



Assemblée des Chambres Françaises de
Commerce et d'Industrie

Belgian Chambers



Cámaras



UNION OF HELLENIC
CHAMBERS OF COMMERCE



Position regarding draft regulations pertaining to the cohesion policy 2014-2020 March 2012

POSITION - summary

- **regarding the partnership between local and regional authorities and socio-economic key players:** given the directions of the 2014-2020 cohesion policy (innovation, energy efficiency, job promotion, lifelong learning...), the Chambers of Commerce and Industry must be identified and acknowledged as "special partners" with regard to the implementation of structural funds: both beforehand, with their extensive involvement in the compilation of preparatory documents, and afterwards, with their participation in programme monitoring and evaluation schemes.
- **regarding the creation of an intermediate region status:** the CCI network has shared the idea of creating an intermediate region category, especially in order to respond to the needs of economically fragile regions by improving the corporate environment; the intermediate region category must not be established to the disadvantage of other categories, specifically the "convergence and competitiveness" regions.
- **regarding the thematic focus of structural funds:** the thematic focus proposed by the European Commission has emerged as a necessary measure with regard to the goals set by the EU2020 strategy, thus allowing for the development of structural projects for the territories; however, within an unstable economic context, there is a need to maintain some degree of flexibility with regard to the earmarking of funds in order to offset difficulties that could be faced by businesses, whose needs are not fundamentally focused on research or innovation.
- **regarding the urban component of European regional policy:** the issue of linking the thematic and territorial approaches has arisen. Efforts should be made to ensure that the thematic focus does not preclude projects pertaining to sensitive urban zones that are designed to meet their specific needs. Moreover, the placement of an annual "quota" of 0.2% of the annual ERDF (the European Regional Development Fund) financial package on innovative measures in the area of urban sustainable development may seem low or even a stumbling block with regard to substantial investments that may be made within the context of city policies.
- **regarding rural development:** the goal of incorporating EAFRD (the European Agricultural Fund for Rural Development) within a common strategic framework is part of a more integrated approach intended for the various funds; the aim of this approach is to simplify and standardise the rules used to implement European funds. We feel that it is indeed necessary to place specific emphasis on non-agricultural rural development that reflects the evolution of rural areas.
- **regarding territories with specific challenges:** specific attention should be paid to territories that suffer from severe and permanent geographic handicaps, such as islands and mountains, especially following the entry into force of the Lisbon Treaty in 2009, which has made territorial cohesion a new political aim of the European Union.
- **regarding financial engineering:** financial instruments will become more important within the context of preparations for 2014-2020; these new funding mechanisms will ultimately be an indispensable complement to traditional channels, especially during the phases specific to business development. The Chambers of Commerce and Industry (CCI) network is, in particular, affected by this approach, which may generate added value by satisfying, within a given territory, the needs of businesses in terms of financial engineering products.
- **regarding the simplification of management methods and access to structural funds for project promoters:** although the adoption of provisions intended to simplify the implementation of structural funds for management authorities is surely welcome, nevertheless, assurances should be made that project promoters, specifically companies, may benefit from transparency (for clear communication regarding eligibility conditions), stability (to limit differences in interpretation regarding texts pertaining to the management of European funds), and consistency (so that the rules may be applied in the same way within every territory).

- **regarding the addition of three new types of conditionality:** The European Commission has deemed it worthwhile to introduce three new types of conditionality in order to boost the performance of the ERDF/ESF (the European Social Fund) programmes, especially in terms of higher quality. Although these proposals are founded upon this principle, it is important that they must not thwart the simplification efforts pertaining to the implementation of structural funds.

Last October, the European Commission adopted proposals designed to strengthen the strategic aspect of the cohesion policy and to ensure that EU investments are tailored to suit Europe's long-term growth and employment objectives (EU 2020 Strategy). The Chambers: Assemblée des Chambres Françaises de Commerce et d'Industrie (Assembly of French Chambers of Commerce and Industry), Deutscher Industrie-und Handelskammertag, Wirtschaftskammer österreich (WKO), Unioncamare Consejo Superior de Camaras, Union of Hellenic Chambers of Commerce, La Fédération des Chambres de Commerce et d'Industrie de Belgique (Federation of Belgian Chambers of Commerce and Industry) wished to respond and adopt a position regarding the following points.

