PRELIMINARY OPINION
ON THE FUTURE OF THE EU COHESION POLICY

The Fourth Cohesion Report issued in 2007 by the European Commission underlines clearly the benefits of the Cohesion Policy and the positive effects it has had across the EU. It is one of the tangible examples of how an EU policy should be: modern, flexible, anticipative, quickly adaptable to an ever changing economic and social environment and bringing a substantial contribution to the achievement of the EU’s key policy objectives, such as the Lisbon Agenda. Moreover, under a coherent overall strategy, it allows all regions and communities to follow their own development path in the context of their specific situation and challenges.

These traits can be observed in the design of the new policy for the 2007-2013 programming period, which all the Member States have already started to implement. And they should be preserved and, where relevant, improved in the perspective of the next programming period.

In the context of the ongoing debate on the future of the Cohesion Policy, a reflection process has been initiated by the Romanian authorities, involving the most relevant institutions in charge with the implementation in Romania of the Cohesion Policy and with the management of structural instruments. The comments hereinafter reflect the first outcomes of the reflection process.

A. Key issues:

- Romania strongly supports maintaining an important share of the Cohesion Policy in the Union’s budget. We would like to emphasise the substantial and direct contribution that this policy is expected to bring to the fast modernization and development of Romania and to the real convergence with the rest of the Union, as already witnessed in the New Member States that joined the EU in 2004.

- In order to be more effective in reducing the development gaps, the most lagging behind countries and regions should be the main beneficiaries of the Cohesion Policy and therefore should receive increased allocations in terms of support per inhabitant.

- We are in support of maintaining the principle of national and regional allocations, which allows the developing regions to fully reap the benefits of the cohesion policy.

- The Cohesion Policy should continue to deliver valuable support to the renewed Lisbon Strategy goals. It has enough flexibility to finance innovative actions that would lead to new patterns of development in Europe. However, the Member States should keep their right to apply the appropriate “recipe” of Lisbon measures in line with their particular conditions.
- The Cohesion Policy should help regions to succeed in a global world by developing their capacity to find and strengthen the successful strategic position which will secure a competitive advantage of the region in the EU as well as on the global market. From this point of view, special attention needs to be given to good governance (i.e. efficient use of public funds and public resources), development of the knowledge economy and the continuous improvement of the human capital.

- In the context of the climate change, more efforts should be directed towards the prevention and mitigation of the negative effects resulted from this. A more attentive approach towards the environment is a must. Research, development and innovation are key elements in connection to this and they should receive a more dedicated support for environmental-related actions under the Cohesion umbrella.

- Concerning the synergy of the Cohesion Policy with the other national and Community policies, we consider that the Cohesion Policy may produce the expected results only in combination with articulated and comprehensive national and regional policies. The Cohesion Policy cannot be successful through an isolated implementation. In this sense, the integration of the relevant national and Community policies in a well designed and coherent strategic concept, which can better put into value the development potential of a country, region or area, should be essential. In particular, key attention should be given to the complementarities between the Cohesion Policy and the Rural Development Policy, which have similar objectives and instruments.

- Simplification of the delivery mechanism has been a declared objective for the 2007-2013 period. Often, the quest for simplification has led to the opposite result, giving rise to complications or simply replacing certain existing rules with other rules just as cumbersome as the previous ones. At the same time, both the Community acquis and the national legislations have become more and more complex. Issues such as state aid rules, public procurement, environmental impact, complex procedures and technical standards and so on pose many difficulties to the projects and often generate major delays in implementation (in the context of the ‘automatic decommitment’ rule). For the next programming period, the Commission and the Member States have to identify solutions for real simplification, in order to make the policy’s delivery more effective.

- The Cohesion Policy is beneficial not only for least developed countries and regions, but for the entire EU. We can easily identify many results of the policy without which the more developed regions and Member States couldn’t fulfil their interests on the Single European Market, such as: the development of the pan-European transport infrastructure and consequently the improvement of the spatial mobility, the movement of workers and goods, the transfer of knowledge and new technologies etc. In this context, the awareness related to the Cohesion Policy role as a “policy for Europe” needs to be stressed and enhanced.

