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Assemblée des Régions d'Europe
Assembly of European Regions
Versammlung der Regionen Europas
Asamblea de las Regiones de Europa
Assemblea delle Regioni d'Europa

CABINET KROES	
To: NK BS OG CT B LBA MS RB JBP SEC	
001558	19.09.2005
cc: NK BS OG CT B LBA MS RB JBP SEC	

→ COMP
for
signature
follow-up.
#20-9

To Mrs Nelly KROES
Member of the European Commission
Responsible for Competition
200, rue de la Loi
1049 Brussels
BELGIUM

Strasbourg, 12th September 2005

Reaction of the Assembly of European Regions on the reform of EU state aid policy and future EU cohesion policy

Dear Mrs Commissioner,

I take pleasure in sending you the official reaction of the Assembly of European Regions (AER) to the proposals of the European Commission on the reform of EU state aid policy, and on the Strategic guidelines for future EU cohesion policy. This package was adopted by the AER Presidium in Trieste on 12th September.

State Aid policy and EU cohesion policy are strongly intertwined: both structural Funds and state aids can benefit Regions that are hoping to enhance their potential for economic development. Both policies are therefore key issues for the AER and its 250 members and their reform will clearly have a strong impact on the Regions. This is why the AER has decided to voice its opinion on the EC proposals aimed at reforming these policies.

The AER expresses its support for a greater concentration of these policies upon the Lisbon priorities. However, the AER considers that greater coherence between the two policies is necessary.

Furthermore, the AER underlines its firm belief that the reform of State Aid policy must not occur at the expense of cohesion objectives. Whilst agreeing with the fact that State Aids should remain exceptional, the AER warns against a geographical concentration of assistance that would have the negative effect of artificially distorting competition between the regions eligible for State Aids and the others. With this in mind, the AER asks for a reform of the rules on horizontal aids which would take the diversity of the Regions into account.

Eventually, the AER welcomes the legal certainty regarding the financing of public services brought by the package adopted by the EC. This does, indeed, respond to our requests as made in November 2004¹ to reduce the administrative burden placed on regional authorities by the

¹ <http://www.a-e-r.org/main-issues/services-of-general-interest-services-in-the-internal-market/>

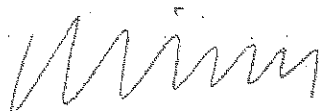
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obligation of prior notification. The AER particularly welcomes the exemption of prior notification of aids for smaller airports.

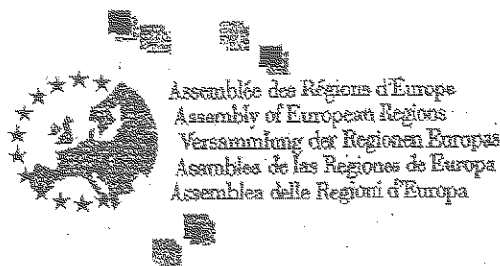
However, we consider the threshold of 1 million passengers a year too limited and not coherent with other EU rules on aviation, and demand that this measure be extended to airports having up to 2 million passengers a year. We also hope that the recently published guidelines on the financing of airlines departing from small airports will allow regional airports to make major contribution to economic development and cohesion in the EU.

These are only some of the key elements of the AER position. We would be very grateful if you could consider our comments and proposals and we do hope that you will take them into account in your future works. We would be delighted to discuss these matters further with you and your services. Our General Secretariat remains at your disposal for any request and further cooperation.

Best regards.



Klaus Klipp
AER Secretary General



**Initial reaction of the Assembly of European Regions on the
"State aid Action Plan"**

Suggested by the European Commission in its Communication of 7 June 2005

**The Presidium of the Assembly of European Regions, at Trieste, Friuli Venezia Giulia (I),
on 12 September 2005,**

Considering the State aid Action Plan "Less and better targeted state aid: A roadmap for state aid reform 2005-2009" (7 June 2005)

Considering the Proposed Communication by the Commission "Guidelines on national regional aid for 2007-2013 (July 2005)"

Considering the draft report by the European Parliament (Regional development Committee) on the role of direct State aid as an instrument in regional development, rapporteur Milos Koterec (2 June 2005)

