

Position Paper

Multilevel Governance

Response to the Committee of the Regions' White Paper on "Multilevel Governance"

UEAPME welcomes the publication of the Committee of the Regions' White paper on "Multilevel governance" and approves of its main orientations, in particular the necessity to coordinate and to organise governance at the different levels of authority. According to the White paper, this has to be based on the one hand on the partnership principle among the different political decision making powers and on the other hand relay on the democratic legitimacy and on the representativeness of the different actors involved.

UEAPME wishes to present some complementary elements on the importance of SME with respect to their different forms – especially the smallest and the micro enterprises as well as the craft enterprises – in the framework of the democratic legitimacy and the representativeness of the actors.

Multilevel governance requires:

- Participation of economic and social actors, in particular representatives of SMEs to be involved at the different levels of governance activities, in form of partnerships respecting the « horizontal subsidiary » principle.
- Setting in motion of a « partnership culture ».
- Political and operational appropriation of the « Think small first » principle.

General Remarks

In its position paper on the Green paper on Territorial cohesion¹, UEAPME underlines, that in the opinion of its members those regional programmes for economic development that have shown success have been able to do so thanks to the quality of the cooperation and partnership with economic organisations and enterprises as well as the social partners in the respective territories.

On the contrary, the territories, where the decisions for certain developments had been made without this consultation or by applying a unique model of development or a single sector of activity without any preliminary assessment of the economic and social impact of these decisions on the other activity sectors, were unable to demonstrate the same take.

UEAPME considers that three factors have to be taken into account in the framework of a new policy of efficient governance:

1 – To inaugurate a dialogue between the political and the “real” economic actors which are the economic and social partners at each level: regional, national, and European. The concept of multilevel governance itself has to integrate the notion of “multiactors’ governance”. The economic and social policies, innovation, the environment and the big challenges of the EU – demography, energy, globalisation, employment, sustainable development,...- carry major impacts on enterprises, in particular on small and micro enterprises and craft enterprises. Under the three fundamental competencies conferred to the European Union by the Treaty of Lisbon and in consequence of the principle « Think small first », the representative organisations of the different kinds of SMEs should therefore systematically be associated with the elaboration of the legislations and programmes which are of interest to enterprises, to projects focussing on territorial development as well as to the sectoral policies.

UEAPME proposes the « horizontal subsidiarity » principle consisting in guaranteeing, parallel to the « institutional subsidiarity » principle, the participation of the economic and social actors in the decision making and operational process at every level.

¹ Published on 12 February 2009 and accessible via <http://www.ueapme.com/spip.php?rubrique42>

The horizontal subsidiarity principle of UEAPME:

The EU Treaty has put in place a division of competencies and the principle of institutional subsidiarity between the Union and the Member States. In the Member States the repartition of power and competencies between the regions and the state takes different forms. Furthermore, the Lisbon Treaty gives the EU a third fundamental competency, “the territorial cohesion”, in addition to the economic and social cohesion.

UEAPME considers that at each of the three levels of institutional subsidiarity, the economic and social partners should be formally associated, not only consulted, in the elaboration of texts which are relevant to them and linked to their own competencies.

Thus a principle of “horizontal subsidiarity” should be put in place guaranteeing:

- The respect of the different competencies between the economic, social partners and the public authorities;*
- The direct involvement of the economic and social partners in the related legislative process at each political and territorial level;*
- No regulatory/legislative text linked to their competency and responsibility should be adopted without formal consultation.*

2 – To set in motion a “culture of partnership” and of entrepreneurial spirit

The question arises whether it is necessary to create new legislative or administrative instruments in order to facilitate cooperation among the public authorities and the economic and social actors. In the case that the general rules of the structural funds prompt and recommend this formal consultation, experience has shown that the national and territorial public authorities apply this concerted consultation at their guise without any right of sanction neither without any real incentive sides the EU. However, it is understandable that the degree of efficiency of economic policies in the regions, which are favourable towards SMEs, depends on the level of partnership.