It is also worth underlining that, beyond its obvious positive impact on the development of the EU member states, regions and cities, the Cohesion Policy provides some of the most visible benefits of the EU for the European citizens. This is something that we should all bear in mind in the context of the current debate on the future shape of the EU and the need to increase its legitimacy.
B. Responses to the subjects opened for public debate within the 4th Cohesion Forum

1. What lessons can be drawn from the experience of preparing the 2007-2013 programmes? In this context and in the light of the analysis provided by this report, how far is cohesion policy adapted to the new challenges European regions will face in the coming years? For example:

1.1. How can the regions react to restructuring pressures from dynamic competitors in low and medium tech sectors?

The need to restructure, modernize and facilitate the continuous knowledge-based innovation in terms of products, production and processes, as well as the need for human capital development, in order to deal with the challenge of globalization, represent problems that practically all EU regions are facing. Even supported by impressive growth rates, the new member states’ regions have an economic structure focused mainly on those sectors which are in competition with Asian emergent economies.

Many regions have a high share of employment in traditional sectors, where the weight of added-value is low and where the competitive advantage is mainly based on low-cost production factors.

Therefore, a first measure to be taken at regional level consists in restructuring the polycentric city networks, differentiated depending on their strength and functions, in order to develop and strengthen the competitive advantages and to contribute to the national competitiveness through the regional one.

In order to face the market challenges, the regions have to modernize and diversify their economies, by increasing the weight of high added-value sectors and creating favourable conditions for businesses, in particular for SMEs, by adopting and adapting innovative products and processes.

On the other hand, the entities which activate in research and development sector have to become aware of the role they might play in ensuring an adequate reaction to the restructuring pressures, thus being very important to encourage the interactive relations between the research institutes and the representatives of the business environment.

Active participation within regional, national and European networks and alliances, which promote exchange of experience, represents another possibility for the regions to recover the development gaps and to utilize their potential in reaching the strategic development goals.

As far as the human resources are concerned, the adaptation process to the competition forces requests promoting employers and enterprises adaptability, adapting the educational offer to the market demands related to qualifications and skills, increasing the continuous vocational training and the quality of the training process, as well as developing an entrepreneurship culture. Therefore, developing management skills and practices becomes very important, in order to ensure an integrated development, both at institutional and professional level.

Last but not least, besides the above mentioned measures, we need to highlight the importance of developing the administrative capacity, which represents an essential factor in the confrontation with restructuring pressures and in ensuring the legal and institutional framework for supporting the competitiveness.
1.2. Given wide differences in birth rates, death rates and migratory flows at regional level, what is the role of cohesion policy in responding to demographic change?

The demographic problem represents a key challenge for the states and regions of Europe, given the process of decrease and aging population, that most of the member states are facing, phenomenon that makes important pressures on the medium and long-term macroeconomic stability. Currently, one of three regions, in particular from new member states, is facing absolute demographic decline, and those regions which still have demographic growth, have that due to migration flows. The consequences of aging population process on economic and social life, as well as on future demographic evolutions will be visible as time goes by, giving birth to perturbations at the level of school age population, fertile population and work age population.

The management at the community level of the effects of demographic changes is essential for achieving a dynamic knowledge-based economy. Therefore, the new Strategic Guidelines on Cohesion 2007-2013 include the Lisbon Strategy priorities, establishing a unitary framework for the national strategies and regional programmes within the cohesion policy. Thus, subordinating the programmes supported by cohesion policy to the objective of creating more and better jobs, increasing the adaptability of employees and enterprises and of investments in human capital, will contribute to a decrease of present demographic phenomena on long-term. The mitigation of the negative effects of these phenomena will be more visible only if national/regional policies will be complementary to the cohesion policy priorities, through a differentiated approach of specific problems. It is all about family policies, social and employment policy, health policy, education and training, economic migration policy, free movement of persons etc.

From Romania’s point of view, the necessary measures to be tackled with within the cohesion policy, as response to the present demographic changes should include:

*Measures related to increasing the quality of human capital*: a better education and training of human resources, adapting the professional qualifications to the demands of the labour market, supporting the continuous vocational training by providing reconversion and specialization, fighting against early school leaving;

*Measures related to increasing the employment rate*: diversifying the forms of employment, developing equal employment opportunities, including the population from rural environment, increasing the employment for young people, decent level of incomes sufficiently attractive in order not to create migration from one area to another, promoting active aging by applying the flexicurity model in work.

There is the need, also, for a constant campaign in order for the population to understand and to become aware of the aging population phenomenon.

Moreover, concrete measures need to be taken in order to ensure a healthy aging process, by: ensuring equal access to basic medical services for all citizens, improving the quality and safety of the medical act.

At the same time, the cohesion policy can act indirectly over the increase of birth rates by improving life conditions, providing job security and a non-stressing environment for the families, in order for the employee to reconcile work and private life.
1.3. To what extent is climate change a challenge for cohesion policy?