I. REGARDING THE PARTNERSHIP BETWEEN LOCAL/REGIONAL AUTHORITIES AND SOCIO-ECONOMIC PARTNERS

We must be able to learn from experience acquired during past years for the benefit of future preparations:

- Partnership consultations may be formal, with management authorities needing to set up information meetings for (excessively) many key players, yet it is not really possible for these key players to express their feelings. In this case, this has to do with reporting rather than a true partnership. This pitfall should be avoided as much as possible in future.

- The plethora of agencies, associations or NGOs keeps the partnership from being truly effective; there are too many stakeholders, which even hinder the effectiveness of the decision-making process. It would thus be worthwhile to limit the institutional and operational partnership to key players who are truly affected by and involved in the implementation of structural funds at the Chambers of Commerce and Industry level. It is undoubtedly at this level that the idea of a partnership agreement may be of real significance.

- Ultimately, as the idea of this partnership is an intrinsic part of the principle of subsidiarity, public decision-makers must take care not to reinvent management structures that are financed via European funds and are responsible for carrying out actions specified in the operational programmes (OPs). Often, these structures already exist and, in some cases, have existed for a long time. Partnerships with existing structures must therefore be encouraged, rather than the superimposition of structures that may sometimes generate sterile institutional competition that may prevent actions from being carried out smoothly.

Given the directions of the future 2014-2020 cohesion policy (innovation, competitiveness of SMEs, lifelong learning), CCIs should be acknowledged as 'special partners' with regard to the implementation of structural funds:

- both beforehand, with their extensive involvement in the compilation of preparatory documents,

- in the implementation of structural funds, with their participation in the monitoring of programmes and in the preparation of applications, especially corporate applications and applications concerning territorial economic interests.
- afterwards, with their participation in programme evaluations.

Moreover, the CCIs may play a key role in the delivery of information, project identification and business support and in the preparation and tracking of applications. Thus, the CCIs may help to strengthen the effectiveness of the ERDF/ESF programmes.

Finally, as the partnership has been extensively developed as a general principle behind the structural funds within the context of the general draft regulation, it would be worthwhile to evaluate it in order to assess its impact upon the development, implementation, monitoring and evaluation of the programmes. Likewise, consideration could also be given to ways to make the partnership more restrictive whilst not calling the principle of subsidiarity into question.

II. REGARDING THE CREATION OF AN INTERMEDIATE REGION CATEGORY

The CCI network has shared the idea of creating an intermediate region category, especially in order to respond to the needs of economically fragile regions by improving the corporate environment; the intermediate region category must not be established to the disadvantage of other categories, specifically the "convergence and competitiveness" regions.

Above and beyond the levels of support that allow intermediate regions to benefit from the maximum ERDF/ESF funding rate of 60%, there would be a need for co-financing rates to be increased temporarily in business sectors considered to be top priorities or economically strategic, especially those that have been significantly affected by the crisis. Addressing these rates could be a way to respond to emergency situations and to support high-priority "stimulus" packages set up for various territories. However, additionality and co-financing must remain the rule: the regional policies of the European Union must be resolutely geared towards territorial development and not towards permanent assistance.

III. REGARDING THE THEMATIC FOCUS OF STRUCTURAL FUNDS

The thematic focus proposed by the European Commission has emerged as a necessary measure with regard to the goals set by the EU2020 strategy, thus allowing for the development of structural projects for the territories. However, within an unstable economic context, there is a need to maintain some degree of flexibility with regard to the earmarking of funds in order to offset difficulties that could be faced by businesses, whose needs are not fundamentally focused on research, innovation or energy efficiency. Within the current economic context of the European Union, there seems to be an indispensable need to passionately defend the economic development of each region, the corporate competitiveness in general and employment. Moreover, there is a need to provide general support to all initiatives that promote the re-industrialisation of territories. This thus entails a broader spectrum of eligible sets of issues. Moreover, this flexibility is all the more necessary since community programmes such as the Framework Programme for Research and Technological Development and the Competitiveness and Innovation Framework Programme already fund projects that deal with sets of issues related to research and innovation.