Considering the Opinion of the Committee of the Regions on the revision of guidelines for regional State aids (7 July 2005)

Considering the draft Decision of the Commission on the application of article 86(2) of the Treaty to State aid in the form of compensation for public services (July 2005)

adopted the following position concerning the Action plan:

Considering the mixed conclusions of the Lisbon strategy in terms of the competitiveness of the European Union and growth in the EU,

Considering the stakes which the Union is facing following enlargement, and particularly the persistent inequality between the Regions,

The Assembly of European Regions

- 1- Agrees with the European Commission that State aid may be useful to correct market situations, but may not be systematically used as a means of economic development
- 2- Agrees with the opinion of the European Commission (and Member States) that the reform of national aid policies, both in terms of scope and procedures, is necessary in order to better meet the challenges of competitiveness and cohesion,
- 3- Considers, as does the Commission, that this reform must consider the increasingly important role of public-private partnerships, in both the field of R&D, and that of infrastructures; in particular

- 4- Supports the Commission in its attempt to simplify and rationalise State aid policy as suggested in the Action plan, considering the introduction of greater transparency in this field as an aspect of legal security
- 5- Questions, however, the appropriateness of the elements of reform suggested by the Commission, particularly:
 - a. "less and better targeted State aids": "focusing on the key priorities"
 - The AER does not question the need for restricting the global volume of State aid in an economically difficult context with limited public budgets. In the same way, the AER agrees with the suggestion aiming to concentrate all State aid on sectors with growth, for which a long-term return on investment may be more probable. The AER considers that innovation, research and development, entrepreneurship and training represent high value sectors, as well as services of general economic interest for cohesion, and approves the Commission's preference for the concentration of efforts in these fields.
 - However, the AER wishes to reiterate that this reform must not hamper the principles of economic, social and territorial cohesion, included in the third report on cohesion and therefore regrets that regional aspects were not clearly mentioned in the Commission's presentation of State aid in the context of the Lisbon strategy (pg. 7-8 of the Action plan). The AER warns against a geographical concentration of assistance, which would have the negative effect of artificially distorting competition between regions eligible for State aid according to the exemptions described in articles 87§3 (a) and (c) (regional aid) and non-eligible regions. In order to avoid measures aiming to compensate for market defects leading to exactly the opposite, the AER therefore proposes the introduction of regional differentiation in the context of horizontal aids (*this position is described in detail in the document enclosed in appendix*). The AER requests that this proposal be duly considered in the implementation or reform of exemption rules for aids applied by the Commission and announced in the Action Plan, with reference to rules concerning State aid for innovation – for which the Commission has announced a communication in 2005 – and concerning aid for research and development, or training. In this context, the AER considers that the adoption of a general exemption rule per category, as suggested in paragraph 35, could, indeed, substantially help in increasing simplification and transparency. In addition, the AER is against the removal of regional bonuses as described in current horizontal texts, and as suggested by the Commission in paragraph 43 of the Action plan.
 - b. "a refined economic approach"
 - The AER considers that State aid must remain an exception. The AER therefore fully approves the methodology of the Commission aiming to assess the compatibility of State aid with the Treaty, not only in legal terms, but also in economic terms, by comparing the advantages and disadvantages of aid with regard the distortion of competition.
 - The AER does however question the exact meaning of the intentions of the Commission, which claims to wish to " (enhance), when relevant, its economic approach to the analysis of State aid" (§21 of the Action plan). In this context, the Commission mainly refers to the analysis of market defects. The AER

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considers that a "refined economic approach" should apply not only to the procedure for the determination of aid compatibility, but also, more generally, to the approach aiming to define fields eligible for State aid. Once again, the AER insists, in this context, on the principle of regional differentiation as described in detail in the political position enclosed.