The analyses carried out by UEAPME on the efficiency of the structural policies towards SMEs and craft enterprises show that the real difficulties are threefold²:

- Excessive costs of existing administrative, financial and logistic management instruments: in addition to the inadequate administrative documents and requirements, very often defined without consultation of the enterprise owners or the project managers, the missing of consultation and partnership among the public authorities of the three levels lead to administrative overburden which than puts the entrepreneur or the intermediary association in difficulty. Four examples are often highlighted by the UEAPME Member Organisations: 1) Differing interpretations of EC- texts by the national and regional authorities lead for instance

² *One regrets that no precise impact assessment of policies and structural programmes on small enterprises exists neither on community level nor in the Member States.*

some regions to refuse enterprise's organisations to link in group actions. These differences exist sometimes in a given region across local authorities and the administrative authorities. 2) Necessity to have one full-time employee dedicated to administrative matters is not always covered by the technical assistance funds; 3) The necessity for partial or total advance payment by the beneficiary before the payment of the community funds; 4) Frequent overburdening with administrative documents, assessments and audits conducted by each territorial level may lead to late payment or the rescheduling of the project and eventually to abandoning the entire initiative.

Complying with the rules of auditing, administrative and financial certification made for larger enterprises, the application and ongoing evaluation formalities exclude de facto the small scale enterprises. The missing of organised governance among the European, national and territorial administrative levels leads to overcharging and often unnecessary constraints, to the extent that, SMEs can't directly access these programmes. Consequently, representative associations show less and less interest for structural funds.

- Absence or inadequacy of the « cooperation culture »: if there is insufficiency of cooperation among the public authorities it must also be underlined that public authorities at each level have not always the political will to cooperate with the economic and social partners. In its position on the Green paper on Cohesion policy, UEAPME underlines that the notion of unilateral power remains' still strong in many public services and that most hurdles where due to their lack of knowledge of the diverse situations of enterprises in the regions.

As the White paper indicates rightly, evolution in the way policy and administration in the European Union is perceived and conducted needs to be encouraged and strengthened.

- Insufficiency of the « enterprise culture » by the public communicators for whom the image reference of the enterprise is too often limited to the one of the large industry. This leads a number of authorities to assimilate all enterprises according to one unique model regardless of their size or their nature of activity and to conceive and to apply the support policies in function of this single model.

Innovation is a particularly poignant example: many regions have developed strong accompanying measures for small and micro enterprises in form of territorial clusters or objective driven contracts in order to stimulate all forms of innovation, including current non technological one. Others limit innovation to high level technologies in big enterprises. Although it has been proven that innovation in the small enterprises in the regions creates local and long term employment.

This reality carries two negative impacts for the territorial authorities and the enterprises. On the one hand, it does not allow them to conceive policies adapted to the different realities including the smaller scale. On the other hand, although it is now evident that the intermediary organisations play an irreplaceable role of interface between the small enterprises and the public authorities, this role is not sufficiently recognised and does not

receive enough support from the national or local administrative authorities. Experience has shown that European, national and territorial programmes only reach small enterprises if their implementation is managed by the intermediary organisations representing these enterprises.

In its response to the Green paper on Territorial cohesion, UEAPME estimates that one of five major political priorities of a successful future cohesion policy is to involve the intermediary organisations. Whatever priorities the European Institutions might set for their future cohesion policy, the implementation of these priorities sides and in the SMEs will only bear fruit if the different types of enterprises are taken into account.

It goes without saying that multilevel governance allows to obtain better regulation avoiding unnecessary requirements, unifying procedures, coordinating quality and financial auditing schemes, harmonising the understanding of legal texts on different levels. This is achieved under the condition that it does not limit itself to an institutional governance but becomes a partnership governance, the “multiactors’ governance” including the economic and social partners’ involvement. One of the priorities for UEAPME is the putting in place of training, accompanying and incentive measures for all partners in order to favour dialogue and coordination.

3- Applying the principle « Think small first » of the SBAE in the regions and territories

UEAPME appreciates that one of the key elements of the White paper is the generalisation of the principles of the SBAE on local and regional level and supports the White paper saying: « *The recovery of the European economy also requires the goals of the “Small Business Act” for Europe to be achieved. This must involve a partnership with the local and regional authorities*». ³

UEAPME invites the Committee of the Regions and the European regions to appropriate the priorities of the SBAE as well as the 27 priorities of the action plan annexed to the Council decision on the SBAE. Furthermore, UEAPME invites the CoR and the regions to elaborate, in close consultation with the enterprise representative organisations, their development strategy based on these priorities.

