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EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE  
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES  
UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

## *UEAPME position paper on the Green paper on Territorial Cohesion*

### *General remarks*

The debate triggered by the Green paper should allow underlining the important role of the essential actors of the cohesion - the SMEs, the micro and craft enterprises – as actors of the territorial cohesion. Their importance in economic and social terms and for the stability of the territories is now recognised and has been politically advanced but it is practically speaking still largely underestimated or insufficiently implemented in the national and regional plans.

For UEAPME several criteria have to be taken into consideration in order to assure the success of the future policies based on territorial cohesion:

- ***to create a real dialogue between the political actors and the actors of the 'real economy'*** which are the economic and social partners at each level local, regional, national and European. In order to allow an efficient multilevel governance, UEAPME proposes the principle of the 'horizontal subsidiarity' which consists in guaranteeing, parallel to the 'vertical subsidiarity' between the EU the Member States and the regions, that the actors and economic and social partners are at each step of the territorial, national and European policies integrated in the decision making process, the putting in place and the revision of the regional programmes.
- ***to train the public and private actors*** in the territories about partnerships and the "enterprise culture".
- ***to start with the principle "Think small first"*** for the elaboration of the legislations and the territorial development measures: more than 90% of the enterprises partake in local markets. In addition, the legislation which applies directly or indirectly to them has to be conceived in function of their needs and their realities. Furthermore, they do create employment. In this context, the future territorial policies should assist the small enterprises, who are active on local markets, to promote their growth potential and the creation of employment and should not remain focused on the technological enterprises providing rapid growth or the exporting enterprises.
- ***to simplify and limit to the strictly necessary the administrative and financial procedures*** of participation in the programmes. In addition, to coordinate these procedures by applying the principle "only once".  
UEAPME underscores that access to structural funds and their use is too cumbersome and leaves the small enterprises and their organisations disinterested in these funds.
- ***to play the card of the intermediary organisations*** of SMEs, micro and craft enterprises who are involved at all territorial levels. Other than the reinforcement of the financing for their professional training activities and the assistance and advice to the enterprises activities, the future territorial policies should be better equipped to assist their development projects and to allow them to manage themselves global European financial allocation.

UEAPME requests that the reflexions linked to the follow-up of the Green paper give rise to a real innovation policy and would stop the current movement which consists in providing support to only 'innovating' SMEs. This kind of policy misses out on an exceptional innovation potential of all sorts which is unfair towards the small enterprises and deprives the EU from economic opportunities and job creation in enterprises with local stability.

On the contrary, the future structural policies should promote innovation in all SMEs including the smaller ones. It should intervene so that the national and territorial authorities effectively assist all forms of innovation in particular current or basic innovation and medium or non technological innovation.

Concluding, UEAPME requests from the Commission and the Member States:

- to analyse - region by region - the impact of the structural funds on SMEs, the micro and craft enterprises and to measure the benefits in terms of 'activity development' and job creation;
- to analyse administrative, technical and financial difficulties linked to the participation in the structural funds and to engage rapidly in consultations with the representative European associations for simplifying and adaptation of the participation conditions in these European programmes;
- to engage together with the intermediary associations in consultations in order to quickly put in place measures (methods and instruments) favouring innovation in the small and micro enterprises including financial means corresponding to their needs and their way of operating.

**1-Definition.**

***1-1: What is the most appropriate definition of territorial cohesion?***

The concept of territorial cohesion can take different forms: the notion of cohesion and the notion of territory use different objectives and different actors as well as different policies according to the Members States.

Between the general principle of cohesion – the search for a certain balance between regions or in a given region and the notion of territory, which can mean a geographical entity or not larger than a limited administrative area - UEAPME is of the opinion that distinct concepts must be considered:

- the geographical cohesion as large as the Euroregions, the Baltic Sea experience, the « interterritorial » cohesion in a same geographical space (cohesion among cities, semi-urban spaces, rural spaces), cohesion of zones (harmonised development of neighbouring regions or others with a common interest, boarder regions), non-administrative cohesion (network of small towns, of mountain areas, of islands, rural spaces sharing the same interests);
- sectoral cohesion which is not attached to geographical or administrative reference but which has effects on the activities of the territories in question: for example social cohesion, technical or thematical cohesion such as transport, new energies etc... .
- “life cohesion” which means ‘basins’ such as life basins, employment basins, ... or cultural, historical, artistic identities which can exist between several regions and even between several countries.

