1. What lessons can be drawn from the experience of preparing the 2007-2013 programmes?

We welcome the introduction of the new strategic approach to cohesion in 2007-2013, including the Community Strategic Guidelines on Cohesion. In particular, we support the links made to the Lisbon strategy for growth and jobs, the integrated broad economic policy and employment guidelines, and Lisbon National Reform Programmes (NRPs).

The focus on Lisbon activities through the earmarking exercise ensured spending was focussed on specific Lisbon areas; however, the earmarking categories were too prescriptive and there was not clarity over what expenditure these categories covered. In future, an approach needs to be taken that would allow additional flexibility whilst ensuring that an activity is contributing to growth and jobs in the region. Also it needs to be ensured that there is sufficient flexibility to enable other innovative financial instruments, such as European Investment Bank funds, to contribute effectively to Cohesion objectives.

Looking at the strategic architecture as a whole, the Integrated Guidelines for Jobs and Growth and NRPs set out the key challenges that the EU, Member States and Regions face. We doubt whether there is a need to identify a separate set of challenges for Cohesion Policy. Instead, the task is to identify how Cohesion Policy can support Member States’ policies (at National and regional level) to address the Integrated Guidelines and recommendations agreed by the European Council. The Integrated Guidelines and NRPs should therefore drive Cohesion Policy and Structural Fund programmes. In doing so we need to ensure that unnecessary duplication between the NRPs and National Strategic Reference Frameworks is avoided.

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?

The challenges facing Member States and their Regions should continue to be addressed at the appropriate levels. We believe, however, that Cohesion Policy should remain focussed on achieving sustainable growth and jobs. If the scope of Cohesion Policy were widened then this could result in a shift in resources away from addressing disparities in development, which should remain the primary aim of Cohesion Policy.

Cooperative working between Regions could also be used to identify and spread effective practice in addressing these and other challenges. This process would exchange and disseminate best practice across Member States, and provide analysis and evidence to inform the design of future programme activities and also promote closer cooperation between Regions.
Wider consideration of the role that the EC Budget could play in supporting these challenges should take place as part of the EC Budget Review.

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

At an EU level, the challenges of restructuring are already being addressed in the Integrated Guidelines for Jobs and Growth, which identify microeconomic reforms to increase Europe’s growth potential. The sections on facilitating innovation and strengthening the competitive advantages of the European economic base are particularly relevant to the effects of Globalisation. The Member State NRP identifies the actions that need to be taken at a National level. In the UK the Government and the sub national administrations and organisations\(^1\) have developed economic strategies to tackle the issues specific to their areas.

Cohesion Policy, by linking activities closely to those of the Lisbon Agenda is addressing the issues of Globalisation. This focus should be continued, although there may be scope for adjusting details.

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?

Cohesion Policy is responding to demographic change through active labour market policies which support integration and progression in the labour market; and through increasing the demand for labour, for example, by supporting the development of enterprise; and sustainable communities, through measures such as investing in improved broadband/telecoms networks.

At an EU level the Integrated Guidelines for Jobs and Growth sections 17 and 18 set out the challenges in terms of promoting a lifecycle approach to work, and ensuring inclusive labour markets for job-seekers and disadvantaged people.

1.3. To what extent is climate change a challenge for Cohesion Policy?

The Gothenburg Agenda is clearly linked to the Lisbon Agenda and is covered in the Integrated Guidelines which the sustainable use of resources and strengthen the synergies between environmental protection and growth.

Current Cohesion Policy already has a strong focus on climate change issues. Where appropriate programmes are required to be assessed for their environmental sustainability and various activities which support a sustainable environment are already supported.

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\(^1\) In the UK these are the Devolved Administrations for Scotland, Wales, Northern Ireland and the Regional Development Agencies to England.
The full impacts of climate change on the economy and workers are not yet fully understood. There are major challenges, but also opportunities. For example, the transition to a low carbon economy will also be a significant employment opportunity\(^2\). However, if the scope of Cohesion Policy were widened then this could result in a shift in resources away from addressing disparities in development, which should remain the primary aim of Cohesion Policy.

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

The Integrated Guidelines for Jobs and Growth and NRPs should continue to drive Cohesion Policy. The strategic approach to Cohesion Policy and the link to the Integrated Guidelines should ensure an integrated approach.

Europe is made up of Member States with very different structures and traditions. There is no ‘one-size-fits-all’ approach – to be effective policies need to be tailored to National and regional circumstances.

The link to NRPs should provide the flexibility for Cohesion Policy to add value to the policies relevant to each Member State and to allow Regions to focus on their specific priorities, within the overall framework to promote growth

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?

Within a strategic framework that focuses on growth and jobs all Member States and their Regions should have the flexibility to address the specific challenges they face in increasing their economic performance, whether it is addressing local areas of deprivation or maximising the economic potential of both cities and the rural areas.

The addition of territorial cohesion to the treaty does not extend the competence of Cohesion Policy but formalises the work that is already being undertaken; one example of which are actions carried out through the Cooperation Objective.

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?

\(^2\) The environmental industries in the UK are already worth more than £25 billion and employ some 400,000 people
Cohesion Policy currently addresses the key issues around social cohesion, particularly through active labour market policies and actions which tackle discrimination and promote employment integration.

Jobs are at the heart of both economic progress and social justice; competitive success comes from an effective workforce and for most people a job is the way to realise their potential. Employment enables people to provide for themselves, their families and their future. Jobs also lead to social inclusion because work is the best route out of poverty and prevents people from falling into poverty in the future.