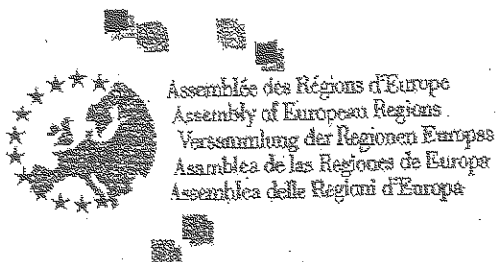
- 6- Is delighted with the Commission's initiative aiming to enhance legal security, via the adoption of guidelines specifying the application of State rules to services of general economic interest (SGEI), while calling for the flexible application of these guidelines, due to differences in interpretation of this concept.
- 7- Approves the suggestion of exempting low level compensation from notification and applying special conditions to hospitals and social housing. The AER, however, maintains the possibility of considering the proposals of the Commission, as specified in the aforementioned draft decision of July 2005, in more detail.
- 8- Welcomes most of the Commission's proposals in the context of simplification and rationalisation, for a better governance of State aid. E.g. the suggestions of increasing the *de minimis* ceiling, or publishing a code of good practices, appear worthwhile in this context.
- 9- The AER is not however convinced that the control of State aid measures by independent authorities will simplify procedures. These authorities would also require regular surveillance as to their actual independence.
- 10- Is concerned by the possible option with regard rules of procedure, which would lead to the re-assessment of linguistic questions and translation obligations, as suggested in paragraph 58 of the Action plan. The AER highlights that linguistic diversity is a fully fledged aspect of the European Union, as emphasised by the Commission in paragraph 62 of the same document, and that an abrogation of translation obligations will unavoidably modify this aspect. In this context, the AER will pay close attention to future proposals of the Commission aiming to modify the rule of procedure (regulation (EC) n° 659/1999 of the Council) and the application of rules concerning State aid for public service broadcasting (§ 62 Action plan).

Annexes:

- AER Position on the suggested reform of regional state aids "Towards a reform of State aid compatible with economic, social and territorial cohesion objectives"
- AER Position on the European Commission proposals for State aid in the form of public service compensation

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"Towards a reform of State aid compatible with economic, social and territorial cohesion objectives"

Position of the Assembly of European Regions

Annex to the AER initial Reaction on the State Aid Action Plan

Adopted by the AER Presidium on 12 September 2005 in Trieste, Friuli Venezia Giulia (I)

The Assembly of European Regions,

Considering the Proposed Communication by the Commission " Guidelines on national regional aid for 2007-2013 (2005) "

Considering the State aid Action Plan "Less and better targeted state aid: A roadmap for state aid reform 2005-2009 (7 June 2005) "

Considering the draft report by the European Parliament (Regional development Committee) on the role of direct State aid as an instrument in regional development, rapporteur Milos Koterec (2 June 2005)

Considering the Opinion of the Committee of the Regions on the revision of guidelines for regional State aids (7 July 2005)

Considering the mixed conclusions of the Lisbon strategy in terms of the competitiveness of the European Union and growth in the EU,

Considering the stakes which the Union is facing following enlargement, and particularly the persistent inequality between the Regions,

1- Agrees with Member States and the European Commission that the Lisbon process must be relaunched,

2- In this context, approves the approach of the European Commission, following the political agreement of the European Council of March 2005, aiming to reduce and better target State aid,

3- Indeed considers that, while State aid may be useful to correct market situations, it may not be systematically used as a means of economic development,

4- However, highlights that this reform must not occur at the expense of cohesion objectives, particularly the territorial cohesion objective included in the third report on economic and social cohesion (February 2004)

5- Particularly warns against any reform which would lead to a sudden stop in assistance to regions which were previously eligible

6- Is therefore concerned by the proposals put forward by the European Commission in terms of National regional aid for the period 2007-2013 (Draft communication by the Commission on national regional aid for 2007-2013), and particularly by:

