South West England’s reply to the public consultation on the European Commission’s Fourth Cohesion Report

January 2008

Introduction

South West England is pleased to respond to the Commission’s Fourth Report on Economic and Social Cohesion ‘Growing Regions, Growing Europe’ and looks forward to ongoing engagement with the Commission as it explores and plans for post-2013 policy and programming.

The Union’s agreement in December 2005 to modify European Cohesion policy to help the economy face the challenge of globalisation represented a major success. Despite budgetary pressures created by extending the policy to EU-27, the Union retained the central idea that the policy should focus on balanced economic growth by reducing income disparities. At the same time, it sharpened the policy’s focus on competitiveness by explicitly linking it to the renewed Lisbon agenda for more and better jobs and the Gothenburg agenda for environmental sustainability. In addition – and this, in itself, was a major advance – the European Council extended the policy to all regions and retained its delivery system based on decentralisation and subsidiarity. These decisions, which we supported, have ensured that European Cohesion policy is a key part of South West England’s economic development framework.

Our response to the questions asked in the Fourth Cohesion Report is set out below, and our key messages can be summarised as follows:

- Cohesion policy has had a positive and transformational impact in South West England;
- future Cohesion policy needs to ensure that it takes into account both the Lisbon and Gothenburg agendas, driving forward the sustainable growth of the Union;
- strong integration and alignment of European policies and programmes is essential if programmes are to have maximum impact;
- more emphasis must be placed on assessing the impacts of Cohesion policy; and,
- Cohesion policy must enable Member States and regions to better support and drive innovation and enterprise by offering them the opportunity to be flexible, with the ability to take appropriate risks.
1. (a) What lessons can be drawn from the experience of preparing the 2007-2013 programmes?

1. The main messages we have to offer the Commission from our experience of developing the current programmes are:
   - the importance of partnership working and the empowerment of regions in driving their own economic development;
   - the need and benefits of aligning Cohesion programmes with existing and developing strategies at the regional level; and,
   - the necessity for mainstreaming both the Lisbon and the Gothenburg objectives into the operational programmes and the opportunities this creates.

2. European regional and cohesion policy has been instrumental to the economic renaissance of South West England. The transformation due to the policy is considerable. The economic position of Cornwall, prior to 2000, was known for many years and national policies had been unable to make an impact in helping it to improve its economic performance. The Union decision to classify the county as an Objective 1 region since 2000 and since 2007 as a Convergence region is stimulating a transformation. This is due both to the co-finance provided by Cohesion policy and its system of implementation. The policy’s decentralised way of working has placed the county’s economic future in the county’s own hands and has dynamised local actors. The county is now growing more rapidly and is converging towards the Union average. The same is true for the wider region of South West England where all actors (local government, the voluntary sector, private business and the social partners, groups of special interest) are engaged in driving regional economic prosperity.

3. The implementation of European Cohesion Policy has provided the region and its economic actors with a unique opportunity to work together, making a great difference to the region’s economic life and performance. The value of this consensus was evident when the region worked to prepare its development strategy 2007-2013 and its two operational programmes. It was evident throughout the process that the region’s own capacity to formulate its economic future had steadily increased throughout the period of implementation of its Objective 1 programme. In both cases, it is the wider regional partnership which has played the decisive part in directing the region’s development effort. An added benefit in the preparation of the 2007-2013 programmes was provided by the clear link to the economic modernisation (Lisbon) agenda, reflected in the Union’s strategic guidelines on investment and the system of Lisbon earmarking. The partnerships developed through Cohesion policy are enabling the region and its stakeholders to continue to be forward-looking and to make stronger contributions when it comes to engaging at the European level, for example through this response.