Climate change constitutes a major challenge at global level, and becoming aware of its effects must be a priority for the decision authorities at all levels: international, national, regional and local. Cohesion policy promotes already the sustainable development as a horizontal dimension, and the reduction of the effects of climate change represents one of the elements that lead to the achievement of this objective.

When establishing the priorities of the cohesion policy, a major importance must be given to the integration of the components related to climate change prevention and mitigation or adaptation of economic activities to these conditions, as well as to the interventions related to the adaptation of the environment in order to cope with the effects of this global phenomenon.

Integrating these components might have as a direct effect an increase in the costs of some activities, but represents, on long term, a significant development opportunity for certain sectors, by exploiting their ecologic component and by developing new market niches related to research in the ecologic sector, as well as implementing clean technologies.

At the same time, the importance given to diminishing the effects of climate change in the above mentioned fields, may lead to the creation of better and safer jobs from the health point of view, and may also lead to the creation of new opportunities for vocational training.

Besides establishing certain financing priorities that take into account the effects of climate change, the cohesion policy may promote activities related to climate change also by establishing some preferential criteria, by which the European contribution to the financing given may increase, if some elements related to the reduction of the effects of climate change are taken into consideration.

Putting into practice the above mentioned measures needs also an awareness campaign of the decision factors, the socio-economic environment, and the population related to the effects climate change can have on the economic activities and on the environment, as well as related to the types of actions that may be achieved by each one, in order to contribute to the reduction of these effects and to the prevention of natural risks. Such activities, eligible to be financed within the cohesion policy, will have to be stronger.

2. How can cohesion policy further develop an integrated and more flexible approach to development/growth and jobs in this new context?

2.1. How can cohesion policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?

The general objective of the cohesion policy reveals the fact that the issue of diminishing the regional disparities represents already a key concern within the cohesion policy. However, the last two processes of EU enlargement led to the deepening of inter-regional disparities, the differences between the richest and the poorest regions in terms of GDP/inhabitant being almost double in the light of the recent enlargement processes. Therefore, in order to further ensure a harmonious, balanced and sustainable development, the measures within the cohesion policy must be grounded starting with the analysis of the circumstances that caused the lagging behind of some regions (territorial isolation, decline of some traditional economic activities) and with the identification of the real development potential of those regions. The cohesion policy has thus a different approach
towards the continent regions under the three objectives (Convergence, Regional competitiveness and Employment and European Territorial Cooperation).

Although for now the only criterion used within the cohesion policy for differentiating the regions is the GDP/inhabitant, using the indicators already analyzed within the Cohesion Report might help in better channelling the structural interventions (e.g.: sectoral GDP, the employment and unemployment rate, total expenditures for Research and Development etc.).

Depending on specific factors that lead to differences between the levels of development of the regions, the necessary measures to be undertaken within the cohesion policy, in order to have a balanced, harmonious and sustainable development, have to include:

- Reduction of physical isolation of regions, by creating new transport routes as well as promotion and valorisation of their potential, both at European and national level. A clear example may be the development and extension of renewable energies and the investment in energy efficiency at the level of regions that are lagging behind, based on low energy consuming production methods, but which have potential for further development of renewable energies. The estimated increase of energy prices might encourage the development strategies in such regions.

- In those regions which mainly based on industrial activities in decline, the initiatives of economic restructuring must be supported by elaborating and applying special restructuring programmes that may lead to the significant increase of the weight of tertiary sector, new enterprises must be stimulated, in particular those which promote innovation and make competitive high technology products.

- Revitalization of urban areas, rehabilitation of old urban infrastructure must be taken into account in order to increase the attractiveness of some cities and urban agglomerations in decline. At the same time, in order to reduce the pressures on big urban agglomerations, it is essential to promote the growth poles, in order to ensure a globally higher growth potential.

- Encourage the cooperation between regions with different development levels must be taken into account, not only under European Territorial Cooperation Objective, but also under Convergence and the Regional Competitiveness objectives. Therefore, the implementation of projects with major impact at least at regional level must be encouraged, in order to benefit to as many partners from different regions.

Besides these specific approaches, the balance must be maintained between the policies that aim at reducing the gap between the regions that are lagging behind, the dynamic regions and the policies that refer to the competitive regions.