Under the current system supporting social inclusion by improving the employment prospects and skills of disadvantaged people is a key focus for interventions under the European Social Fund. Cohesion Policy should contribute to Europe’s social dimension by helping people to make the most of the opportunities that the knowledge economy presents. It should complement Member States’ efforts to reform their labour markets by introducing active labour market policies which protect employability rather than specific jobs.3

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

It is important to support improved skills to maximise economic competitiveness and widen opportunities. It is vital that we look at the EU’s long term skills needs and identify the specific areas where skills need to be raised. A European Skills Review would provide the necessary analysis.

Improving skills levels is essential not only to improving productivity, but also to addressing child poverty, poor employment rates for the disadvantaged, regional disparities and income inequality.4

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

Regions need to ensure that, in developing their own economic and skills strategies, they give full consideration of the impact and opportunities that Globalisation can bring. A strategic approach to Cohesion Policy will ensure that all Regions will be considering their cohesion actions in the context of European and National policies aimed at addressing Globalisation.

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3 As the UK reported in its 2006-2008 Lisbon National Strategy Report on Social Protection and Social Inclusion, the European Social Fund already contributes to the UK Government’s goal of an inclusive society by funding additional activities to help disadvantaged groups access the labour market. Key target groups include disabled people, lone parents, older people, ethnic minority groups and low skilled people

4 Recent research, funded by ESF in the UK, by the National Research and Development Centre indicates that improving basic skills provides significant economic returns to individuals in terms of their earnings and employment prospects.
These strategies and Cohesion actions should be informed by a good evidence base, identifying strengths and weaknesses. Strong regional and local leadership and collaborative working are also important.

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

It is too early in the process to fully assess how effective the improvements in the new Structural and Cohesion Fund Regulations have been but some initial comments can be made.

We welcome the move towards a strategic approach. It is, however, important that the benefits that each administrative level can bring are maximised. Within this strategic approach Regions should be allowed the flexibility to make best use of their resources towards maximising their development opportunities.

The simplification of the financial management, control and audit systems is welcome but they remain complex and there are still opportunities for further improvements. Current systems should be subject to further review with the aim of identifying further simplification that maintains a high standard of financial control while minimising the administrative burden.

Specific areas of concern are the inconsistent interpretation of the regulations by EU institutions, the retrospective application of changes or additions to the regulations during a financial perspective and EU institutions changing their interpretation of the regulations during the financial perspective. This is particularly true of financial control and audit. The Commission should ensure that there is a uniform approach to the conduct of financial/audit controls and consider greater use of quality assuring Member States’ audit arrangements.

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?

The Community has a role to play in providing a framework through the Integrated Guidelines for Jobs and Growth and the NRPs set out how these shared Community goals need to be addressed in each Member State.

In line with the principle of subsidiarity, responsibility for designing cohesion actions should be at National or regional level according to institutional and legal arrangements within Member States. The management of Cohesion Policy programmes is a matter for Member States to determine in the light of their institutional and legal arrangements. Given the diversity of governance systems across Europe, there can be no ‘one-size-fits-all’ approach.

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5 We are conducting an internal review of the lessons learned during the negotiations of the 2007-13 Operational Programmes and will be writing to the Commission with our conclusions.
Cohesion Policy touches on a number of policy areas where there are differing levels of Community competence. Education, skills and employment policy are areas of Member State rather than EU competence, and this must be respected by 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?

Cohesion Policy should continue to place emphasis on the performance of Structural Fund programmes in terms of the shared goals in the Lisbon and Gothenburg strategies. Respecting simplification the targets and indicators of programmes should set out their contribution to the relevant National strategies outlined in the NRPs. These targets and indicators should be the primary means of monitoring the performance of programmes. This should be done by National or regional authorities (depending on Member States’ arrangements) in partnership with the European Commission ensuring effective monitoring whilst avoiding unnecessary burdens. Again this is another area where cooperative working between Regions should be used to identify and spread effective practice.

Research should continue into identifying the impact of Structural and Cohesion Fund spending on economic growth. Where possible this research should assess the impact on both regional and National growth, and also examine the impact on other indicators such as employment and productivity.

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?

The Integrated Guidelines for Jobs and Growth and NRPs set out the key challenges that the EU, Member States and Regions face. These should therefore drive Cohesion Policy and Structural Fund programmes.

We must remember that synergies and complementarities between Cohesion Policy and other National and Community policies operate in two directions. Cohesion Policy does not operate in isolation and other policies also support its underlying objectives, for example, the Rural Development Programme and the Competitiveness and Innovation Framework Programme. It is important that this broad picture of activity is taken into account when considering the future of Cohesion Policy.

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

The UK welcomes enlargement which has strengthened EU Member States economies, offering businesses and citizens the full benefit of a competitive market of 450 million people. Also the EU’s existing commitments to accession for Turkey, Croatia and other countries of the Western Balkans are
crucial for reforms and stability. Globalisation also presents an economic opportunity; opening up new markets, new customers and a wider range of goods and services.

Cooperation activities, trans-national as well as cross-border, are important element of Cohesion Policy. As has already been stressed above cooperative working between Regions adds value by identifying and spreading effective practice in addressing the challenges they face. This process would exchange and disseminate best practice across Member States, and provide valuable analysis and evidence to inform the design of future activities and also promote closer cooperation between Regions.

The Commission also has a role to play in identifying and promoting areas of best practice in trans-national co-operation, while ensuring there is no unnecessary duplication with other Community activities such as PROGRESS and the Lifelong Learning Programme.