4. The alignment of the operational programmes with the ambitions of strategies at the regional level, including the Regional Economic Strategy, and with sub-regional economic strategies, has strengthened the ability of the programmes to affect change and embedded Cohesion policy within the region’s economic development framework.
5. **This time around we have built on the success of environment as a cross-cutting theme (used to assess bids in the previous programmes), mainstreamed the Gothenburg objectives within our operational programmes.** The programmes make a major commitment to reducing carbon emissions. This approach is set within the context of the prioritisation given to this issue in our Regional Economic Strategy, and the recent Stern Report\(^1\) which highlighted the urgency of the situation and the opportunity costs of delaying action. The long term economic benefits of moving the region towards low carbon economic growth will be significant and the programmes can play a key role in: ensuring that programme investment directly supports projects that demonstrate best practice in reducing energy and resource use; and, helping to deliver the culture change necessary to deliver long term regional carbon reductions and a low carbon economy.

(b) 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?

6. In South West England, we have been able to use Cohesion policy to address the key challenges which we, and other European regions, will face. As we see it, these are:

   - the imperative of increasing levels of productivity;
   - boosting international trade and competing globally; and,
   - tackling and adapting to climate change.

7. It is worth noting that whilst Cohesion policy did not prevent us from adopting an innovative and balanced approach to the Lisbon and Gothenburg agendas, for example by mainstreaming work to develop a low carbon economy in our operational programmes, neither did it directly drive this process. We would hope that **post-2013 policy will ensure an appropriate balance between Gothenburg and Lisbon.**

8. Despite the emergence of new challenges in recent, and in coming, years and despite the vast changes in the Union since the broad lines of the policy were put in place in 1989, the objectives of European regional and cohesion policy remain fresh and valid. It concerns itself with the economic growth of regions and the Union’s single market for labour, and thus contributes to the Union objective to improve the well-being of citizens through “balanced economic growth” and the achievement of a “highly competitive social market economy aiming at full employment and social progress.”\(^2\)

The benefits, and costs, of market-driven growth do not fall equally on Member States and regions. Regional and cohesion policy is the Union’s response to the concerns raised by the uneven distribution of the costs and benefits of the single market.

9. European regional and cohesion policy is one of a trinity of economic policies through which the Union seeks to do this\(^3\): market-opening, both internally (the Single Market)

\(^1\) Stern Review on the Economics of Climate Change, HM Treasury [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

\(^2\) Both quotations are from the recently-signed Lisbon Treaty.

\(^3\) This emphasises the role of Union policies in economic growth, whereas most national governments would argue that their growth record – especially if it is good – is due to their own economic management. In part this is true, national macro-economic policy is obviously crucial to growth. But at the same time, national macro-economic policy is made within a Union context. All Member States benefit from the growth inducing effect of the Single Market and from the Union’s trade agreements with third countries.
and globally; the single currency, the Euro, with its common rules for the macro-management of the economy (the Growth and Stability Pact) and its common guidelines for managing the supply side of the economy (the Lisbon and Gothenburg agenda); and, regional and cohesion policy, which encompasses financial support for the Union’s Single Labour Market. **European regional and cohesion policy plays a double function within the trinity: it seeks to help the weakest regions and areas to close the gap between their income and the Union average thus bringing greater balance to growth; and it contributes directly to a faster overall rate of growth and productivity, both for Member States and for the Union as a whole, improving the competitiveness of the regions of Europe, while taking account of the need to develop and maintain an inclusive society and protect and enhance our environment.**

10. The policy also supports the operation of the Single Labour Market. The European Social Fund, which is equal to 10 per cent of the Union budget, presents an instrument to Member States and regions which helps them provide a positive response to the churning of growth through a range of measures to support the labour market (action to help women into economic activity; training and life-long learning; improvements in labour market institutions; actions to integrate minorities into economic activity; social inclusion, etc.). This is a Union-wide activity. The policy’s delivery mechanism provides the additional benefit of inciting regions to pursue strategic, long-term investments (see the answer to Question 2 below). For example, the Combined Universities in Cornwall – regenerating the county by boosting enterprise and higher education, linking regional businesses more closely with research.