2.2. What are the impacts of the challenges identified in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?

Social inclusion and equal opportunities are very important values for the EU, and the cohesion policy is developing on a permanent basis these principles. The last programming period has introduced the “mainstreaming” approach for the issue of social inclusion and equal opportunities, so that a wider set of specific instruments has been developed in order to horizontally apply these principles within the cohesion programmes. Despite all that, the effective implementation of these measures was very limited (in particular related to the labour market, by enhancing the employment conditions and related to the educational and vocational training system).
Having in mind the importance of the policies related to social inclusion and equal opportunities, and in particular a gender mainstreaming for the economic efficiency, the response of the cohesion policy to the problems related to the implementation of these principles should aim at a local and regional approach/implementation, at strengthening the regional cooperation, at developing the institutional and professional capacity, as well as developing the communities and the community spirit.

Therefore, measures need to be taken at the level of education and vocational training systems, in order to promote the inclusive dimension of education, at the level of employment policies, in order to develop a dynamic, flexible and inclusive labour market and at the level of social assistance systems, by giving special attention to building social houses and to financial support for persons belonging to disadvantaged groups, in order to integrate them on the labour market.

2.3. What are the key future skills that are essential for our citizens in facing new challenges?

In order to adequately tackle with the economic and social challenges the European society is facing, a special attention needs to be given to education and vocational training systems, so that the skills developed within these systems are in line with the demand on the labour market. The development of school and vocational training curricula must take into account the objective of a knowledge-based economy on one hand, and the dynamic of the local or regional economies, on the other hand.

In line with sectoral objectives of the cohesion policy (full employment and active policies on the labour market, development of long life learning systems, research/development/innovation-based economy, sustainable development), the following key competencies must be taken into account, both by each and every one - for a personal development - and at the level of education and initial and continuous vocational training systems:

- Specialisation and continuous updating of the knowledge in each sector is also a necessity in order to cope with the changes and to stay informed with the new techniques. Therefore, the basic ITC knowledge is also one key competence that needs to be embraced by all population. It grants better access to information, it eases the work using friendly interfaces and facilitates the communication;

- Entrepreneurship competencies are key competencies requested by the market economy;

- Managerial skills are important to be assumed by everyone no matter the sector, as provides a better organisation of the work, an increase in productivity, but also a better understanding of the decisional process;

- Linguistic and multicultural skills – knowing several foreign languages facilitates communication and dissemination of best practices, as well as the exchange of expertise related to solving problems, contributing at the same time to increasing the information capacity.

Last but not least, competencies related to personal and behaviour development are essential: assuming responsibilities, taking into account cultural values, natural heritage, environment and society respect.
2.4. **What are the critical competencies that should be developed at the regional level to make regions globally competitive?**

Although natural material and human resources that all regions possess are at the basis of their development, the competitiveness depends largely on the capacity to develop and implement the most adequate strategies that may lead in time to a competitive advantage for the regions when competing with global market.

It is thus of utmost importance to realize the regional advantages, so that they could be turned into key elements for the development and competition on the market.

Starting from the conditions that a region must comply with in order to be competitive on the market (a favourable business environment, highly qualified and adaptable work force, adequate infrastructure, innovative environment and a macroeconomic management of good quality), the main competencies at regional level should include:

- Strategic planning based on advantages and disadvantages analysis – being aware of and assuming the strong and weak points and promoting such actions: finding feasible solutions in order to improve development problems, exploiting strong points and turning them into competitive advantages at international level;

- Partnership culture: strategic approach, along with the involvement of the Community and the most relevant actors at national, regional and local level help adapting the activities to regional and local conditions and finding the most suitable and successful solutions;

- Administrative capacity – the existence of a competent staff at the level of central and local administrative structures, of an efficient cooperation with the private sector, but also with other interested groups, all that represent factors which ensure the good management of material and financial resources of the regions;

- Innovation capacity or, where the case may be, developing the infrastructure necessary for research and innovation, which favour innovation, as a condition for an economy based on research and innovation results;

- Adapting human resources qualifications to the market demand (by adapting school curricula).

3. **Following the appraisal of the previous questions, what is the assessment of the policy management system for the period 2007-2013?**

3.1. **Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?**

Complying with the subsidiarity principle, by holding the competencies at the level where they can be solved in the best way, so that they best respond to the needs of those involved, by applying the local autonomy in the most efficient way, represents an essential premise in order to ensure an optimal distribution of responsibilities between the levels involved in managing such a complex policy like the cohesion policy.

It is well known the fact that neither the regional level is evenly distributed on the territory of all member states, nor the responsibilities given to each region are evenly approached at EU level.
Under these circumstances, having in mind the importance of valorising to the maximum the development potential at each level in the context of development strategy at national level, the role of the Community and national level will naturally consist in establishing the general framework where investments will take place, according to the development strategy. At the same time, it is necessary to create at this level favourable conditions in order to efficiently apply a bottom-up approach, which encourages the involvement of everyone interested and which creates, taking into account the specificity of each territorial level and each intervention type, the conditions in order to valorise at the maximum the existing potential at local, regional, national or even trans-national level.