More than 95 % of all European enterprises operate on local markets either on markets with local or exporting ambitions based on local know-how. Nevertheless, the European policies often are conceived by and for the big industry; those with rapid growth or exporting capacities, though these industries represent only a minority of the enterprise reality. In fact, the very small enterprises are the most important creators of new employment. Sometimes, they are the only ones in rural areas, in difficult urban areas or naturally disadvantaged areas or others. In addition, the territorial policies should use the enterprise potential with regard to the proximity effect

³ *White paper on Multilevel Governance, Committee of the Regions, 17-18.06.2009, page 22*

and should be elaborated according to a double approach “bottom up”: starting with the needs of the smallest enterprises and at the lowest territorial level.

This request is even more justified by the fact that 92 500 local and regional authorities of the European Union are responsible of more than two thirds of the European legislation of which the majority directly concern small enterprises. The regions’ role and political responsibility will be raised with the Lisbon Treaty and they will have to manage the implementation of the decisions on climate change and sustainable development as well as the future policies on social affairs, demography and employment.

One of the keys for creating better framework conditions for the development of enterprises in the territories, in particular for micro and craft enterprises, is the political appropriation of the principle « Think small first » as the rule of governance and partnership by the regional and territorial authorities. This means especially:

- Part-taking in the elaboration of policies and development schemes for territories by intermediary organisations representing enterprises and the social partners.
- Systematic territorial impact assessment of the development policies for all economic activities in the concerned territories.
- Applying the principle « only once » in the according of financial means for enterprises: the formal requests, evaluation and auditing could be certified by the regional authorities without the need of additional assessments by the national or the European level.

In this context, a symbolic measure of efficient and successful multilevel governance would be to conclude an agreement among the three institutional levels, the Committee of the Regions and the territorial authorities: to reduce to a minimum the rules of auditing and requested information, to reduce formalities to a unique declaration valid for all three levels in accordance with the “Only once” of the “Small Business Act” for Europe and to set up financial and payment rules with reasonable delays.

Conclusion: for a new “dialogical culture”

It is vital to assure that regional and local interests, including those of SMEs and craft enterprises, are taken into account in the political arena in Europe and that the political actors on the ground as well as the economic and social partners take part in the elaboration and implementation of these policies.

Multilevel governance is often contested as it is perceived as damaging the subsidiarity principle and as a form of regional protectionisms. For UEAPME, on the contrary, it is one of the best guarantees of concrete, efficient, and adapted subsidiarity, close to the needs of the citizens and the enterprises thanks to the cooperation and partnership principle.

In addition, multilevel governance is a means of reinforcing the participatory democracy in accordance with the “horizontal subsidiarity” principle that UEAPME proposes. The direct participation at all levels, of intermediary organisations representing the different categories of SMEs to the elaboration and the implementation of policies as well as the support by the national and regional authorities in the accompaniment, interface and transfer of knowledge towards the small enterprises are major conditions for a successful governance policy.

In this context, UEAPME appreciates the proposals expressed in the White paper on the articulation between the institutional governance and the partnership governance, in so far as the partnership governance involves effectively the economic and social partners of the concerned territories applying the SBAE. According to the White paper, the European citizens have expressed this to be their preoccupation; the European SMEs claim it. The mechanisms of multilevel governance which should be put in motion are essential tools to realise horizontal objectives of territorial cohesion. Though, the current debate which opposes on the one hand the ideas of the renationalisation with an informal coordination and on the other hand the preconisation of the Barca report privileging cohesion in a larger sense, UEAPME believes that an informal coordination reduced to the exchange of information and best practices between Member States without any common policy will not carry any significant effect.

UEAPME supports the need to maintain on regional level cooperation and partnership according to the Lisbon treaty among the national and European actors, the regional and local actors as well as among the citizens and the economic and social actors.

In this context, UEAPME requests that the fundamental principles of the SBAE, especially the “Think small first” and “Only once” become obligatory on community level and that the Member states and the regions implement them. UEAPME would be ready to support a European Charter of multilevel governance which would apply the SBAE, integrate the notion of horizontal subsidiarity and assure full participation of SME organisations including micro and craft enterprise representatives, in the territorial decision making process. Thus, UEAPME underlines that this Charta, or any form of formal engagement of the kind described in the *Call of Reims* of 15 September 2008 at the initiative of the European Parliament Intergroup Urban Logement, will have real impact only if and when the Commission, the Parliament and the Council are themselves involved and apply it.

Brussels, 17 December 2009

For further information on this position paper, please contact:

Hubert Delorme
 Senior Counsellor Regional Policy and Structural Funds
h.delorme@ueapme.com
 Birte M. Day
 Advisor Regional Policy and Structural Funds
b.day@ueapme.com