11. European regional and cohesion policy’s structure has proved to be adaptable to changing circumstance. Introduced alongside the Single Market and the Single Currency as one of the trinity of policies for economic growth, the policy has:

- provided a stable medium-to-long-term financial framework to help regions restructure and fine-tune their economies in order to increase competitiveness;
- coped with successive enlargements which have doubled the number of Member States, increased the number of regions by [a third] and widened regional income disparities;
- diversified support away from basic infrastructure and into the ‘softer’ investments thus helping the Union’s regional economies to increase their competitiveness and adaptability;
- helped regions to respond to the evolving challenges of the internal labour market, notably by helping them to achieve higher training standards and offer economic opportunities to women;
- enabled regions to adapt their policies to changing conditions in urban areas and to focus on social inclusion, including the integration of migrant workers and their families;

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Member States who are also members of the Euro zone must heed Stability Pact rules. Even those outside the Euro-zone manage their currencies so as to keep within a particular relationship with the € and with an eye on Stability Pact rules. And all Member States accept the Lisbon and Gothenburg agenda. Just as all Member States benefit from the positive effects of growth induced by the Single Market and Single Currency, so they may suffer, perhaps disproportionately, from the imbalances caused by the more rapid growth.
• stimulated regions to improve their administration and financial management and thus secure greater value from public expenditure.

12. The Commission’s questionnaire calls for examples. In the context of the present review, we have drawn out some of the lessons from this positive experience. Examples of lessons we are learnt are set out in the paragraphs below.

13. The policy has, and is, supporting us, Cornwall and the wider region, to chart our own distinct pathways to economic growth. Taking account of Union, national and regional priorities, Cornwall is following its own route – building on its strengths and overcoming weaknesses. The county has not been obliged to adopt a ‘one-size-fits-all’ solution imposed from outside. The objectives of European Cohesion Policy provide a precise focus on economic growth, with which to guide the region’s, and Cornwall’s, strategy and development programmes. Now, through the achievement of a faster rate of growth, their GDP is catching up with the Union average.

14. The Union’s investment guidelines, and those of the United Kingdom and the South West England region, ensure, for the region and Cornwall a higher added value for its investment spend. The choice of investment priorities within investment guidelines doubles the advantage, by enabling and prompting the region and county to take account of such important factors as competitiveness in the face ofglobalisation; the critical need to reduce energy consumption; the strategic importance of sustainability, both environmentally and socially; and so on. A strong example in South West England is the bio-medical cluster in Plymouth, which includes the Tamar Science Park and the Peninsula Medical School. These investments were strategic, forward-looking and encouraged the development of the region’s knowledge-based economy.

15. A further benefit to South West England and Cornwall flows from the region’s direct involvement in Union policies. Cohesion policy itself encourages an innovative approach to economic development and the incorporation of positive results into development programmes. Also, the close contact which Cohesion policy establishes between the region and the Union steers the region to take up advantages and benefits from other Union policies, like those for research and enterprise. It also ensures that the Union is able to tap into and make use of key developments carried forward and tested at the regional level, for example our low carbon approach.

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

16. The evidence indicates that there is a need in the west of our region to accelerate the restructuring process, creating jobs and businesses in new, higher-skilled sectors. The continuing restructuring of the industrial base in the west, along with a similar situation in rural areas, has exacerbated intra-regional disparities. The need to develop higher value added jobs in sectors where there are long-term growth prospects applies across the whole region.

17. As well as restructuring, there is a need to focus on increasing productivity of the business base as a means of maintaining employment levels and increasing wages. Innovation has an important role to play in helping existing businesses improve their
competitiveness. The evidence also indicates that the region’s average performance at a national level hides significant and long-standing sub-regional disparities.

18. It is important to progress interventions to promote and support innovation in our low and medium tech sectors to help increase productivity and product value. For example, our investments in tourism-related activities such as the EDEN project, which has been part of the push to achieve higher quality tourism and higher spend, are supporting higher value added growth and jobs.