UEAPME is of the opinion that the notion “territorial cohesion” is in fact a coherent composition of these different forms of cohesion and that the future community policies should take into account the symbioses of three factors:

- geographical and administrative cohesion between territories within a same territory;
- cohesion between national and European policies in these territories;
- cohesion between public, economic and social actors involved in these policies.

Whichever form of territorial cohesion and whichever political choices are applied on Community as well as on national and territorial level, UEAPME underlines that the economic and social actors and particularly the SMEs and the very small enterprises are directly concerned as they are the main actors of these cohesion policies. For UEAPME, the definition of cohesion that will be chosen should be sufficiently broad in order to assure:

- Synergies between economic, social and territorial cohesion;
- Cohesion by associating all economic and social actors and partners concerned.

The fundamental priorities which are the maintenance of employment and support for competitiveness of the enterprises require on the one hand cohesion between the geographical, the administrative and the economic and social approach. On the other hand, they require cohesion among all actors and the public authorities. Territorial cohesion should be established on a new contract on all levels between public authorities and the economic and social actors, allowing the interaction between the European, national and local political priorities and the participation of the economic representatives.

***1-2: What additional elements would it bring to the current approach to economic and social cohesion as practiced by the European Union?***

Our first remark is that the triple economic, social and territorial cohesion is a coherent group corresponding to the realities of the SMEs and the micro enterprises. The second remark is that the territorial cohesion can not be limited to a simple complement of the current Community policies of economic and social cohesion: from now on all Community policies should be considered in the

framework of a territorial strategy defined together by the Community, the national and regional levels taking into account the specificities that can exist at the local level.

Furthermore, all European policies concerning economic and social matters are implemented on territorial level, and their impact can be felt materially on the local level. This way all Community legislation has an impact on the whole of the economy, including the 'proximity economy' which applies to local markets or more restricted geographical areas. The territorial policy should not be considered any more simply as the application field of economic and social policies.

For UEAPME it is not possible anymore to content oneself with providing definitions from the highest level requesting simply their implementation at the local level: on the contrary, it is necessary to define the European and national economic and social policies by considering right from the start the priorities of the territorial economic and social actors considering, in particular, the realities of the 'proximity economy'.

## **2- The scale and scope of territorial action.**

### ***2-1: Is there a role for the EU in promoting territorial cohesion? How could such a role be defined against the background of the subsidiarity principle?***

Firstly, UEAPME is surprised that the multilevel governance mentioned by the Commission in its introduction to the question is only identified as a simple possibility, though the cooperation between the local, regional and national authorities is a fundamental necessity which has proven its effectiveness.

If the EU, because of the subsidiary principle, cannot impose cooperation on national and regional level between the public authorities and the economic and social actors, it is however its role to favour this cooperation and to encourage it including by budgetary facilities and different forms of incentives.

The Community level can favour the territorial cohesion on the one hand by supervising that the policies and programmes are established in function of the needs expressed by the economic and social actors of the territories and on the other hand by supervising in particular the implementation conditions without exercising more control over the operational choices. This can be achieved in particular by a policy of impact assessment which is not limited to a global impact assessment of a legislative text or of a draft programme on categories of enterprises or on the employment but that takes also into account the effect of these measures on the economy of the territories.

In this context, UEAPME supports the implementation of the principle of « horizontal subsidiarity » which consists in guaranteeing, in parallel to the 'vertical subsidiarity' between the EU, the Member States and the regions that:

- the economic and social actors and partners are at each step integrated in the decision making process for conceptualising, implementing and revising of programmes;
- the public authorities of the relevant levels adopt measures of territorial development that respond to the situations and real needs of the enterprises.