- the lack of clarity concerning control of the application of guidelines. While the AER welcomes the principle of conditionality described in article 38 of this document - aid to investment cannot be granted other than in exchange for guaranteed continued investment in the region for a minimum of 5 years (3 for SMEs) - it highlights that only strict control can ensure effectiveness.
- the ambiguity of the proposal concerning the definition of eligible regions according to the article 87§3 (c), as the expression "islands and other regions categorised by similar geographic isolation" is particularly vague
- the fact that mountain regions and islands are not clearly included in this definition, while the need for specific treatment of these territories, which have permanent national handicaps, is recognised, in the same way as for ultra-peripheral regions, or those with low population densities, in the proposals of the Commission in terms of regional policy post-2007
- the lack of specific treatment of isolated rural areas, which have additional difficulties such as aging populations, accessibility problems or access to basic public services
- the temporary treatment granted to Regions affected by the statistics effect, which will not be eligible according to article 87§ 3 (a) other than, initially, until end 2009
- the situation of regions bordering regions eligible according to article 87 §3 (a) which, while the proposals of the Commission certainly provide for their eligibility according to article 87§3 (c), may not benefit from more than a possible increase, if considered necessary, of 5% of the maximum cap for assistance, rising to 20%, as compared with 30% to 50% for the neighbouring region, according to the level of GDP per inhabitant of the latter
- the situation of regions which will no longer be eligible according to articles 87§3 (a) and (c), and for which support according to the competitiveness objective of future EU regional policy is not guaranteed. While the Commission has provided for a safety net to ensure that no State member loses more than 50% of coverage for its population (as compared with the current situation) and authorises additional assistance for 6.7% of the EU population according to article 87§3 (c), certain less competitive regions will nevertheless be deprived of current community and state aid. The idea of more targeted aid



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could therefore have a more negative effect on these regions, which are left out with this reform

the consequences of the change in the calculation basis proposed by the Commission, which involves establishing maximum percentages for assistance in terms of gross subsidies, and not in terms of net subsidies, and therefore to ignoring the differences in tax systems between the various Member States. As is the case for non-eligibility for VAT in the context of the structural funds, this modification will lead to a lack of balance between regions with identical eligibility status, but a different level of taxation. Therefore, this reform will lead to "distorted competition" and will have the opposite effect to that desired, as emphasised by the Regional development committee of the European Parliament in the aforementioned report

7- Emphasises the risk that this incoherence could cause in terms of economic, social and territorial cohesion within the Union

8- Therefore specifically requests the European Commission to amend its proposals in order to:

- explicitly include a clear and strict procedure for the control of the application of guidelines – as suggested in the Action plan for State aid - allowing to guarantee effectiveness, and continued investment in projects benefiting from assistance for a minimal duration
- include mountain regions and islands in regions eligible for State aid according to article 87§3 (c)
- grant eligibility to isolated rural zones, in accordance with the objectives of the new community policy on rural development
- extend eligibility, for all Regions suffering from the statistical effect, according to article 87§3 (a) until the end of the programming period, i.e. until 2013, in order to ensure coherence with EU regional policy
- guarantee that regions eligible according to article 87§3 (c) sharing a border with a region eligible according to article 87§3 (a) are systematically entitled to a maximum aid cap increased by 5%, i.e. a cap of 20%, in order to ensure a maximum aid differential between these two types of regions (and thus avoid any distorted competition between border regions)
- ensure that non-eligible regions according to the exemptions described in articles 87§3 (a) and 87§3 (c), facing difficulties, and with restricted competitiveness, may benefit from a particular bonus

9- In this respect, shares the opinion of the Committee of the Regions and certain interregional organisations stating that the proposals for the reform of horizontal aid, expected for end 2006, should fully consider the varied territorial situations faced by regions.

10- Therefore proposes a scaled system differentiating between:

- economically competitive regions
- "standard" regions
- regions with more difficulties (such as regions with a GDP per inhabitant just below 75% of the EU average, but not considered as phasing in regions),

competitive regions should receive respectively less than standard regions, and regions in difficulty should receive more (increased rate)

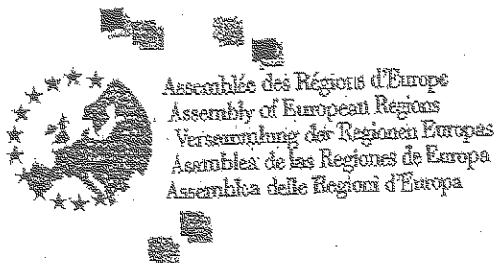
11- Suggests that scaling should be based on careful economic analysis considering both traditional criteria such as GDP and unemployment levels, but also additional criteria such as accessibility, access to public services, and natural, demographic and climatic restrictions.

