its undeniable link with the urban policy, quite as the cohesion is excluded from the pillar rural development of the CAP (common agricultural policy). In its position on the CAP, UEAPME had underlined the incoherence of this situation, as far as the pillar rural development of the CAP is essentially intended for the support of agricultural policies. The exclusion of the rural development from the cohesion policy would lead to neglected rural territories; have an opposite effect to the purpose of cohesion and to the intensification of the urban politics without considering its natural interaction with its peri-urban and rural environment.

It is also necessary to underline the increasing importance of the extra-metropolitan territories, answering the notion of "hinterland" or "country", having opportunities of development arranged between towns and rural areas. It becomes essential to stop this artificial dichotomy and to define a total synergy between structural funds and rural development fund.

UEAPME is in favour of an extension of the ERDF and the ESF in rural areas, including operational measures facilitating the articulation between the rural and urban dimensions.

- **The principle of the big projects:** experience shows that the small and micro enterprises are generally excluded from them. To focus structural funds on such projects presents risks of unhooking economic and social realities of territories;

- **The financing of companies:** the Commission suggests supporting the financing of enterprises exclusively by means of the instruments of financial engineering by reserving subsidies for aid programs targeted at the implementation of the priorities of the strategy UE2020. This approach raises several problems:

- Most of the instruments of financial engineering, as the financing at risk, are not adapted to small firms: in most of the cases, only the systems of guarantees, refundable advances or ready to improved rates are accessible to them.

- The instruments of financial engineering generated by structural funds should not substitute themselves for the financial instruments managed by the European Investment Fund within the framework of the program competitiveness CIP, but only to complete them to answer specific territorial needs;

- The systems of subsidies remain the cofinancing instruments having the biggest leverage for the collective actions led by the intermediary organizations.

- In numerous cases, the financing were used to help companies which relocated their activities afterward, to the detriment of SMEs and local microcompanies which, on the contrary, strengthen local economy and employment.

For UEAPME, the financing for companies should be concentrated on the material or immaterial direct investments towards SMEs and microcompanies which maintain local employment, as well as on collective measures managed by their intermediary organizations.

The local and territorial authorities must be able to choose themselves in an independent way, in dialogue with the organizations of SMEs, micro and craft enterprises, the types of help most adapted to the entrepreneurial environment of the territory.

3-The priorities for the European Social Fund

UEAPME reminds of the major role of the SMEs, micro and the craft enterprises in the creation of employment, education and vocational training of young people and adults as well as apprenticeship. Concerning the debate on the articulation between the ERDF and the ESF, UEAPME considers that the support for the investments in the human resources cannot compare with the support for tangible investments or for infrastructures and that the ESF has not for vocation to intervene only within the framework of territorial policies, contrary to the ERDF. The ESF as the instrument in the service of the labour market, the employment policies and the social inclusion, could of this fact be confirmed in its role of instrument of the economic, social and territorial cohesion, but with its own clearly identified budget and defined at the community level, what would moreover allow to protect a certain autonomy while keeping more easily common rules and to harmonize certain administrative formalities with the ERDF.

For UEAPME, the main part is to guarantee a real governance of the ESF: on one hand the role of the social partners in the general organization of the ESF should be guaranteed at the national and regional level; on the other hand the fact for the ESF to be one of the cohesion funds should allow, with the European economic and social partners, to agree with the ERDF on certain common rules in the general regulation of funds while keeping rules differentiated in the specific regulations when they are necessary. To arrive at this harmonization respecting domains and specific modes of intervention of both funds, UEAPME considers that the social partners should be associated more strongly to the general legislative process.

As evoke the conclusions of the informal Council of the Ministers of 22.11.2010, the regional dimension of the ESF should be strengthened and its implementation more territorialized to take into account better needs diagnosed at the level of territories. Even there, this approach depends on the quality of the partnership governance which will be really organized with the economic and social partners in a way coordinated between the territorial level, the national level and the European level.

Concerning the future priorities of the ESF, UEAPME as European and social partner member of the ESF Committee, is actively involved in the position of the ESF Committee of 3.6.2010 and thus confirms its support for the intensification of the human resources in three social priorities of the strategy UE2020. In this frame, the ESF should improve the global support in SMEs and for micro and craft enterprises, include measures intended there to develop the skills of the business managers, the employees and the apprentices, as well as to strengthen their life long training.

In this frame, several new measures should be envisaged, as the support for the taking and continuation of the activities of companies by the employees⁴, support for the active ageing and the employability of senior workers, the intensification of the institutional capacities of the professional organizations of small firms.