### ***2-2 How far should the territorial scale for policy intervention vary according to the nature of the problems addressed?***

The economic and social problems of territorial development and cohesion are above the general level of administrative competence of the public authorities: it applies to cross border and transnational actions such as the Euro regions and the initiatives such as the « Baltic sea » operation, the « Arc Alpine » or the « Danube Basin » which concern several Member States, but also the cross-regional or cross-local areas linked to the development of 'life areas' or the development of interactions between urban, semi-urban and rural spaces. In most cases, the administrative competencies of public authorities are limited to a part of the territory in question.

UEAPME is of the opinion that if the Community level can legally not intervene in the political choices and the administrative management on local or national level due to the principle of subsidiarity, it can legitimately and directly intervene in the cross border and cross regional (when these concern the regions of more than one Member State) and cross state levels in view of structuring the interventions of the different administrative authorities competent in their own territorial area with respect to their administrative autonomy.

***2-3 Do areas with specific geographical features require special policy measures? If so, which measures?***

UEAPME considers that specific policies should be adopted in order to take appropriately into account the local particularities and areas with difficulties in which the enterprises, mostly very small ones, are sometimes the only economic actors creating employment and maintaining a decent life standard.

To take into account complex enterprise situations, which are more difficult to help than the same kind of enterprises in urban or semi urban areas, it seems reasonable to set up particular actions possibly derogating common principles if they aim at favouring the balance with the other territories, valorising the heritage, the know-how and local competencies, guarantying the existence of public services and the furnishing of goods or services to the population.

It is difficult to foresee at Community level specific measures: it is up to the local actors and local public authorities if possible in cooperation among all concerned areas, to define the most appropriate measures. The EU should favour discussion and the finding of agreements among the institutions, the national and local public authorities, the enterprise representatives and the social partners. This could resemble the inter-service working groups of the Commission enlarged to the economic and social representatives and could help to define measures. However, some general frameworks for specific measures could be proposed: fiscal and financial exemptions for the transmission of enterprises, promotion of local products and help in the putting on the market of products, more favourable criteria for the attribution of state aids etc... .

**3- Better cooperation**

UEAPME does not share the Green paper's remark according to which the reinforcement of the cross-regional and cross-national cooperation highlights doubts in terms of governance. On the one hand, cooperation is one of the fundamental Community principles, on the other hand the real problem of the setting-up of a good governance is not the cooperation principle itself but the insufficiency of the 'cooperating culture' that prevails in many national and regional public services.

***3-1 What role should the Commission play in encouraging and supporting territorial cooperation?***

Though no clear data are available on the implication of SMEs in the CECT – European groupings of territorial cooperation – it seems that these groups though at the beginning of their activity have beneficial results on the enterprises' activities. More in-depth analyses should be conducted.

To assist territorial cooperation UEAPME is of the opinion:

- that the programmes that have proven to be efficient should be maintained and reinforced and
  - the programmes INTERREG and LEADER should be reinforced;
  - the enterprise cooperation and the meeting/exchange programmes of the INTERPRISE type should be restarted which the Commission previously abandoned despite the SME representative organisations insistence to maintain them;
  - the eligibility or the reinforcement of activities such as encounters, discussions and exchanges of opinions, such as the example of the former programme should be legitimate under the INTERREG or CAPACITY Building actions.
- that all programmes should be adapted to the new Community' challenges and priorities with the aim in mind of fighting the economic crisis;

- that these programmes need to be revised in agreement with the European Institutions, the Member States and the territorial authorities as well as the economic and social partners;
- that the Commissions' role is not limited to a simple management of cooperation programmes but that it plays an impulse and dynamiting role.

### **3-2 Is there a need for new forms of territorial cooperation?**

The general principle is to better use the existing forms and instruments of cooperation by providing information and offering advice to the different public and private actors, and by simplifying the different administrative and technical burdens.