19. The ability of regions to react to restructuring pressures is, first and foremost, a function of the way they organise their development effort. In this, the Union’s strategic investment guidelines and the system of Lisbon earmarking are of key importance. They help regions to maintain a clear strategic focus in their programmes which are agreed and are now being implemented. This clear focus will enable regions to foresee threats, establish their response and demonstrate their structural flexibility, confident that the overall goals and guidelines laid down by the Union and the Member State will point them towards success.

20. Their focused and flexible response will involve, among other things, the upskilling of workers as well as rapid re-training of those made redundant by restructuring (the Global Adjustment Fund should be further developed); acceleration of the rate of innovation as an important contributor to competitiveness; and flexible, regionally-tuned forms of capital provision. This last point chimes with the Union’s concern about financial leverage and the value for the Union budget. It is important that the Union achieves a better mix of loans and grants, with regions allocating more of their funding to recyclable loan funds.

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?

21. It will be critical for the Union, faced with a relative shrinkage of its working-age population, to increase its employment and productivity rate. Regions working within regional and cohesion policy are ideally placed to play a key role in this effort because of our capacity to act on both sides of the labour market. Our deployment of the programme’s investment funds creates work places thus increasing demand for staff. Regions increase the supply of staff by actions to increase the participation of women in economic activity, to integrate migrant workers, to increase the access to work of those who are handicapped or barred from employment in some way. Our training actions ensure that staff who are available for employment have qualifications which are being sought by employers.

22. The question of migration has risen rapidly in the policy agenda of many regions, revealing itself as a volatile, Union-wide phenomenon, spanning issues like globalisation, enlargement and the Single Market. As a Union-wide issue, where migrants pass not only from region to region but from Member State to Member State, migration is a question which lends itself to a response at Union level. It is reflected in an increased effort by many regions to put in place improved arrangements for the integration of migrant and ethnic minority communities.
23. In the South West, and in many other parts of the Union, we are facing an ageing demographic profile. Whilst we undertake considerable work to attract and retain young people, we are also working to encourage more active ageing, attracting and retaining older people in the workforce. For example, the ESF-funded SWOOP (South West Opportunities for Older People) project, provides guidance, support and programmes to employers and individuals in regards to the employability of older people.

1.3 To what extent is climate change a challenge for cohesion policy?

24. **Climate change must be seen as an integral part of cohesion policy.** There remains a fundamental challenge to de-couple growth of GDP from that of carbon (CO\(^2\)). Cohesion policy is not alone in having to now square economic development policy focusing on traditional measures for boosting growth with the need to reduce carbon emissions. There are several approaches to this, and regional policy needs to provide a strong framework that can drive down CO\(^2\) consumption by coupling future investments into measures to reduce CO\(^2\) output and some means of emissions trading. CO\(^2\) reduction can provide a powerful economic driver for the future in developing technologies and industries that will be needed throughout the world. Regional policy should stimulate such investments.

25. Cohesion policy needs to link more strongly with the work of other parts of the Commission, for example DG Environment’s aims to reduce carbon emissions and the work of DG Research to support the growth of environmental technologies.

26. **In the South West, we have taken bold steps to integrate the environment and the economy,** seeking to take advantage of the opportunities that the need to reduce carbon emissions offers. In line with the Government’s sustainable development strategy, our operational programmes for 2007-2013 address the relationship between the economy and the environment through two perspectives: recognising the potential impact of economic policies on the environment; and, recognising the potential economic benefits that environmental policies can bring. The Regional Economic Strategy outlines a vision recognising that the quality of the region’s physical and cultural environment is central to providing a high quality of life for everyone. One of the region’s aims is to show that economic growth can be secured within environmental limits to bring prosperity to the region. Our programmes will be a pilot for a low carbon approach to regional development and will invest in the drivers of a low carbon economy.