The innovation stipulated in the draft regulations must also be truly understood in the broad sense of the term; indeed, innovation does not refer to technological innovation only, as it may also be organisational, marketing or service innovation and should be analysed in terms of new opportunities or competencies. As an example, a SME's shift from a traditionally subcontracting-oriented corporate culture to a corporate culture characterised by product/market adaptability really fits an innovation-oriented approach. The same, furthermore, may be said with regard to stimulation efforts intended for SMEs in the export trade, which also constitute a key development approach.

It will also be worthwhile, within the next period of preparations, to plan for an ambitious framework for action for the ESF in terms of the development of human capital and intangible assets with the allocation of ESF credits for forward-looking actions and the management of economic changes. Training in entrepreneurship must also be encouraged: Managers of small enterprises must become eligible for training initiatives in order to enable them to improve their competencies (general management, change management, business development...). Moreover, investments that are approved through the ESF must be accompanied by resources earmarked for a longer period of more structured support with regard to target audiences; for example, in order to yield effective results, business start-up assistance must include a significant consolidation/monitoring phase.

IV. REGARDING THE URBAN COMPONENT OF EUROPEAN REGIONAL POLICY

Above and beyond the 5% that is earmarked for the urban component, the issue of linking the thematic and territorial approaches has arisen. Indeed, the fact that 80% of responses focus on three priority areas is difficult to apply in sensitive urban zones with specific sets of issues. Moreover, the placement of an annual "quota" of 0.2% of the annual ERDF (the European Regional Development Fund) financial package on innovative measures in the area of urban sustainable development may seem low or even a stumbling block with regard to substantial investments that may be made within the context of city policies.

Furthermore, although the resources allocated for actions that promote urban development are, quite rightly, delegated to cities, it would seem desirable to ensure that economic key players representing the territories and Chambers of Commerce and Industry are able to participate in projects that concern them.

Finally, actions that are undertaken in terms of urban development are very important for port cities on islands that serve as ports of entry for territories and crossings that require significant efforts in terms of infrastructure. An increase for islands and port cities should thus be proposed.

V. REGARDING RURAL DEVELOPMENT

The goal of incorporating EAFRD (the European Agricultural Fund for Rural Development) within a common strategic framework is part of a more integrated approach intended for the various funds, which should simplify the rules used to implement European funds.

Although agriculture remains a structuring activity in rural settings, we must remember that industrial operations are mostly established outside urban hubs; more than two thirds of industrial jobs, especially those jobs that have to do with agri-food industries, the intermediate

goods sector and construction, are actually located in peri-urban and rural areas. Although rural areas offer a number of human services, they are still able to attract only a few service sector activities related to industry, such as the wholesale trade and business services.

Finally, it should be noted that, today, rural settings are more outward-looking and less isolated from urban life. Thus, there will be a need to consider this aspect in future preparations, especially with regard to the creation of an urban-rural link.

VI. REGARDING TERRITORIES WITH SPECIFIC CHALLENGES (ISLANDS, MOUNTAINS, LOW POPULATION DENSITY ZONES, OUTERMOST REGIONS...)

Pursuant to the adoption of the Lisbon Treaty, legislative proposals pertaining to the 2014-2020 cohesion policy must allow for an assessment of how community authorities intend to implement the provisions of Article 174 regarding the aim of Territorial Cohesion, and how they will pay "particular attention" to territories that suffer from severe and permanent geographic handicaps, such as islands, mountain regions and areas with low population density. It is unfortunate that the very few measures that specifically concern them in draft regulations singularly lack substance, and references to articles 174 and 175 of the Treaty in these documents are, by and large, simply token statements.