Nevertheless, one should learn from the past and recall the effectiveness and the use of Community initiative programmes – PIC – which permitted maximally useful actions at the territorial level or on the level of sectors to conduct useful actions. Unfortunately they have been stopped and UEAPME asks for a re-launch of these programmes.

### **3-3 Is there a need to develop new legislative and management tools to facilitate cooperation, including along the external borders?**

The response could be two folded:

- Concerning cooperation between administrative entities, the EU could favour the creation of new instruments and management tools allowing these entities, whose competencies are limited to a given geographical and administrative space, to act together with shared or delegated responsibilities. As examples we recall the experience of the GECT or the Baltic Sea initiative.
- Concerning the cooperation between public authorities and economic and social partners, the EU has already done a lot in its favour in particular in the framework of the general regulation of the structural funds.

Nevertheless, experience shows that public authorities keep the entire initiative to themselves and apply this cooperation according to their will without the EU having the right to apply sanctions.

In both cases, the main problem is not the existence of legislative instruments and new management tools in order to favour this cooperation: those that exist and are correctly applied by public authorities who show a real cooperation spirit, yield good results.

For UEAPME the real problems are essentially linked to:

- **the absence or insufficiency of a 'cooperation culture'** sides the public authorities and the political will to cooperate with the economic and social partners.

It is known that the notion of unilateral power remains still an important notion among many public authorities which is a question of culture, training and mentality. Several national experts of UEAPME find real intellectual blockages sides certain national or regional services due to a total misunderstanding of the diversity of the enterprise's situations.

- **the insufficiency of the 'enterprise culture'** sides the public interlocutors for which the enterprise image often limits itself to the one of the big enterprise and the high technology. Often, they only have as an enterprise image the one of the big multinational industrial group and apply to all the 'bonsai principle' according to which the enterprises have to apply the same rules disregarding the enterprise's size and nature of their market.

The example of innovation policy is particularly illustrative in the sense that the European, national and regional priorities often privilege big enterprises, enterprises with "rapid growth" and high technologies ignoring the general and basic innovation or technological and non technological means of small enterprises although they are known to create local employment.

- red tape of administrative, financial and technical management of existing instruments.

UEAPME is more in favour of actions such as training and accompaniment/ incentives destined to favour dialogue and the exchange of views.

- putting in place at all levels training modules for public authorities, including those of the European Commission on subjects such as cooperation and dialogue with the economic and social partners, the SME and craft enterprises' representative organisations, including also modules on enterprise culture;
- training for experts and mediators of the territorial and national SME representative associations;
- exchange of good practices among administrations and economic and social partners;
- providing financial incentives, for example by conditioning certain Community finances for the putting in place or for the creation of these public/ private co-operations or by creating specific financial aids in order to help these co-operations and partnerships.

#### **4- Better coordination.**

In general, all sectoral national and Community policies, whether in legislative or operational programmes, have a direct impact on all enterprises where in fact they influence their activities orientation and flow especially of the small and micro enterprises operating on local markets. The impact of these policies on the competitiveness and the economic and social level in the territories is immediate and of prime importance.

#### ***4-1 How can coordination between territorial and sectoral policies be improved?***

UEAPME suggests three possible ways:

1. **To start by taking into account the needs of the majority of the SMEs, micro and craft enterprises which operate on the local level:** the European policies remain still too conceived by and for the very big enterprises, which represent an extremely small minority of European enterprises. Applying the 'Think Small First' principle, sectoral policies should be conceived according to a double approach "bottom-up": starting by taking the needs of the very small enterprises into account and doing on the most local level.

2. **To enable the use of sectoral policies by the enterprises on territorial level,** thus the experience shows that one is often confronted with a double problem: insufficient knowledge of the Community texts by the actors and local public authorities and insufficient information for the implementation phase by the enterprises.

On this, UEAPME insists on the fundamental role of liaison which play the intermediary representative organisations in the territories. The Parliament and the EESC asked the reinforcement of their role and that their support function would benefit more largely from the structural funds.

