

**WORKING DOCUMENT OF THE SERVICES OF THE COMMISSION ON
THE COMMUNITY STRATEGIC GUIDELINES 2007-2013**

Brussels, January 2005

1. INTRODUCTION

The present working document seeks to establish a framework for the discussion that the Commission services have proposed to the Member States in order to prepare draft Community Strategic Guidelines (CSG). Each Member State is invited to provide its views on a number of EU priorities for the next generation of national and regional programmes taking into account the specificity of each of the three proposed cohesion Objectives – *Convergence, Regional competitiveness and employment, Territorial co-operation*.

The meeting will cover neither the national strategic reference frameworks nor the operational programmes, which are under the responsibility of the Member States. The exchange of views between the Commission and the Member State will focus on a number of Community priorities, in the light of the Lisbon agenda, against the background of the effort to reduce their socio-economic disparities at national and regional level. The aim of the meeting is to ensure that, via an exchange of views with each Member State, there is as much consistency as possible between the Community priorities set out in the final version of the CSG, as adopted by the Council on a proposal from the Commission, and the economic, social and territorial problems and opportunities on the ground in the Member States.

Following the series of meetings with each Member State, the Commission will prepare a draft CSG for reaction in the context of an informal meeting of Ministers organised by the Presidency on 20 May 2005. In the preparation of the draft CSG, the choice of priority themes and the balance between will be determined by the outcome of this series of meetings.

2. THE EU CONTEXT : GROWTH, JOBS AND COHESION

The economic performance of the Union remains disappointing. At just over 2% in 2004, economic growth remains below the target of 3% per year set out in the Lisbon strategy in March 2000. The gap in GDP per capita between the European Union and its major competitor, the United States, is not narrowing in this regard. There are differences of experience within the EU, for example, growth is generally stronger in the new Member States while, as described in the Third Cohesion report (February 2004), inter-regional disparities across the Union remain wide. The evidence suggests that obstacles remain between Member States to cross-border trade as reflected in price differentials and more needs to be done to establish conditions to ensure the operation of the single market and to reduce frontier effects hindering economic development.

The overall employment rate has increased, but at 63% of the working age population, it remains well short of the Lisbon target of 70% by 2010. To meet the EU employment rate target of 70% in 2010, Europe still needs to create 22 million jobs. In general, the less prosperous areas have lower employment rates. Progress is most in evidence for women, but a worrying feature remains that of low levels of older worker participation in the labour force. Gender gaps are reducing, but persist.

In this regard, the Commission's analysis suggests that a combination of labour market reform and investment is needed. These include greater incentives in favour of work and greater labour mobility. It also includes the need for investment in childcare provision.

Underlying the poor performance in economic terms are a number of shortcomings that impact on productivity. Overall R&D expenditure as a percentage of GDP has been increasing but only marginally and at 1.9% of GDP remains well short of the Lisbon target of 3%. While the gap in business investment in R&D remains significant, there are signs that public investment in this field is also coming under pressure. While a combination of national and Community initiatives has been undertaken, more appears to be needed in order to encourage the creation of a larger pool of high-quality research talent in Europe, and to raise private research investment and encourage R&D partnerships across the different regions of the Union.

The position on research is reflected in the field of innovation. Detailed analysis by the Commission suggests that the US is outperforming the EU in the major sectors linked to the information and communications technologies (ICT) such as semiconductor and electronic equipment manufacturing and key ICT-intensive service industries. The only bright spot for the European economy relative to the US in the field of ICT tends to be in telecommunications. On the other hand, there has been good progress in meeting the Lisbon targets for the information society for connecting schools and households to internet, including in broadband, and in putting governments online. But even here, more remains to be done in order to exploit the range of possibilities offered by ICT. In general, more is required to encourage investment in high-technology start-ups. The European risk capital industry, for example, still remains half of the size of its counterpart in the United States.

With regard to the development of human resources, progress in the proportion of 25 to 64 year olds participating in education and training has been encouraging. Participation rates in life long learning remain low, however, in many Member States with groups most in need appearing least likely to receive training. The quality of vocational education and training remains very variable throughout Europe.

