Position Paper

February 2020

EU Cohesion Policy 2021-2027

Key Messages

1. A European regional policy for the economic competitiveness of regions and overcoming regional disparities

European Regional Policy plays a valuable part in improving the competitiveness of regions and the business environment - particularly in innovation and research, education, digitalization, internationalization, broadband networks, transport and energy infrastructures, as well as in the implementation of smart-specialization strategies and sustainability (interregional and cross-border). EU regional policy must contribute to the development of the less developed regions.

2. Strengthen local stakeholder engagement and the partnership principle

In order to strengthen local stakeholder engagement, new additional and less formal consultation procedures should be established. This will help to ensure an effective partnership between all economic and social actors on the ground. The partnership principle must be effective and ensured at local level, with a proper coordination nationally.

3. Role of Chambers in Cohesion Policy

As intermediaries between companies and institutions at all levels of governance, Chambers are ready to support policy makers from the conception to implementation and assessment phases of programmes. Chambers are present in every EU region. Chambers have the capacity to transform EU policies into a concrete reality for the beneficiaries in all the fields of activity devoted to the cohesion policy – such as innovation, digitalization, internationalization, climate change, and education and training.

4. Ensure simplification

Reducing bureaucracy requires simpler processes for applications, drawdown, and the administration and auditing of EU funds. Furthermore, improved coordination of actions and procedures between authorities on EU, national, regional and local level is required to avoid the accumulation of bureaucratic burdens for beneficiaries.

5. Effective and efficient "combination" of funding instruments and grants

Combining funding instruments and grants for financing projects brings flexibility and opportunities for beneficiaries. However, the priority of funding instruments over grants should not be absolute – both forms are justified. Those types of financing schemes will nevertheless only be efficient if the procedures are transparent, visible and accessible to beneficiaries.

6. Ensure a real impact for SMEs

EU Regional Policy needs to address concretely the challenges that regions face locally. This includes economic and social challenges like climate change, energy transition, digitalization, innovation, internationalization and skills shortages. The characteristics of each sector should also be considered. Project promoters on the ground must be guaranteed the greatest visibility on the programmes and their eligibility conditions. Therefore, practical local information through an enhanced communication process needs to be provided.

7. Enhance cross-border cooperation

Close links between cross-border regions are part of the territorial construction of the single market. Territorial cooperation creates favorable conditions for business development regarding employment, vocational training, access to services and equipment - notably by developing complementarity in cross-border employment areas. To be more efficient, cooperation programmes must be simplified and acquire greater visibility, in particular for the transregional and transnational cooperation schemes that seem to be increasingly designed more for local authorities than for the business community.

Detailed Position

EU Structural Funds programmes provide the greatest contribution to economic, social and territorial cohesion through reducing disparities between regions and supporting the overall development of EU member states and regions. Representing one-third of the EU budget, regional development policy should, in times of scarce public resources, be reinforced as an opportunity to boost investment in local development, not as a continuation of assistance, or as a redistribution mechanism. Moreover, structural funds should be considered as tools to leverage the full potential contribution from regional economies to boost EU growth and employment. One of the main goals should be to ensure the structural conditions for new opportunities in the European Union regions.

EU structural policy should continue to focus on reducing regional disparities to ensure more convergence between the regions in Europe. This means that we must delve deeper into the heart of regional policies themselves (designed for businesses and citizens alike) to do better collectively, in order to achieve stronger impact. Only a genuine partnership with rooted actors will help in this. Particular attention should also be paid to the EU Outermost Regions and depopulated regions and their regional integration with neighbouring countries.

Investments in improving the competitiveness of regions, particularly in innovation and research, education, digitalization, internationalization, broadband networks, transport and energy infrastructures, and implementation of smart-specialization and sustainability strategies (also interregional and cross-border) are crucial. Investment must be based on strategic planning in regions, as well as on the initiatives of regional businesses and other stakeholders. Chambers have a crucial role to play in this as pertinent partners in the shaping of priorities and content of a business-friendly European regional policy, capable of bringing a more tangible vision of Europe to the local territories.

In the next EU budget cycle, the different budget lines need to be managed in a more flexible and interoperable way, in order to allow for faster adaptation. Member states' autonomy in this process should also be increased, which allows for greater redeployment within the national operative programme at regulatory level.

EU regional policy delivers both concrete and direct EU visibility within regions. It demonstrates to citizens that the EU can be a decisive local partner by bringing the means that can give a significant leverage effect to local investments in equipment, economic development, sustainability, social inclusion, vocational training etc. This European added value must be emphasized even more in these times of widespread Euroscepticism, by connecting people and businesses to Europe in an even more efficient manner.