27. **Policy should continue as an economic policy of the Union and the Union’s GDP per head should continue to provide its essential benchmark.** But there is room to develop the use of other European indicators – for example, for the labour market, environment, research and innovation performance – to give additional guidance to regions as to how they should shape their regional growth policies. This would further tie the regions into the goal of sustainable economic modernisation translating into action the renewed Lisbon agenda for growth and jobs and the Gothenburg agenda for sustainability.

28. **Regional policy has a part to play in ensuring that regions are able to effectively combat and adapt to climate change.** We develop our strategies and operational
programmes within the framework of investment guidelines and concerns expressed by the Union and national governments. This framework must take a strong approach to addressing climate change. According to our information, the funding devoted to such investments will total around €62 billions in 2007-13 programmes. This demonstrates the extent to which regions, implementing European regional and cohesion policy in full subsidiarity and having as their objectives the growth and competitiveness of their regional economies, are responsive to the Union’s strategic objectives. It is a clear illustration of the way in which the policy secures added value for the Union budget, with investments serving both the objectives of growth and responding to climate change. The impact of investments for climate change will be further magnified by the retention of this area of interest as a cross-cutting theme in many regional programmes. We would like to see embedded as a core underpinning theme in the next round of programmes.

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

29. Future development of European Cohesion Policy should begin with the recognition of the advantages it brings to the Union. Notably, it should continue to:

- link European Cohesion Policy to the Union’s macro-economic policy and the Growth and Stability Pact through the conditionality of its funding and, in this way, to the sound management of public finances;
- focus on competitiveness, which is of key importance to all regions, whether they are classified as Convergence or Competitiveness regions. The latest reform of Cohesion Policy, tying it closely to the Lisbon agenda through the introduction of ear-marking and strategic Community guidelines for investment, has furthered understanding of the way in which the region, by a co-operative and integrated effort, can deliver a bonus to its businesses by creating a climate which favours economic development. The combination of Union co-finance, Union and national investment guidelines and decentralised decision-making increases the added value of EU resources;
- set a European target for sustainable, low carbon growth, the Union’s average level of income per head. In Member States where the national average is below the level of Europe, the Union average and its evolution provide a more realistic benchmark against which to judge performance;
- apply to all regions, a feature of the 2005 reform. The pursuit of economic growth through the Single Market and the Euro is Union policy and European Cohesion Policy ensures that, when this growth leads to income disparities, which it inevitably does, there is a Union response. The aim of narrowing regional income disparities gives a precise focus to Cohesion Policy;
- link investments in business and infrastructure with those in the development of the labour market, through schemes for education and training; social integration and inclusion. Expressed in terms of funds this means that the European Regional Development Fund and the European Social Fund should continue as separate entities and work in harness with one another.
operate within its seven-year programming period, thus providing a
stable medium-to-long-term framework in which regions can formulate
and carry out their strategies to accelerate growth and converge on the
Union average. This is an important advantage of European Cohesion
policy which cannot be gained from national policies;
operate in a decentralised way, fully reflecting the principle of
subsidiarity. This aspect of the policy safeguards against any tendency to
force regions into “one-size-fits-all” policies and strengthens regions’
involvement in their own economic development. The strong tie to
Europe incites regions to take account of, and use, other European Union
policies in their development effort – Internal Market, Competition,
Environment, Social, Research, Enterprise, and so on;
insist on co-financing which greatly increases the financial resources
available for regional development and creates an important financial
leverage;

30. The new focus on competitiveness applying to all regions, whether classified as
Convergence or Competitiveness has furthered understanding of the way in
which a region can deliver a bonus to its businesses by creating a climate which
favours innovative and sustainable economic development. This increases the
added value of EU resources allocated to the policy.

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?

31. Cohesion policy provides a strong framework for regions and offers the flexibility,
through subsidiarity, to enable the diverse regions of the Union to make use of it
appropriately.