3. **To ensure coherence among programmes and financing:** there exists a muddle-up between the different Community, national and local financial means, between structural and sectoral financial means, the financing provided by the EIB/ EIF, the initiatives Jessica, Jeremy and Jasmine and among the different structural funds themselves. It is known that the public authorities are not master of these themselves and that the organisations of enterprises often hesitate between the appropriate instruments. The consequence in light of this inadequate understanding is that the enterprise's organisations and the small enterprises become disinterested in the structural funds.

#### ***4-2 Which sectoral policies should give more consideration to their territorial impact when being designed? What tools could be developed in this regard?***

All sectoral policies are finally applied and implemented at local level or have a final impact on this level. Therefore, one should pay attention to the territorial consequences of all European policies.

UEAPME is convinced that for this reason European sectoral policies are only efficient if they are conceived in function of their territorial consequences. For UEAPME the creation or invention of new tools would be counter productive and would render the situation even more complex and would use additional financial resources for their surveillance and their management as those would be better placed in form of investments in the 'real economy'.

UEAPME thinks that in this matter one should privilege three possibilities:

- 1. *to reinforce impact assessments:*** The EU already benefits with these impact assessments of a particular efficient instrument, but which are not used to their full potential or are wrongly used or are insufficiently used. The Parliament and the Council insisted several times on the reinforcement of impact assessments to which one only needs to add a measure regarding the consequences in terms of employment and competition on territorial level. The communication dated 28.01.2009 concerning the initiative "better regulating" underscores this.
- 2. *more and better cooperation with economic and social intermediary partners,*** of which the local members are in direct contact with the economic and social actors in the territories;
- 3. *to measure the efficiency of the sectoral policies in the territories.***

#### ***4-3 How can the coherence of territorial policies be strengthened?***

By putting in place a real multi level governance and a partnership at all levels with the different economic and social actors (the « horizontal cohesion » principle). Since the origin of the regional policy, the partnership took place almost exclusively between the Commission and the Member States: mono-institutional dialogue should be avoided and the association of intermediary organisations of the economic and social partners at all levels should be guaranteed.

#### ***4-4 How can Community and national policies be better combined to contribute to territorial cohesion?***

UEAPME would like to underline that Member States have accomplished important progress with the proposals for the coordination of national and European policies during the informal ministerial meetings of Leipzig, the Azores and Marseille. This political will to find complementarities should be welcomed. UEAPME encourages the Commission and the Member States to continue in this regard but wishes that these steps are from now on taken in consultation with the national and European economic and social partners.

The philosophy of the governance should be applied in these political undertakings in search for complementarities and the national and European economic and social partners should be allowed to participate or should be invited to these ministerial meetings.

In addition, UEAPME is of the opinion that in order to be successful, first of all this coordination needs to be assured at the highest level of the European Commission and requests:

- the creation among the College of the Commissioners of a group of Commissioners and General Directors of the Commission services,
- the setting-up before each Council in charge of the cohesion policy and the development of territories a threefold exchange of opinions between the Council, the Commission and the European social partners.

### **5- New territorial partnerships.**

UEAPME entirely approves the principle of greater participation in the elaboration and implementation of policies. In fact, experience shows that the direct participation of actors and social and economic partners is one of the essential conditions, perhaps even the main condition, for the success of the policies and the plans for territorial development.

#### ***5-1 Does the pursuit of territorial cohesion require the participation of new actors in policy-making, such as representatives of the social economy, local stakeholders, voluntary organisations and NGOs?***

During the presentation of the first action programme concerning the implementation of the territorial agenda of the EU in November 2007, the ministers underlined the importance of the multilevel governance as a fundamental tool for balanced territorial management in the EU and the necessity to unite with a panel of concerned actors.

Concerning economic development activities for SMEs, it is proven that regional development actions have been successful where they have been carried out in cooperation with the intermediary organisations, and their success depends on the degree of cooperation between the public authorities and the representatives of the economic and social actors, in particular the SMEs and micro enterprises and craft enterprises. On the other hand, the failure of territorial measures results essentially from the absence of cooperation and open-mindedness of the public authorities.

