

Preliminary notes on the Commission issues

Issues for all Member States and Regions

Issue 7: Towards and ideas economy. There is agreement with the general statement, and more specifically with the focus on territorial competitiveness and on actions enabling regions to play a driving and proactive role through excellence. The extent of regional disparities in terms of designing and implementing robust regional research strategies suggests that policy should be aimed at reducing such disparities through a strong partnership with economic and social players. However, a clear shift seems to be necessary, away from the priority that in the present structural funds programming period has been given to measures on the demand side, and towards measures on the supply side, favouring RTD carried out by institutional, public and private players.

There is rising awareness that the growing productivity gap between Europe and other industrialised areas in the '90s is largely due to the European problems in adjusting to a new link between science and technology. While in the previous technological paradigms the distance between science and technology was wide and several technological breakthroughs have been achieved in spite of weak understanding of the scientific progresses, in this paradigm the link is much stronger and advances depend more on scientific progresses by territorially located science teams. This suggests that policy effort should be concentrated: a) in those few areas where some potential comparative advantage exists, b) by directly promoting research on the supply side, c) by ensuring in specific locations an appropriate link between supply and potential demand.

Issue 8: Speeding up innovation. There is agreement with the general statement and with the relevant topics pointed out. The current programming experience shows the existence of major problems in implementing knowledge-transfer mechanisms, especially for SME's. These problems are partly due to the assumption that knowledge-transfer is prevented by market or organizational failures. This is very often not the case. The true problem is that firms do not know what they need to know, what knowledge is relevant for them or find it extremely difficult to integrate this new knowledge in their old one. If this is the case, then a much greater emphasis should be put in enabling those firms, or groups of them, with qualified human capital that can help them make the bridge.

Furthermore, innovation often takes the form of accelerated scrapping of fixed capital and new investments: this must be taken care of by both a revision of EU rules for horizontal State aids, but also by strongly limiting the amount of structural funds used towards general State aids.

Issue 9: Access to finance. Failures of capital markets are certainly more relevant in Europe than in the US and contribute to the gap in innovation and productivity. Failures are particularly relevant for: a) SME's trying to innovate, b) SME's trying to grow faster than self-financing allows, c) start-ups by micro-entrepreneurs, d) University spin off. These are four specific areas where structural funds should be concentrated. This should be done by enhancing those types of aids that do not substitute for but rather promote private capital: interest rate rebates when complementing market-rate loans by banks should be favoured over capital transfers. Structural funds should also be strongly aimed at horizontal state aids, taking advantage of the changes envisaged by the coming reform.

In this context, the creation of a "rolling fund" at European level could indeed be considered, through a strong involvement (by tender) of global financial players, for the specific area - financing University start-ups - where general European competence in assessing the merit of proposals is most needed.

Issue XX: Enhancing territorial assets. European competitiveness, both in terms of attracting visitors and selling niche-products and of providing good living conditions for residents, also depends on the capacity to turn existing natural and cultural heritage of specific territories – an inherently immobile resource - into a source of “well being” for people. In this area, too, Europe lacks innovation: several local communities either use those resources as *rentier*, by “consuming” them (in Italy: Florence), or use them only very partially (in Italy: Pompei). Major opportunities enhancing growth and productivity at European and national level are then missed by these local failures. S.F. should then be made available to improve the accessibility, the maintenance, the innovative use of natural and cultural immobile, local resources. Territorial integrated projects is the main instrument to achieve these goals. The current programming experience in Italy, especially for cultural resources, provides support for this line of work.

Issue YY: Education. Skills, capabilities and knowledge are of utmost importance for individuals to be able to contribute to and benefit from development processes, not only because of the fast progress of technology (see issue 8), but also because of the complex social, economic and cultural environments we live in. The acquisition of basic competencies of young people through education is therefore a vital investment in support of the knowledge economy and development objectives. Cohesion policies can complement the existing national educational policies - which must continue to play the main role in improving school standards and students’ performance - and EU wider strategies to enhance education and foster integration, particularly in the least developed areas or regions. The overall objective is to support efforts to improve the acquisition of basic competencies when they are not satisfactory, as well as “broader” life skills gained through educational processes. Only if effectively combined, these skills and capabilities can ensure employability and competitive labour force, favour active participation in civil society and foster European integration. Priorities for funding could be: I) “support actions” to advance effective life-long learning, by addressing issues related to dropouts and quality in basic education, as well as to the enhancement and sustainability of vocational education and school-to-work transition; II) fostering strategic and innovative approaches and partnerships in support of accessible and inclusive schools; III) supporting schools as open and democratic spaces to promote integration (including education to responsible citizenship, environmental awareness, etc.)

Issue 10: Pacts with the cities and rural areas. The division between town and country becomes less and less rigid in many European regions. Rural areas tend to assume functions other than agricultural production, whereas cities concentrate services that are vital also for rural development. In addition to priorities addressing the specific problems of cities and of rural areas (see Issues 10.1 and 10.2), attention should also be given to priorities that can positively exploit increasing mutual relationships between cities and rural contexts.

Community Guidelines should promote both cooperative clustering among small and medium sized towns in rural contexts, and the development of structured partnerships among larger urban poles and neighbouring rural areas. Transport and mobility organization, services and amenities supply are fields where cooperation should be encouraged, to allow high quality public goods to be equally accessible for people, notwithstanding which kind of area (rural or urban) they decide to live in. High-level education and training is also a priority field, where cooperation among rural and urban areas must be encouraged.