12- Considers that the new form of assistance for companies as suggested by the European Commission (article 6 of the draft guidelines) must be covered by the new horizontal rules, and not by the guidelines on regional assistance, in order to not penalise regions which are unassisted, but also suffer from a low level of entrepreneurship

13- Wishes to emphasise that this system of territorial differentiation would not endanger the motivation to reduce State aid, as it would only affect a limited section of the population and would lead to a possible reduction in global volume of aid in the case of horizontal aid

14- Calls on the permanent representatives of the Member States in the European Union, to ensure their mobilisation for the revision of proposals made by the European Commission in line with the aforementioned demands.

The General Secretariat of the Assembly of European Regions remains at the disposal of the services of the DG competition for the revision of the proposals for the reform of State aid in view of coherence with the objectives of economic, social and territorial cohesion.



**Position of the Assembly of European Regions (AER)
on the European Commission proposals
for State aid in the form of public service compensation
Annex to the AER initial reaction on the State Aid Action Plan**

Adopted by the AER Presidium on 12 September in Trieste, Friuli Venezia Giulia (I)

The Assembly of European Regions, gathered in Trieste, Friuli Venezia Giulia, on 12 September 2005,

- Having regard to the Draft Commission Decision on the application of Article 86(2) of the Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general interest (July 2005),
- Having regard to the Community Framework for state aid in the form of public service compensation (July 2005)
- Having regard to the amendment to the Commission transparency directive (80/723/EEC) (July 2005)

These 3 documents being mentioned as 'package' in the following Position

- Having regard to the revised proposal for a regulation on public transport services (July 2005)
- Having above all regards to Article 87 of the Treaty, which underlines the compatibility of state aid in the field of regional policies, culture, heritage, employment and such aid being of social character

Adopted the following statement:

The Assembly of European Regions:

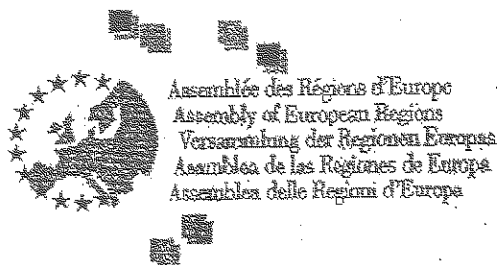
- Takes note of the new proposal of the EU Commission on state aid, which promises to increase legal certainty regarding the financing of services of economic general interest and also indicates to recognise the autonomy of national, regional and local authorities in the definition and arrangements of their public services
- Notes with interest that the Commission seems to agree to substantially increase the exemption thresholds with respect to its initial proposals
- Takes note of the procedure suggested by the EC to calculate and assess the amount of the compensation, which is in line with past case law, but asks for further clarifications regarding the 'reasonable profit margin'¹
- Considers that this Package, thanks to the exemption of prior notification for small scale funding that it introduces, will considerably limit the administrative burden on local and regional authorities that wish to compensate undertakings entrusted with a particular public service task

¹ The definition outlined in item 2, article 15, and in particular the notion of 'risk', appears unclear in this context

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- Expresses its particular satisfaction regarding the exemption of prior notification planned for smaller airports
- Considers, indeed, that these provisions will facilitate the sound functioning of smaller airports, which have less human potential than bigger airports to face the administrative burden created by prior notifications, but which nonetheless play a key role for economic, social and territorial cohesion in the EU
- Hopes that the revised EC guidelines on the financing of airlines departing from regional airports, published on 6 September 2005, will complete this approach by further taking into account the specific role of regional airports
- Welcomes the initiative of the EC to enhance legal certainty for the financing of services of general economic interest not concerned by the Package.
- Takes note, in this context, of the revised proposal for a regulation on land public transport services, which was adopted by the EC on 20 July. The AER reserves the right to further react to this document at a later stage
- Points out that this statement has to be regarded as preliminary, as the Action Plan proposal leaves much doubt as to whether or not it will apply indiscriminately to all kinds of services including services of general interest, thereby neglecting the specific role of national, regional and local governments in deciding upon and providing services in the fields of health, social services, education, culture and media
- Will notably carefully follow the announced additional proposals of the European Commission with respect to social and health services of general interest
- Indicates already that it will oppose any moves to curtail the right of the national, regional and local authorities to decide upon the scope and form of services of general interest, above all in the fields of health, social services, education, culture and media.