As a result of insufficient growth and employment, the indicators on social cohesion have tended not to improve. The risk of poverty has remained largely unchanged and discrimination remains a reality for many European especially in the larger cities. Likewise, in environmental issues, while the European Union ratified the Kyoto Protocol, progress towards the reduction in green house gases has been mixed. The targets on renewable energy will be missed (12% overall, 22% for electricity) and a significant decoupling of transport growth and GDP growth, for example, through investing in a modal shift in favour of rail, short sea shipping and waterways, has not occurred.

Looking to the future, the Union faces major challenges relating to its demographic situation. The youngest age group, aged 0-14 years will decline by 11% from 2000 to 2015 and by 6% until 2030. Meanwhile, the over 65 age group will expand by 22% between 2000 and 2015 and by a further 27% by 2030. This translates into fewer entrants into the labour market, an ageing of the workforce and a greater

dependency ratio. Europe is facing a shrinking labour force in absolute terms after 2010 unless - setting the question of migration aside - the employment rate can be increased even beyond the 70% target.

3. LAUNCHING THE DISCUSSION: TEN ISSUES OF COMMUNITY INTEREST FOR COHESION POLICY

In its regional and cohesion policies, the Member states and the Union, working in a close partnership, have an unrivalled opportunity for direct intervention to improve Europe's economic performance. The objective is to create win-win solutions. By concentrating resources on the least developed Member States and regions, and by targeting priorities linked to growth and employment throughout the regions in general, regional and cohesion policy can contribute to reducing disparities while raising the competitiveness of the Union as whole. For example, the 10% of the population in the least prosperous regions contribute today only 2% of EU GDP. By raising this contribution, the regions themselves gain while adding to the overall prosperity of the Union.

Accordingly, the Member States are invited to reflect on how to use this opportunity during the period 2007-2013 in order to make progress on growth and employment and to advance the Lisbon agenda in key areas for the quality of life of their citizens and for economic and social cohesion.

Using the growth and employment agenda, as set out by the Commission in the draft Financial Perspective (February 2004), as the basis for discussion, and taking account of the differing aims and levels of resources attached to each of the proposed *Convergence*, *Competitiveness/employment* and *Cooperation* objectives for the next period, a number of priority areas could be explored as follows.

Laying the foundations for competitiveness and growth in the regions

Actions under this heading are mostly but not exclusively of interest to the future generation of regions eligible under the new *Convergence* objective, insofar as it implies investment in basic infrastructure. Outside the *Convergence* Objective, the level of resources is such that the emphasis lies elsewhere, such as promoting optimal use of infrastructure.

In the Third Cohesion report, the Commission proposed priorities in the field of accessibility and the environment and risk prevention that often relate to expenditures for the longer-term establishment of better growth conditions. ***What can be done in these fields in order to improve growth prospects in the Member States and regions?*** The following considers a **non-exhaustive list** of proposals for specific actions that could be integrated into future programmes according to needs.

a) Accessibility

Issue 1: “*Delivering the Goods*”. Do the Member States agree that a major challenge is that of the development of sustainable trans-European networks for the transport of freight in order to develop trade? What can be done to improve

implementation of the transEuropean networks? What are the possibilities to develop rail, short sea shipping and waterways? Is better integration needed between modes of transport, e.g. rail and road? In short, should we try to develop a specific priority in this field in order to help concentrate efforts?

Issue 2: “Linking Europe”. While overall progress is encouraging, the networks across the Union in the field of information technologies remain incomplete. This is a key challenge for territorial cohesion. Do we need to make a special effort to complete the missing links in the broadband networks, especially in areas where market failure exist? Have we exploited all of the opportunities in this field in terms of content development (e-learning, e-government including at regional and local level, e-healthcare)?

b) Environment and risk prevention

Issue 3: “Cleaner environment”. This is an essential element of any strategy for economic development. Not only is it an important element for the health and well-being of the population in general and the workforce in particular, it helps to create an attractive environment for business development and for retaining highly qualified staff. What can be done to advance the agenda in this field, especially in relation to water and waste treatment?