4- The recommendations of UEAPME

One of the conditions of success of the cohesion policy is its adaptation to the realities, the needs and the expectations of the economic and social actors, in particular small firms. Several criteria must be taken into account:

- **the creation of a principle of multilevel and multiactors governance**, which guarantees an effective partnership between the public authorities, the economic and social partners, in particular the representative organizations of SMEs, micro and craft enterprises at every level and in every stage of the decision-making process and the implementation.

- This partnership is one of the essential conditions of the efficiency of the cohesion policy. The participation of the economic and social partners in the elaboration of the policies, the choice of the priorities and the implementation of the programs is the best mean to guarantee this efficiency. UEAPME position papers on the green book on territorial cohesion⁵ and on the white book of the Committee of the Regions on multilevel governance⁶ propose several operational measures in this sense.

⁴ UEAPME reminds of the urgency of measures: in less than 10 years, more than 6 million owners of reliable SMEs and micro companies will be forced to stop their activity due to their leave for pension, without buyers in spite of the solidity of their enterprise, threatening the employment of more than 20 millions of salaries.

⁵ Commission Green Paper Territorial cohesion, UEAPME position paper, February 2009, http://www.ueapme.com/IMG/pdf/0902_pp_Green_paper_cohesion.pdf

- The Commission should encourage member states and regional/local authorities and collectivities to implement this principle, for example by using the technical support to train the actors and set up the tools of partnership⁷.

- As indicated previously, this principle could be an important criterion of conditionality. To a certain extent, UEAPME regrets that the principle of subsidiarity does not allow the community regulations to impose this partnership, but the reserves emitted by certain member states and regions to cooperate with the economic and social partners have in reality negative effects⁸ : regions having set up effective programs of economic developments are exactly the ones which developed the partnership governance.

Member states and regions which apply it should be rewarded and should be priority: UEAPME supports the principle of the territorial charters of partnership, as the Reims declaration does.⁹

- make of the European Small Business Act – SBAE the basis of the cohesion policy and the future community regulations, with in particular the application of the major principles "Think small first" "Only once" as well as the proportionality principle. In the same way, the SBAE should become the reference for the definition and the implementation of the territorial operational programs;

- To develop an active policy of support in favour of the actions of accompaniment and advice provided by the intermediary organizations of SMEs and micro/craft enterprises. The priorities of UE2020 will have important impacts on small firms which cannot act alone to implement them and will absolutely need their intermediary organizations. The cohesion policy has to integrate an active policy of support for these intermediary organizations and to recognize them as natural interlocutors. Structural funds should:

- Strengthen the financing of their activities of vocational training and assistance / advice to small firms,
- support their grouped and collective projects of development, in particular by favouring their access to the global subsidies;

- Help them and train them in the implementation of partnerships with the local and territorial public authorities.

UEAPME recommends facilitating exchanges of knowledge and partnerships by favouring the dialogues and the cross-border cooperation between intermediary organizations of small, micro and craft enterprises within the framework of the programs of cooperation INTERREG and by realizing guides of good practices.

- the simplification of the access to the structural funds and the other programs or the community financing: in its proposal of 105 measures of simplification of structural funds¹⁰, UEAPME underlines that the administrative and financial procedures of structural funds exclude de facto small firms and suggests applying the principles of proportionality, of forfaitisation of the projects of low amount, the specificity of the administrators of projects and the beneficiaries.

The Commission could also implement an acceptable margin of error and reflect to limit the controls on the operators having already made the proof of their efficiency or offering all the guarantees of seriousness and competence, by a system of certificate of good management.

An important point is to watch the harmonization of the rules of eligibility and management between the programs ERDF, ESF and rural fund, by standardizing the essential rules while respecting certain specificities of the programmes.

UEAPME invites the Commission and the member states to set up, at three levels of decision, dialogue groups associating the public authorities, the project managers as well as the monitoring services of the accounts, to define the measures of simplification in the respect of necessary controls.

- the revision of the priorities and the condition of access of the technical support: in practice, technical support is not or little accessible to intermediary organizations. Technical support should be used for initiatives of training, information of all the actors, the raising awareness and the dialogue with the aim of simplification of the procedures. In its position on 105 simplification measures in structural funds, UEAPME proposes various orientations, in particular a system of alternative resolution of the disputes between administrative authority and project managers.

⁶ Committee of the Regions White book Multilevel governance, UEAPME position paper, December 2009, http://www.ueapme.com/IMG/pdf/091217_pp_multilevel_governance_en.pdf

⁷ See footnote 2

⁸ See footnote 5

⁹ Call of Reims of 15 September 2008 at the initiative of the European Parliament Intergroup Urban Logement http://www.urban-logement.eu/-rubrique9-.html?debut_rubriquearticle=21

¹⁰ UEAPME Proposal for simplification measures of the administrative rules and the financial management of structural funds, March 2010, <http://www.ueapme.com/spip.php?rubrique26>

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