Reaction of the Assembly of European Regions to the draft Community Strategic Guidelines 2007-2013 for Cohesion policy

Adopted by the AER Presidium on 12 September 2005 in Trieste, Friuli Venezia Giulia (I)

In the context of the consultation launched by the European Commission, the AER suggests a number of comments to the draft guidelines dedicated to support the member States and the Regions in designing their Strategic reference frameworks.

These guidelines deeply reflect the EC will to adapt cohesion policy to the recently revised Lisbon strategy, i.e. the objectives of growth and jobs, through an emphasis on innovation, the knowledge economy and human capital.

The European Commission asked three questions, in order to better assess to what extent these guidelines match with the renewed Lisbon process.

As a general comment, the AER considers these guidelines are appropriate to make cohesion policy support the renewed Lisbon objectives. However, they are far from being focused enough on territorial cohesion and sustainable development in all European regions, which are supposed to be the founding principles of this policy. The EC should be careful not to transform the structural funds - which aim at harmonising life standards through the EU territory and supporting the regions in the context of structural changes in the member states due to the completion of the Single Market - into the main financial tool to implement the Lisbon strategy, which is supposed to be *financed* at the national level and only *supported* by all Community policies.

- To what extent should cohesion policy support the growth and jobs agenda and the Lisbon process?
- The explicit recognition that Regions must be given the possibility to use their own potential to foster economic development on their territory is a major improvement. Regions cannot be imposed guidelines and fields of new activities on a top-down basis: they must assess their strength and develop innovative ways to make the best of it. The advised method in the guidelines - SWOT analysis, partnership with all decision levels and horizontal approach to territorial development - is very relevant in this context.
- The AER welcomes the important role granted to the Regions in the improvement of RTD and innovation capacities, in the second set of guidelines "*Improving knowledge and innovation for growth*". As stated in the guidelines, "*synergy between cohesion policy and [the instruments for RTD] is vital*". Even though it is up to the national and regional authorities to decide how they wish to articulate

these programmes, the European Commission has a role to help them making the best of these two different tools, especially the new EU member regions who have little experience of RTD programmes.

- The AER welcomes the introduction of the energy issue in the first set of guidelines "*Making European and its Regions more attractive places to invest and work*". Renewable energies thus become a specific priority within the guidelines. The AER only regrets that the role of Regions and local authorities in the development of alternative sources of energy and the establishment of better energy management practices is not underlined in the guidelines.
- The AER is convinced that cohesion policy should support the new Lisbon agenda and concentrate on innovation and knowledge economy. However, cohesion policy must above all remain focused on the objective of territorial cohesion. "All regions – especially those where the potential for higher productivity and employment is greatest have their part to play". This sentence seems quite contradictory: either all regions can play a part in the implementation of the Lisbon strategy, or only those with a strong growth potential. By designing a cohesion policy on the exact path of the Lisbon strategy, there is a risk to marginalise the Regions with a limited potential (due to structural difficulties), yet already too advanced to be supported under the convergence objective.
- It has been shown on several occasions that cohesion policy had been unable for years to find a solution to the increasing disparities between the Regions within the member states, notably in least economically advanced countries. Developing activities around already existing poles of excellence is the quickest and most efficient way to create growth and jobs. However, it will not contribute to a harmonious development path within the poorest countries and will contribute to widening the gap between the regions in these countries.
- Improving the attractiveness of Member States, regions and cities: the AER wonders whether one can avoid to create competition between the Regions, by making them competitive in the same field of activities: innovation, knowledge economy; new information and communication technologies? If the Lisbon strategy has an aim to create more competition between the Regions in order to stimulate growth, this is absolutely not the role of cohesion policy, which needs to remain a tool to harmonise the levels of development throughout the Union.
- Supporting social inclusion and good health: the AER welcomes the attention given to questions of social inclusion and good health, as well as the demographic challenges facing the European states, in the draft guidelines. These are important factors contributing to territorial cohesion and it is therefore essential that they are streamlined into other European policy areas. However, the AER warns against a limited interpretation of health and social policy objectives, whereby these are supported only in cases where they are thought to contribute to growth and employment. Preventive health policies and social cohesion are key to the

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sustainable economic development of the Regions and the European Union as a whole.