Issue 4. “Kyoto+”. In view of the slow progress on greenhouse gas emissions, linked to the continued dependence on traditional energy sources, more needs to be done to promote energy efficiency and diversification into renewable energy sources. What can be done to improve energy efficiency, for example, in new Member States where energy consumption per unit of GDP is three times the figure in the rest of the Union? What are the most promising alternative energies? Can the growth in wind-power in countries such as Denmark, Germany and Spain be duplicated elsewhere?

c) Other issues

Issue 5. “Smart administration”. Administrative and institutional capacities are fundamental to the successful implementation of EU national and regional programmes especially in the Convergence Member States and regions. Institutional, administrative and judicial capacity are necessary, in particular to prepare and implement reforms and enforce the *acquis*. What are the needs at national and regional level in order to raise efficiency in the delivery of the programmes, and bring about wider socio-economic benefits, while maintaining rigour in financial management and control?

Issue 6. “Enlarging the labour force”. Past demographic trends already pre-determine the future size of Europe’s population of working age. Those born over the last fifteen to twenty years constitute the input to the labour force for the next fifteen to twenty years, setting aside the question of migration. In view of the ageing of the population and labour force throughout the enlarged Union, what can be done to bring more people into economic activity (as workers and entrepreneurs)? What can be done, for example, in the sphere of health to address absenteeism and prolong working life? What are the needs in terms of skills, vocational training and childcare facilities?

Renewing the drive for regional competitiveness and jobs

Actions under this heading **potentially concern all of the Member States and regions**, both for the Convergence Objective and for the Competitiveness Objective. A key objective of national programmes for employment will be to raise the employment rate, supporting the Member States in the realisation of the **European Employment Strategy**. The support from the Community financial instruments needs to be reinforced in the future programming period to contribute better to the employment objectives and targets of the Lisbon strategy. To this end, actions would focus on increasing adaptability of workers and enterprises; enhancing access to employment and participation in the labour market; reinforcing social inclusion of people at a disadvantage and combating discrimination; promoting partnerships for reform.

In addition, in the Third cohesion report, the Commission has proposed a priorities in the fields of innovation/the knowledge economy and in urban areas. What can be done in these fields in order to improve competitiveness and jobs?

d) Innovation/the knowledge economy

Issue 7. “Towards an ideas economy”. In order to raise competitiveness of the regions in the medium-term, additional investment is necessary to encourage the creation of additional capacity, for example, to help regions reach a level where they can participate in transnational projects to develop excellence under European RTD framework programmes. What is the role of regional research strategies and how can they be developed? What is the best combination of measures to raise capacities (infrastructure, equipment, human capital) and measures to improve the use of existing RTD infrastructure? What can be done to foster networks between regions, for example, via high-speed data networks?

Issue 8. “Speeding up innovation”. Decreasing the lead times between the availability of new ideas and their implementation in the form of new products and processes is key to greater competitiveness and job creation in new activities. Can we do more to tap the potential of our universities and major centres of research? What can be done to promote technology transfer, especially for SMEs? What can be done to promote cooperation between firms and between firms and universities?

Issue 9. “Access to finance”. This seems to be an area where there is market failure in Europe compared to the US. What can be done in order to improve access to finance for groups that typically have difficulty in obtaining support from traditional commercial sources (micro-business, first-time entrepreneurs especially those in innovative activities, older entrepreneurs, women, minorities, etc)? Should some of the future funding be earmarked for the creation of a ‘rolling fund’ at national or European level addressing the gaps in the market?

e) Urban areas

Issue 10. “Pacts with the cities and rural areas”. What can be done to enhance the role of cities as motors for regional growth, as areas presenting many challenges to social inclusion, and as the nodal points in a more evenly balanced development throughout the Union? What are the priorities? How do the Member States propose to organise urban development in the next period? What actions are needed in the rural areas in order to promote diversification and jobs in new activities, often dependent on services available in the urban areas?

4. THE FUTURE CONTENT OF EU COOPERATION PROGRAMMES

While much progress has been achieved, more remains to be done to reduce the frontier effects between Member States and to promote cooperation across national borders. What are the priority areas in this regard? What are the needs in terms of key ‘structuring’ projects to develop cross-border networks and to ensure a more appropriate division of labour between different regions? ? What should be the orientations in relation to the areas of trans-national cooperation in the light of previous experience?