32. One part of the Union’s territory – namely rural areas – lies outside regional and
cohesion policy in that rural development remains the competence of the common
agricultural policy. There is no economic justification for this and, in fact, it may even
prejudice the development of rural areas since its works against the harmonious
development of rural areas together with the towns and cities on which they depend.
The transfer from agricultural policy to regional and cohesion policy of the funding
allocated to rural development would be a correct response to this economic reality
and would open the way to a more integrated conception of rural development.

33. European regional and cohesion policy has proved to be an important instrument in the
regeneration of run-down urban areas and in tackling social inclusion. The Union
should seek ways to ensure that the knowledge built up by cities through the Urban
programme is not lost.

34. At present, the regional and cohesion policy essentially divides the Union’s regions
into two groups. The Convergence regions have an income (GDP) per head of 75 per
cent of the Community average, or below, and receive the bulk of the policy’s funding
(80 per cent of funding for 40 per cent of population). Competitiveness regions are
those above 75 per cent of average income and qualify for a much lower intensity of
funding (12 per cent funding, 60 per cent population). Between these two groups are categories of regions, where extra funding is given on a temporary and regressive basis in order to palliate their change in status. To achieve the stronger emphasis on the Lisbon objectives, which will clearly need to continue in the next programming period, it may be appropriate to review the allocation of funding between Convergence and Competitiveness objectives.

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?

35. Our answer under questions 1.2 and 2.1 bear on this question. Of especial importance is the role which the Urban initiative played in helping regions to improve their performance on the fields of inclusion and integration.

36. It is useful to start with the reminder that the European Social Fund amounts to 10 per cent of the Union budget. It would be worthwhile for the Commission to consider how to increase the impact of this spending in the achievement of the single labour market. Experience shows that the results of active labour market policies can be increased whenever the spending instrument of the ESF can be brought to bear to provide an incentive to the adoption and pursuit of particular policy developments.

37. The benefits of subsidiarity and decentralisation do not seem to be fully exploited in connection with investments in the Union’s single labour market. There would be a gain if regions were given a greater role in shaping their own regional labour market strategies and selecting projects for European Social Fund co-finance. If this were done within strategic guidelines for labour market development, Union labour market policy would be given added dynamism, the integration between physical investments and investments in people would be improved and benefits would accrue.

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

38. The Union has developed the concept of “flexicurity” as a new departure in the European social model. Instead of emphasising the importance of job protection for those in work, flexicurity would deliver protection by switching the emphasis to helping those who had lost their job to find a new one quickly. Flexicurity thus creates new responsibilities.

39. One responsibility is for economic managers, at either the Union or national level, is to keep the economy working at a high enough level to create a demand for sufficient people. If this cannot be achieved, the length of time between jobs risks being too long with a consequent loss of social protection. Regional and cohesion policy plays a vital role in stimulating economic activity at the level of regions and helping them to improve their competitiveness and will be an essential partner to a system built on flexicurity. Regions and their workers need an understanding of future skills needs and access to skills development opportunities must be available at all levels if the skills base of a region is to be broadened.

40. The other responsibility is for the worker herself, who must maintain qualifications so as to be able to compete successfully for work. The answer to this question lies,
therefore, not in listing particular skills or sectors which will be important, but in emphasising the desirable qualities of employability and adaptability. In this context, it is useful to again emphasise the part which regions can play in ensuring the successful operation of the internal labour market and to suggest that the implementation of a greater part of ESF funding should be devolved to the regional level.

2.4 What are the critical competencies that should be developed at the regional level to make regions globally competitive?

41. The experience of regions in remaining competitive inside the enlarging EU single market – which can be likened to internal globalisation – reveals the importance of being aware of strengths and weaknesses and being outward looking. European regional and cohesion policy helps in both senses: requiring regions to consider their strengths and weaknesses in their development strategies and operational programmes and encouraging them to set themselves against Union, rather than national, benchmarks. A third critical competence for a region which seeks to enhance its competitiveness is the capability to evaluate performance and many regions need to develop this competence further.