- The AER welcomes the introduction of the education issue in the third set of guidelines « Increase investment in human capital through better education and skills ». Investments in human capital such as long life learning strategies are indeed important to foster economic development. The AER emphasize that education is not only a means to an aim but also a value for its own and that education systems shall not be designed in order to fit to economic principles.
- What new elements might be included in order to address this agenda?
- “*Mobilising the potential for growth that exist in the Regions*”: the notion of sustainability is rarely added to the terms of growth and jobs. However, in the framework of cohesion policy, it is absolutely essential to mention sustainability. Otherwise, the potential for growth can be lower social standards, special tax arrangements with the Member State, which cannot be considered as promoting sustainable growth.
- The social aspect is definitely lacking: cohesion policy, in particular the European Social Fund, exists to compensate the failures and difficulties created by the implementation of the Single Market and to compensate the structural changes required by the European integration. This notion is completely missing in the new guidelines: once again, cohesion policy cannot be considered as the financial tool of the Lisbon strategy. It can support the objective but it should be kept in mind that the general aims are different.
- Interregional coopération was almost completely evicted from these guidelines, to the benefit of trans-national coopération. The AER once again regrets the abandonment of this intermediate level of cooperation¹. Identically, the Interreg label has completely disappeared, despite the opposition of a great number of regional and local actors to this decision. The AER calls for new and innovative thinking over the ways the European Union can support and promote territorial cooperation with a flexible and grass-roots approach. Globally, experience-sharing, knowledge-transfer, cultural exchange, promotion of a better understanding of what the EU really is, progress towards the creation of a Europe of the people are not quantifiable elements and cannot be assessed according to economic productivity and profitability standards. However, the European institutions should be aware of the fact that these activities are essential to the future of European integration, especially in the current context of decreasing support to EU developments.

¹ See AER opinion and final resolution on the future cohesion policy, adopted in Eger, Heves County (H) on October 15th 2004.

Document available under: <http://www.a-e-r.org/events/regional-policies-committee/2004/heves/>

- As already mentioned, the emphasis was unfortunately not put on territorial cohesion in these guidelines. Economic growth is a real objective indeed, but it is essential to keep in mind that not all Regions can contribute to the knowledge-based economy and innovation: the others should not be just assisted, but alternative ways of economic development could be focused on. As far as SMEs are concerned, the AER welcomes that the EC insisted on the need to support their development, notably in disadvantaged areas. However, when having a look at the key sectors mentioned in the guidelines, it is striking that the building and craft industry are completely left aside, while these sectors are and will remain essential in our societies. In many countries, these sectors lack skilled human resources and a great effort should be made in all European regions to support these sector, which create jobs on the whole territory.

- Which aspects do you consider to be less relevant to this agenda?

There is a number of recommendations which can be somehow surprising, considering the topics tackled by the European Commission and show that cohesion policy is becoming more a tool to achieve the specific goals of the Lisbon strategy than an instrument to support sustainable and harmonious economic development in all European regions.

« Entrepreneurship education should also be encouraged in schools » : the AER argues that this sort of education could be a part of a secondary level school but none of a school with a lower level. The EC should respect the competence of member states and regions in the field of determination of course of instruction and should only give support to the member states. Education is an exclusive competence of the Member States and their regions and is not related with cohesion policy.

Further remarks:

The AER is concerned about the coordination between cohesion policy and the reform of regional State aid. With the EU budget being restricted in spite of the impact of the recent enlargement and the possibility of state aid being strongly reduced in all European regions that are not among the poorest of the EU, some Regions will simultaneously undergo three shocks. First, the funds available for the competitiveness objective are likely to be very limited: in a view to respect the concentration principle, the number of eligible regions will be quite small, which mean that many regions will loose the benefit of European support. In addition to that, these regions will no longer be allowed to receive substantial support from their Member State in the sectors where they are weaker. In the end, the increased competition from the new member state Regions, which will (rightly) benefit from most of the European funds and still be entitled to be supported by their national state, will pose further problems to these regions. This imbalance is in complete contradiction with the principle of solidarity and harmonious development promoted by the EU cohesion policy and will not contribute to create common understanding between the European peoples.