The European project is built on everyday life. Improved functioning of the programmes, which must definitely gain visibility and credibility, is a necessity. It is particularly important to ensure a real impact for the final beneficiaries – SMEs and economic and social actors – and an effective top-down partnership from decision makers to all relevant local stakeholders. Cross-border cooperation programmes must also be reinforced, as they bring a high European added value and contribute to the development of useful links and complementarities between the EU territories.

1. Improve the functioning of Cohesion Policy Programmes

EUROCHAMBRES fully supports the new principles that will drive the future cohesion policy, now designed to be "locally led" and embedded in the regions. The announced "new criteria aiming at better reflecting the reality on the ground" will have to ensure an effective partnership between all the economic and social actors on the ground, in the design and implementation of the operational programmes. This necessitates new procedures for less formal consultations, thereby enabling a real capacity for the relevant stakeholders to be part of the process.

The new package also promises "simplification" for shorter, fewer and clearer rules for EU funds. Simplification needs a common effort at all levels (EU, national and regional) and is indeed the key for success, but in parallel we must ensure that in principle all funding opportunities will be available for project owners. SMEs will have to benefit from better access to finance, not only from the ERDF, but also from the EMFF, EAFRD and the ESF+.

The EU's regional policy is increasingly becoming an instrument for realising a differentiated target system of European politics. The multitude of objectives, the complicated system of indicators and the principle of shared management (which creates a multilevel set of rules) are a major reason for the bureaucratisation of the system. Reducing bureaucracy requires simpler processes regarding applications, draw-downs, and the administration and auditing of EU funds. In line with this simplification of fund control procedures, Chambers of Commerce & Industry can provide valuable information as a result of their experience as intermediaries and beneficiaries of European funds. Programmes must focus on companies and in general, on beneficiaries, and not on unnecessary procedures, red tape, audits and bureaucratic burdens. This would enable funds to flow more quickly into projects and to be used more effectively, and companies would be less burdened by bureaucracy. In this respect, experience shows that connecting cohesion policy and reforms through incentives and reward mechanisms, together with tools devoted to reinforcing the administrative capacity of Member States[1] create the conditions at institutional, regulatory and strategic level to increase the effectiveness of policy measures. This reinforces the sense of European identity and its efficiency.

Moreover, rollouts of the programmes should be synchronised with the funding periods. This allows sufficient preparation time at all levels and the effective and extensive use of funding periods. In principle it should be clarified in advance whether funding is compatible with state aid law, so as to enable greater certainty for funding recipients. Similarly, Member States and/or the local authorities might not have the capacity to add supplementary eligibility criteria to those previously determined at European level.

Chambers would also like to know when the control bodies will coordinate their actions and procedures between the EU, national, regional and sometimes local levels?

Improved synergy between territorial instruments such as the Community Led Local Development (CLLD), Integrated Territorial Investment (ITI) and European Funds (EFRD, ESF) is necessary. The Commission proposals for 2021-2027 present suggestions for the separation of the different funds: the internal coherence of the instruments must be preserved, not excluding further enhancement of blending between different financial instruments. Particular attention should also be paid to the barriers to funding faced by the Outermost and depopulated Regions, mainly through good coordination between the EU funds (ERDF, EDF, …) to enhance local development and consider the specificities of these European Outermost and depopulated Regions. In the same spirit, the coordination between the new “Just Transition Fund” and the regional policy instruments must urgently be clarified, in order to avoid confusion, duplication, or misunderstanding and give as much leverage as possible to future investments. Chambers can use their regional networks to assist in the most efficient way the allocation of the funds from this instrument.

Similarly, EUROCHAMBRES notes the interchangeable nature of the financial resources with Horizon Europe and Invest EU. We also acknowledge the fact that regional policy projects are increasingly funded through financial engineering schemes (e.g. loans, guarantees …). When strengthening regional structures, each region should be supported according to its specific funding requirements. Therefore, the necessary instruments for implementing cohesion policy (grants, financial instruments) should be tailored to the needs and situations of the regions – both forms are justified. Those types of financing schemes will nevertheless be efficient only if the procedures are transparent, visible and accessible to the project owners. They will be counterproductive if they bring more bureaucracy and complicated procedures, that only financial intermediaries or administrative bodies will be able to handle.