On the other hand, each actor’s role within the system will have to be thus established and acknowledged, taking into account the specific circumstances of economic, social and territorial nature, given a dynamic economy. The political consensus within this process is essential, along with increasing capabilities at each level, in order to efficiently fulfil its role and to reach the general objective of the cohesion policy.

3.2 How can cohesion policy become more effective in supporting public policies in Member States and regions? What mechanisms of delivery could make the policy more performance-based and more user-friendly?

The role of the cohesion policy is to reduce the development disparities between EU regions and to improve the competitive position of the regions within the international economy, along with correcting development deficiencies by supporting the areas/regions that are lagging behind. The transparency within the financing process, but also the administrative simplification that implies facilitating the access of potential beneficiaries to information, are both important premises in reaching the general objective of the cohesion policy.

The efficiency of the cohesion policy consists not only in the simple absorption of European funds, but also in an efficient use of all public funds, in order to achieve the objectives at local/regional/national/trans-national level and to valorise at the maximum the existent potential at all these levels, as a base principle in achieving the cohesion policy. Having in mind that public funds (including the Community funds) are usually limited, compared to major development needs, prioritizing the needs, having a unitary strategic approach by integrating all relevant policies at national and Community level and all the persons interested, turning to good account the existent or potential synergies, are essential in this process.

Therefore, a pro-active dynamic approach is needed; approach which takes into consideration the existent local advantages and which is based on strengthening the strategic planning and fund management capacity, along with investments in human capital, as an essential element in promoting a sustainable development. Given a free market, it is thus of utmost importance to promote a territorial balanced dynamics, which will aim at promoting the increase of developed areas that could act as growth poles at regional or national level, as well as stimulating the areas that are lagging behind.

For these less developed regions, strengthening the fund absorption capacity (not only the Community funds) through all available instruments, as well as orienting the available resources towards the sectors with growth potential, represent essential premises in the view of promoting a sustainable development. Avoiding excessive economic concentration in certain areas must not have as effect the orientation of resources towards non-performing sectors that cannot maintain the economic and/or social growth on long term.
3.3. How can we further strengthen the relationship between cohesion policy and other national and Community policies to achieve more and better synergies and complementarities?

Romania considers that the cohesion policy may produce the expected results only in combination with articulated and comprehensive national and regional policies. The cohesion policy cannot be successful if separate implemented compared to other policies. Therefore, it is essential to know the relevant national and Community policies, along with their integration in a strategic concept well outlined and coherent, which may best valorise the development potential of a country, respectively of a region or of an area.

It is of utmost importance to ensure the coherence of the different policies, but that implies first of all to know the economic, social and territorial context for each territorial level and to establish the development priorities in a coherent manner. When creating synergies and complementarities, it will have to be taken into account the existent capacity at the respective intervention level (local, regional, national or even trans-national), the elements related to context and to the history of the region, as well as the development potential on medium and long term. Imposing a certain action direction, while ignoring the local, regional or national specificity, will have as effect an incoherent, non-sustainable on long term type of development.

3.4. What are the new opportunities for co-operation between regions, both within and outside the EU?

The cohesion policy, along with other Community policies and programmes, represent an efficient set of instruments, which promotes cooperation both within the regions, between the European regions and with regions outside the Community area. The cooperation is justified by the need to resolve certain problems of common interest and by the need to achieve its own development interests by a certain area or region and to make the best use of the existent opportunities.

In the framework of a globalised economy and of limited resources available, it is essential to strengthen the cooperation through cross-border or neighbourhood programmes. At the same time, cooperation may take place at any level and on any theme and has to take into account the valorisation of opportunities to the maximum, in order to achieve the existent potential. Research and development, promotion of knowledge-based economy, environment protection and risk prevention, improvement of risks and cross-border connections, in order to promote a sustainable development, and last but not least, commercial exchanges are just a few fields where strengthening the cooperation is very important.

Strengthening the cooperation capacity and efficient absorption of available funds through every possible mean – as for example exchange of good practice, common actions, exchange of new technology, development of new partnerships, creation of thematic networks etc. - will have as effect the efficient and effective implementation of existent cooperation programmes and, at the same time, will create the premises of developing new regional cooperation partnerships, including with states outside the EU, as United States of America, China or Russia.