42. Target-setting by means of performance indicators and regular evaluation are integral parts of operational programmes co-financed by regional and cohesion policy. Programmes are evaluated in the preparatory phase, during implementation and again at their conclusion. The results of evaluations are widely disseminated. But the practice remains under-developed and is not carried forward sufficiently to become a coherent system of self-assessment.

43. This may be due to a number of factors. One is that performance assessment is pushed to one side by the increasing workload and uncertainty caused by requirements for financial management make it difficult for programme managers to devote sufficient attention to performance assessment (see our reply to Question 3.2 below). The same applies to the auditors themselves, who do not have sufficient resources to add programmes of performance audits to those they carry out for financial management. Also, the work requires a climate of confidence between the regions, Member States and the Commission. The regions need to be sure that performance assessment is a tool to help them improve awareness of how their programme is working and not a crude basis for making Union funding conditional.

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

44. As we have discussed in previous questions, whilst Cohesion policy did not prevent us from developing strong operational programmes that will support long-term, sustainable economic growth in our region, we felt that achieving the right balance between the Lisbon and Gothenburg agendas was a result of our own ambitions rather than being built into the policy framework.

45. Cohesion policy has a poor record in claiming credit for its achievements. Any revision of the policy should make this a major concern and establish a consensus with Member States and regions which will ensure proper recognition of Europe’s role in regional economic and labour market development. Regions like South West England
make this a priority, seeking to go further than the minimum which is required in the policy’s current regulations. More needs to be done to demonstrate the role being played by the policy, even in the current programming round. If changes in the policy’s regulations are not possible at this stage, the Commission should develop an ad-hoc programme of actions to raise citizens’ awareness of the benefits the policy brings.

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?

46. European regional and cohesion policy’s way of working – its delivery system – is distinctive. It is as important to its results as its funding. The present subsidiarity arrangements should continue with the basic rule being that control and funding should be passed to the regional level. Derogations from this rule should be allowed only when they were the subject of a consensus between the different levels of the multi-governance.

47. The delivery system – which aims at a great degree of decentralisation to Member States, regions and cities – is integral to the policy and represents the Union’s political choice for a particular form of economic governance. It embodies and gives full expression to the principle of subsidiarity.

48. An examination of the policy’s decentralised implementation system provides a vision of subsidiarity in action:

- The policy has allowed, and is allowing, Cornwall and the wider region to chart their own distinct pathways to economic growth. Taking account of Union, national and regional priorities, they are following their own route – building on their strengths and overcoming their weaknesses. The county has not been obliged to adopt a “one-size-fits-all” solution imposed from outside.

- The objectives of European regional and cohesion policy provide a precise focus on economic growth, with which to guide the region’s strategy and development programmes. Now, through the achievement of a faster rate of growth, their income is catching up with the Union average.

- The Union’s investment guidelines, and those of the United Kingdom and the South west England region, reflect the Lisbon and Gothenburg agenda. They ensure, for the region and Cornwall a higher added value for its investment spend. Union co-finance for investment stimulates growth. The choice of investment priorities within investment guidelines doubles the advantage, by enabling and prompting the region and county to take account of such important factors as competitiveness in the face of globalisation; the critical need to reduce energy consumption; the strategic importance of sustainability, both environmentally (global warming) and socially; and so on.

- A further benefit to South west England flows from the region’s direct involvement in Union policies. Regional and cohesion policy itself encourages an innovative approach to economic development and the incorporation of positive
results into development programmes. Also, the close contact which regional and cohesion policy establishes between the region and the Union steers the region to take up advantages and benefits from other Union policies, like research and enterprise.

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?

49. An area of difficulty in present European regional policy is the growing administrative and financial management burdens being passed to project sponsors. These burdens are earning a bad reputation for the policy, even among the direct beneficiaries, and are fuelling calls for its re-nationalisation.