The allocation formula used for structural funds is currently based on such criteria as the number of inhabitants, national and regional wealth, levels of unemployment or education; geographic handicaps are given scant consideration (other than population density, which is taken into account only marginally, and only for the most developed regions). And yet the geographic or demographic characteristics of these areas have extremely specific budget-related consequences for the territories in question: the supply of infrastructure or services becomes much more costly for these areas and for the businesses that are established in these regions and that develop products or services there.

In the interest of fairness, even though it may not comply with the principle of proportionality, we therefore recommend that greater consideration should be given to territorial disparities.

- Implementation of an assessment system related to accessibility, social circumstances, attractiveness, etc. that is capable of giving consideration to the specific circumstances of territories that include islands, mountainous regions, low population density zones and outermost regions.

VII. REGARDING FINANCIAL ENGINEERING, ESPECIALLY REGARDING FINANCING FOR BUSINESSES

Financial instruments will become more important within the context of preparations for 2014-2020. In addition to subsidisation, which is the traditional method of financing for structural funds, it is also recommended that support given to businesses and projects that are expected to generate considerable financial revenues should essentially be supplied via innovative financial instruments.

The CCI network is particularly interested in this approach, which could generate real added value by allowing for higher-risk investments where traditional investors have hesitated to venture (innovative SMEs, steps to bring products to market, creation, transfer of businesses...).

These new approaches to financing will actually turn out to be necessary as a complement to traditional channels, especially during specific corporate development phases (start-up, the crossing of development thresholds by small structures...). Indeed, these financial instruments offer the two-fold advantage of providing better leverage than that offered by traditional structural funds, as well as greater durability, as the tools that are thus created may continue to exist even if the region is subsequently no longer eligible for structural funds. Above and beyond the development of the businesses themselves, the way in which these tools function offers a real advantage insofar as these funds are based upon a "snowball effect"; the resource may gradually be reconstructed through reinvestments involving products that are generated by the investments themselves. This, in turn, has a completely neutral impact upon public funds.

These new types of financial engineering may be adapted to suit areas other than that of SME/SMI financing: housing, services, urban renewal, social economics...The JEREMIE (Joint European Resources for Micro to Medium Enterprises) programme deserves special emphasis, but its implementation should be considerably simplified, and its resources should be kept separate from those of the ERDF. Public and/or private financial intermediaries would benefit from being selected by means of invitations to tender that call for the formation of regional consortia. This process would be separate from the implementation of structural funds, which would be unsuitable for such projects.

VIII. REGARDING THE SIMPLIFICATION OF MANAGEMENT METHODS AND ACCESS TO STRUCTURAL FUNDS FOR PROJECT PROMOTERS

Although the adoption of provisions intended to simplify the implementation of structural funds for management authorities is surely welcome, nevertheless, assurances should be made that project promoters, specifically companies, may benefit from this new context, especially with regard to the following:

- more transparency as regards the rules of operation for clear communication regarding eligibility conditions;
- strengthened stability in order to limit excessive changes in implementation rules;
- increased overall consistency so that the rules may be applied in the same way within every territory.

Moreover, efforts remain to be made with regard to the following points:

- There are significant discrepancies between the rates of preparation and ERDF payment rates; these discrepancies may be related to time frames for public procurement procedures, but they may also stem from the fact that no ERDF/ESF advances are possible (other than exceptions). This means that the project promoters should have a sufficient amount of cash in order to initiate the action, either through equity or with an advance on an endowment paid by the public co-financing organisation, if necessary. The possibility of paying ERDF advances during the start-up phase of projects would certainly be likely to improve success rates.
- There could be a better understanding of control procedures if audit criteria were "standardised" amongst States, regions and the European Commission so that accounting requirements could be reconciled at the various territorial levels. Once these rules were standardised and clearly established, they would be issued to the project promoters, who could implement the necessary procedures as soon as the relevant actions were initiated.

- Another point that is hard for businesses to manage concerns instructions for declarations with regard to public assistance and the application of the so-called "de minimis" rule. To this end, it would be worthwhile to offer a more effective clarification of rules that pertain to state aid. This could be accomplished through the creation of a practical guide intended for project promoters.
- Finally, we support the Commission's initiative to set up an "E – Cohesion" system by 2014. This electronic portal would be used to facilitate requests for documents and avoid repeat requests for the same document from multiple respondents.