1 Like the Italian *Piani di Rafforzamento Amministrativo,* the only one in Europe

Finally, it is important to point out the need for programme deployment or launches to be synchronized with the financing periods, and to make the transitional periods of programme closure more flexible. This would greatly facilitate the participation of the companies and ensure a greater absorption of the funds.

2. Ensure a real impact for the final beneficiaries, i.e. SME's and economic and social actors

Cohesion policy must focus on the improvement of economic conditions of a region, in order to allow companies to adjust to new market conditions and to become more competitive. Cohesion policy works best when it is coordinated with other policy instruments and strategies in the specific region that it is intended for.

Beyond the stated macro-economic priorities, the programmes will have to concretely address the challenges that businesses face locally. Again, visibility and eligibility are pre-requisites for reaching most of the potential beneficiaries on the ground. This will be possible only by providing locally useable information, through an enhanced communication process and the implementation of a dynamic dialogue with citizens and stakeholders in order to better involve them in the decision-making process.

The experience of Chambers in coordinating the flow of information on programmes' interventions and results to the territories, shows how transparency meets the expectations and increases the ownership of companies and citizens. In this framework, the role of open government tools[2] are good practices that could helpfully be transferred.

Actions should primarily focus on supporting structural change to increase competitiveness, on human and physical capital, internal market consolidation, and improving labour mobility. Regional policy's *raison d'être* is to bring added value to regional development and exert as much "leverage effect" as possible to provide an attractive local environment for investment, training, growth and job creation.

Support for companies, especially SMEs, in this framework is essential to cope with future economic and social changes: climate change and energy transition, digitalisation, skills, transition to a low-carbon, circular economy … This requires a wide definition of the notion of innovation, that cannot be reduced to technology, but rather include all types of innovation, reflecting the fact that small existing companies are not necessarily innovative start-ups. More "traditional" SMEs still need to be supported in embracing change, mainly in terms of management.

Investment should focus on synergies. Chambers are leading partners at the local level to anticipate transformations and possible synergies (lifelong learning, vocational training, links between enterprises and universities, local clusters, etc.), as they are in very close contact with the regional business community.

Education and training systems should be adapted in response to new competence requirements, and this must be one of the priorities for the ESF+. Entrepreneurship education should be encouraged at schools and rapid technological development should be considered

[2] Like the Italian web portal : https://opencoesione.gov.it/it/

for updating skills in the knowledge economy. Improvement of management skills should also be facilitated, particularly for small businesses, with a significant envelope coming from the ESF+. The anticipation of economic restructuring is a key element.

As changes can be rapid, Chambers particularly welcome the introduction of the notion of "adapting to needs" in the new implementation rules, in order to cope with unforeseen events. This is obviously a necessity for operational programmes that are designed to last seven years.

3. Ensure a partnership from the "top" decision making to a complete involvement of the relevant stakeholders "down" to the local level

EUROCHAMBRES believes that there is still margin for improvement to guarantee effective implementation of the partnership principle, where businesses and other relevant stakeholders should be really involved in the programming processes. As far as multi-level governance is concerned, the partnership principle must be effective and ensured at the local level, i.e. where all the concrete decisions are finally taken. This also applies for the EAFRD, as companies - especially SMEs - are present in rural areas and rely on vibrancy, a positive business environment and economic viability in these regions.

As intermediaries between businesses and institutions, Chambers are the most appropriate actors to support cohesion policy objectives and means from the start-up to the implementation phase of the programmes, as they have a regional network and are present at local and regional level. However, in order to play this role in the implementation of cohesion policy, the most appropriate form for Chambers' effective involvement needs to be identified, leading to improved efficiency and results of cohesion policy. In countries where Chambers do not have sufficient capacity to fulfil this role, appropriate programmes should be adopted to fund this beneficial activity.

Chambers, for their part, are ready to fully play their role during all stages of the conception and implementation phases of the programmes:

- During the strategic planning phase, Chambers remain more than ever relevant partners to contribute to the analysis of the strengths and weaknesses of the territories. In particular, Chambers have access to sources of information and accurate knowledge of each area, so they can actively contribute to the collection of indicators, the study of the needs of each territory, the identification of best practices and the analysis of measures.

- Chambers also remain ideally placed to provide proposals and comments to shape the content of the programmes themselves, according to local needs, opportunities and challenges.

- During the implementation phase, Chambers, along with local authorities, will connect with companies, and give as much leverage effect as possible to actions. Chambers, regardless of their legal status, are relevant partners to transform EU policies into concrete reality for beneficiaries in all the fields of activities applicable to cohesion policy: innovation, digitalization, internationalization, climate change, education and training and the management of local development schemes.