50. The background appears to be the tension within the system of shared management, where the partners – the EU, the Member States, the regions – frequently address questions of financial management in a conflicting way. This saps mutual confidence and the possibility of dialogue. The result is that financial management systems become more burdensome and costly as requirements multiply and are simply passed down the bureaucratic line from the European Court of Auditors to project sponsors. The South West of England region has proved itself well up to the task of managing the funds which, perhaps, puts it in a position where it can speak of the financial minefields which are being created. It is necessary to do so, since there is a danger that management burdens will soon outweigh to many programme managers and project sponsors the benefit of the Policy’s financial resources.

51. The Lisbon Treaty has redefined the budget responsibilities in a way that might be useful in the future and new policy regulations go in the same direction. But it will be several years before the benefit of these changes becomes apparent. Also, present practice in interpreting financial regulation is such that there can be no guarantee that, unless there is a co-operative and consensual approach between the European Court of Auditors, the Commission and the Member States, the new rules will lead to substantial improvement in the requirements faced by the end users of the Policy. Therefore, in view of mounting criticism, it would be desirable for the Commission and the Court of Auditors, as two European institutions created by the Treaty and bound by its objectives, to lead a Union-wide response. The “reform” being looked for in this area is not, therefore, changed regulations – at least not in the first instance – but a new approach.

52. In the reworking of Cohesion policy for the next programming period, we strongly believe that robust impact evaluation of the policy and its funding interventions during the 2007-13 period is needed if the quality and impact of future interventions is to continue to improve. Evaluation of the Structural Funds has focused in the main on programme implementation and outputs rather than impact. Whilst these are, and will continue to be important, robust impact evaluation of all future interventions is essential if we are to achieve a stronger assessment – both qualitative and quantitative – of the impact of policy and funds and have more informed discussions on future plans. Robust impact assessments would also go some way to improving the reputation and acknowledgement of the role of Cohesion policy in the Union’s economic growth.
53. South West England has decided to take a commissioning approach in our 2007-2013 programmes to ensure that projects are delivered in the most efficient manner both through value for money criteria as well as ensuring positive or at a minimum mitigated environmental impacts. We will be evaluating the success of this approach and hope to offer some insights into its success over the coming years, which may inform proposals post-2013.

54. The management of risk, and the ability to take risks, is for us an integral part of encouraging and enabling a culture of innovation and enterprise. Cohesion policy in the future may need to offer more opportunities for public bodies responsible for economic growth to take risks and have systems in place to enable these risks to be well-managed.

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?

55. In seeking to increase the competitiveness of its economy and, thus, to create more and better jobs, the Union needs to reaffirm its vision of the respective roles of European regional and cohesion policy and the Lisbon planning and reporting agenda. The two are mutually supporting but distinct. The Lisbon planning and reporting agenda uses the open method of coordination to indicate the lines which Member States should follow to improve their economic competitiveness. European regional and cohesion policy has a double value. As part of the Union’s trinity of growth policies, it seeks to balance and increase growth by reducing regional income disparities. At the same time, it contributes to the Lisbon process by offering itself as a financial instrument for the promotion of competitiveness, something which was called for in the conclusions of the Kok Report. The Union would suffer a loss if, in the wealthier Member States, European regional and cohesion policy disappeared to be subsumed in the Lisbon guidelines and national strategy process.

56. It is worth reiterating here the importance we place, in South West England, in ensuring that the objectives of the Gothenburg agenda are fully integrated in European regional and cohesion policy.

3.4 What are the new opportunities for cooperation between regions, both within and outside the EU?

57. The possibilities for interregional cooperation and the exchange and dissemination of good practice are a major advantage of European regional and cohesion policy. South West England has been investing a great deal of effort in the creation of a network under the Regions for Economic Change initiative, which we hope will qualify as a fast track network. The network will focus on an all-important topic for regions seeking growth, namely increasing the rate of innovation in the regional economy. Eleven Member States will be represented in the network. The region intends to remain aware for other possibilities for interregional cooperation, which we regard as an important advantage of the Union’s regional and cohesion policy.
We are happy to discuss, with the Commission and other interested parties, any aspect of this response in greater detail.

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