Moreover, above and beyond the simplification of the implementation of structural funds, communication efforts regarding these funds should be increased. The opportunities that these funds represent for businesses and the identification of public or private key players able to support project promoters should also be stepped up. In particular, this effort could build upon the Enterprise Europe Network (EEN). The CCI network is thoroughly prepared to serve as an intermediary with regard to an understanding of and assistance for the establishment of projects intended for businesses.

IX. REGARDING THE ADDITION OF THREE NEW TYPES OF CONDITIONALITY

In order to improve the effectiveness and performance of the ERDF/ESF programmes, the European Commission has planned for the addition of three new types of conditionality:

- Macroeconomic conditionality, tied to compliance with the Stability and Growth Pact, which would allow assistance to regions to be suspended in the event that the relevant member state(s) should have an excessive budget deficit.
- Ex-ante conditionality, tied to preconditions needed for the proper use of funds for each accepted priority (existence of a strategic framework, transposition of EU legislative measures, existence of national strategies to support certain objectives or the existence of policies in certain areas)
- Ex-post conditionality, linked to the achievement of results, in order to evaluate programme performance and to reward those programmes that have achieved their objectives with a performance reserve (5% of the total budget earmarked for structural funds)

The implementation of the cohesion policy, which represents one of the Union's top budgets, must reflect a macroeconomic framework that is compatible with a clearly articulated objective of growth and employment. Indeed, there is a need to prevent the situation of a windfall not offset by compensation, as well as tax dumping, and to discourage States that wish to break the rules.

The States, owing to their role as management authorities, are still, with regard to the European Union, the ones most liable in the possible event of poor management, which would impact, on a de facto basis in the event of a penalty, territories, especially local municipalities. In other words, a State that is "penalised" due to an excessive deficit and that no longer receives community funds will obviously no longer be able to transfer said money to its regions, which will consequently be directly penalised.

Although the framework for action behind the "Europe 2020" strategy legitimately gives meaning to all of the Union's policies, it must be remembered that the key players of the territories' economic development continue to be the States and the municipalities. The aim of the

European Union, whose budget resources are limited, is to provide significant support for the development of actions, as part of a partnership, and not to take the place of national resources. Above and beyond any possible penalties, the main question thus concerns steps to ensure the consistency of community policies and programmes with needs that are determined at the various levels of the decision-making process, both before and during the implementation of programmes and actions.

Basing the cohesion policy upon results thus means that significant clarifications are necessary in order to optimise spending at multiple levels:

- By establishing a precise distinction, beforehand, between community competencies and the competencies of member States and regions, along with an allocation of responsibilities, as a prerequisite for the success of a joint project as regards the development, implementation and evaluation of policies;
- By coordinating community, national and regional financing efforts with strict respect for the principles of subsidiarity, additionality and complementarity, by searching for the most significant types of leverage and by considering the absorption capacity.

The definition of objectives that should ideally be achieved also requires clear choices concerning the tough issue of public policy evaluation, which must be a key component of programme management. This evaluation is of fundamental importance to all of the steps of the procedure:

- Beforehand, it should be the result of a strategic vision shared by all key players who are committed to territorial development and involved in the future implementation of programmes. Indeed, the determination of credible objectives that are shared by the greatest number of individuals depends upon this ex-ante evaluation that is discussed and shared by every representative local key player;
- During the programme, the midpoint evaluation must clearly indicate how the actions are really working, and the local authorities must be able to manage the process flexibly enough to adjust or transfer credits under clear conditions that must be defined beforehand;
- Afterwards, the ex-post evaluation must be carried out in accordance with the set objectives, by entities separate from the fund managers, and must be based on objective approaches that are geared towards results that are actually measurable.

In any event, if these three types of conditionality are retained in the draft regulations, steps should be taken to ensure that they do not thwart the simplification efforts designed to boost the effectiveness of the structural programmes and the effectiveness of the projects being funded.