- Chambers are also well-placed to assess and evaluate the impact of different programmes and provide feedback before, during and after the implementation phase. They can also help public administrations to ensure that their financial support responds better to SMEs' needs through the supply of robust evidence and data on territorial development and proactively seeking feedback from local companies.[3] Furthermore, in every region, support groups have been created in order to exchange views and experiences with companies and stakeholders on current local development initiatives.

- Chambers can also add value in the implementation of the new objective aiming at a "Europe closer to citizens", as they play an active role in maintaining services and economic activities in depopulated, remote, rural, less favoured, or deprived areas.

Partnership goes along with subsidiarity. From conception to implementation and evaluation, local actors will open the way to more impact only if they feel concerned and involved. This will ultimately be to the benefit of the local economic and social development that we all desire.

4. Enhance cross-border cooperation

Cross-border cooperation is an area where the EU added value is obvious by nature and needed, as close links between cross-border regions are a key factor in the construction of the single market. Territorial cooperation can create favourable conditions for business development. It can also be a good response to local shortcomings in terms of employment, training, access to services and equipment, notably by developing complementarities in cross-border employment areas and enabling pilot projects. For the new period, the actual trend in both quantity and quality of projects must be preserved, notably in terms of impact on sustainable economic and social development of even more integrated cross-border areas.

But links and bridges must be easy to create. Here again, to be more efficient, cooperation programmes must be simplified, and should be more visible, in particular for transregional and transnational cooperation schemes, that seem to be designed more for local authorities than for the business community.

For all types of projects, administrative burdens remain a barrier to initiative, notably regarding the obligation of having multiple partners. This contributes to distorted projects with three or four partners due to the geographical area covered by the programme, when two partners, two budgets and a simple work package would have been more efficient. Similarly, the procedures of control of the Interreg programmes require simplification and transparency from the beginning, especially when the rules change during the implementation period.

The key for territorial cooperation is to identify easy local complementarities. This can be the role of local Chambers of Commerce and Industry, thanks to their experience of the programmes and their knowledge of the relevant partners. Close cross-border cooperation is most of the time for local SMEs, as well as for citizens, the first concrete step abroad, and a "laboratory" for European integration. To this end, particular attention needs to be paid to the

[3] An example is SISPRINT, a project commissioned by the National Agency for Territorial Cohesion to Italian CCIs, providing local authorities with dynamic dashboards on quantitative and qualitative figures of territorial economies.

situation of the Outermost and depopulated regions of the European Union, and their specificities to enhance broader and deeper cross-border cooperation in their geographic context.

Vocational training is a valuable field for cooperation. Most of the time, the needs for skills are the same in cross-border areas, where structural issues relating to employment are shared. So, one can build cooperation between companies, workers, public authorities, employment services and training centres to meet needs in terms of vocational training. Then the workers can be employable on both sides of the border to the benefit of the local economy.

INTERREG programmes must continue co-financing projects that seek to support cooperation between local clusters linking SMEs, universities and laboratories. The idea is to enhance coherence in the public sector and the business community in the field of R&D and innovation to generate development on a new basis at local level.

Other collective actions can of course be set up in terms of management for economic change for cross-border businesses. New cooperative ventures can also be structured in the field of sustainable development (via the exchange of good practices, for example) or for the common use of laboratories, training centres or services situated in the cross-border area.

Interregional Innovation Investments merit in-depth consideration: they could increase the capacity of regional innovation eco-systems in less developed regions to participate in global value chains, as well as the capacity to participate in partnerships with other regions. In this framework, Chambers can provide real added value: thanks to their knowledge of territories, their role as facilitators at local level, their capacity to act as a dynamic economic hub and their networking capacity, they are able to develop better synergies and coordination among different stakeholders.

Financial engineering for local development must also be possible. INTERREG programmes offer the opportunity to set up cross-border investment funds dedicated to local businesses. This requires finding concrete solutions to invest easily in a project on the other side of a border. Resources from the ERDF should be available to co-finance cross-border investment funds (financing of start-ups, of innovation in SMEs, venture capital or guarantee funds, etc.) to boost the local economy by giving the best possible leverage effect to cross-border projects.

Further information: Ben Butters, Tel +32 2 282 08 50, **butters@eurochambres.eu**
Press contact: Karen Albuquerque, Tel +32 2 282 08 62, **albuquerque@eurochambres.eu**
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