For UEAPME, successful governance depends on the degree and the quality of the cooperation between public authorities among each other as well as between the public authorities and the economic and social partners. The participation of all representative and efficient actors, economic and social partners, enterprise organisations, representatives of the social economy and NGOs can only contribute to the elaboration of policies that are adapted to the needs. UEAPME reiterates that:

- the economic and social partners in particular the European and national social partners are present at all levels and play a major economic and social role in the development of the territories which should not be underestimated;
- the public authorities of different territories are often still hesitant to engage in an open cooperation with the economic and social partners, whose culture remains largely unknown to them.

#### ***5-2 How can the desired level of participation be achieved?***

As previously indicated, UEAPME recommends:

- That the local, national and European authorities associate systematically all economic and social partners;
- The adoption of «codes of conduct» or «regional cooperation charts» according to national and European protocol between public authorities and the economic and social actors financially seconded by the structural funds;
- The implementation of the Small Business Act on territorial level as well as the rendering more concrete of the principle « Think small first » on regional, national and European level;
- The putting in place on Community level of high level working groups associating the Commission, the Council/Member States and the representatives of the economic and social partners including the creation of a ERDF Committee identical to the ESF as well as the creation of a working group « cohesion policy » within the European Social dialogue committee.

Furthermore, UEAPME reckons that the national and regional structures of the civil society, such as the Committees or economic and social councils, should play a prime role.

## 6- Improving understanding of territorial cohesion.

### *What quantitative/ qualitative indicators should be developed at EU level to monitor characteristics and trends in territorial cohesion?*

Some preliminary remarks:

#### - **Absence of aim oriented analysis and studies on the different categories of SMEs:**

Although SMEs and micro enterprises play an essential role in the economy and for social stability in the territories as well as being very often the only actors creating employment, paradoxically no study or national statistics report the impact of structural finances for small enterprises. First intern analyses show that if a limited percentage of small enterprises are beneficiaries, the structural financing seem to have incredible multiplying effects in terms of economic development and employment. Furthermore, community reports on the cohesion policy and the structural funds do not provide data on the impact of funds towards the small enterprises in terms of activities and the creation of employment.

If the political discourses emphasize the role of the SME and micro enterprises in the territories these days, UEAPME fears that it is not really followed by effects meaning that the structural funds and other Community finances for the territories are not known and that the access difficulties to these funds are not listed.

This situation is particularly injurious:

- It does not allow measuring the real efficiency of the policies neither for defining new coherent measures,
- the public authorities and the territorial enterprise organisations are deprived of reference resources in order to propose projects and to use the practical experience of other regions.
- It deprives the intermediary territorial organisations of references and examples of best practices which can reduce the interest and the efficiency of good governance. One example is the one of innovation in and by the small enterprises including where it is favouring the current innovation and non technological innovation. These innovations are not known sides the political decision makers who continue to privilege these enterprises producing rapid growths and high technologies.
- The **indicators** are often macro economic or do not concern the SMEs and the micro enterprises; for example the level of know-how is based on the highest university degree but the professional qualification is not taken into account.

UEAPME requests four actions from the Commission:

1. A region-by-region analysis of the effects of structural funds on SMEs, micro enterprises and craft enterprises to measure the benefits in terms of development of activities and creation of employment;
2. To conduct best practice assessments including in the area of professional training and innovation;
3. To list the access difficulties sides the SMEs to the different regional funds and to simplify the procedures;
4. To better use the existing indicators as a complement to the macroeconomic references which would allow measuring the contributions of SMEs, the micro and the craft enterprises to the development of the territories, on community, national and local level.

UEAPME believes that one of the first measures that the Commission should be doing following the Green paper is to engage at their earliest convenience in a coordination discussion with the economic and social partners in order to render effective these four measures before further negotiations on the future of the regional policy and the new funds.

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