Efforts should also be directed towards peri-urban areas, to avoid that their merging within a metropolitan region generates physical decay, loss of productive and social functions, and new urban poverty. Targeted social policies and the promotion of integrated strategies for economic development and diversification, associating partners representing both the peri-urban areas and the

main urban pole could be encouraged. Enhancing natural and cultural resources could also reinforce the identity and support the competitiveness of these areas.

Sub-issue 10.1: Urban agenda. Evidence from recent research (e.g. Rome metro area; medium-size city networks in Lombardia), shows that cities that successfully attract and retain people and businesses have a significant impact on regional growth. Policies in this priority area pursue two related objectives: to enhance cities' economic performance in regional and global markets, and to improve quality of life for all citizens and to tackle social exclusion. Future programming will encompass some key principles: (i) definition of comprehensive and partnership-based urban and metropolitan strategies as frameworks for development investment; (ii) concentrating financing in high value added actions for urban competitiveness, efficient social services and innovative social enterprises; (iii) fostering regional-municipal strategic dialogue; and integrated and municipally-led project approaches; (iv) pursuing more effective private sector participation and co-financing.

Sub-issue 10.2 Rural areas. More than half of the Community population lives in rural areas. Competitiveness of rural areas will remain a priority of the next programming period. To keep people in rural areas and to improve quality of life is necessary: Income Diversification; Improvement of Infrastructures and Supply of Social Services.

Cohesion Policy should help Rural Development policy in the pursuit of "Income Diversification" objective through the following strategy: creating new job opportunities in sectors other than agriculture (for example tourism industry; alternative energies sector; crafts; service sector); favouring SME creation and networking; guaranteeing access to credit; fostering research (see comments on issue 7) and enhancing human capital in rural communities to allow a better understanding of their demand for knowledge (see issue 8); introducing targeted training systems. Cohesion policy should also contribute to improve rural areas infrastructures endowment. Together with water provision and energy's availability transportation systems plays important role. This is one of the issues where a strong link should be established with rural development policies: they can address small rural infrastructures, while structural funds should address the issue of allowing a good mobility of people to and from the cities for rural and urban citizens. Finally, to improve the incentive for people to stay in rural areas, it is also important to provide a better access to social services (childcare; schools systems; elder people services; local transportation systems; healthcare etc) especially for those areas which are not close to urban poles.

Issue 5: Smart administration (to be changed in: Enhancing administrative capacity). Innovation and modernisation of Public Administration should be explicitly addressed by regional policies in order to accelerate the achievement of results and to increase the provision of collective goods, the quality of programmes' implementation, and the effectiveness of actions designed to reduce regional gaps.

Since such programmes are aimed at modifying structural conditions, they need to operate in a medium-term time period. Their effectiveness depends on: a) widespread belief of their crucial role and generalised consensus on the objectives; b) continuity and stability in time of the actions carried on for their implementation; c) adequacy of financial resources invested; d) detailed and on-going assessment of progresses achieved and of necessary future accomplishments; e) high political visibility of programmes, targets and results, both at national and European level.

The actions to enhance institutional and capacity building should include efficient management; institutional cooperation; measurement and evaluation; projects design and selection. The Italian experience shows that appropriate incentive schemes based on performance reserves can be effective to spur desired institutional behaviours; technical assistance programmes and actions

targeted to the reinforcement of institutional capacity of Public Administrations can successfully support the above mentioned processes.

In this context no trade off exists between “raising efficiency in the delivery of programmes” and “maintaining rigour in financial management”.

Issue 6: Enlarging the labour force (*to be changed in: Enlarging and qualifying the labour force*). The issue of enlarging the labour force is indeed (a) a general medium-term concern because of ageing population in Europe, but (b) there are still specific problems in those areas where non participation to the labour market has been coupled with either a lower (with respect to potential) level of economic activity or the absence of viable opportunities for dismissed older workers bearing only firm specific skills.

Considering the needs that will become more visible in the medium term because of population ageing (and which already shows clearly in some occupations) the issue of developing a wise immigration policy at the European and national level cannot be set aside. Specific actions to promote integration of migrant workers and their families could be necessary. To address many general concerns, an appropriate mix of interventions (and policies) is requested. However, specific links between low levels of employment/activity, especially for what concern youth and long term unemployment; labour market regulation and pension systems; work organization models; extension of the black economy, on one hand, and attitude in labour market participation, on the other hand, should be fully understood when shaping interventions in the different situations. In both instances the crucial role of a wider policy effort beyond cohesion policy is necessary and should be mentioned: at community, national and regional level, through funded policies and well thought reforms aimed at increasing participation and providing the appropriate mix between flexibility and security.

Supporting actions funded by cohesion policy could play an important role, in giving the right emphasis on human capital development policies and on the importance of strong investment in people skills. They can provide a real impact on labour market functioning (especially when financial resources available are of significant magnitude), as well as a basis to keep accumulating promising practices and capacity (in other cases). Beyond the horizontal nature of labour market and human resources policies, the high variance of the situations in the different member states and territories suggests that a deep reflection (at all the appropriate levels) on specific implementation priorities (also providing attention to social partners requests and instances) is required.

In order to obtain an average longer working life, the accumulation of a functional human capital is generally important; this suggests more attention to initial education and vocational training for human capital development, particularly to prevent and combat early school leaving and to quality and accessibility of training and retraining systems. The necessary conditions to achieve an effective lifelong learning strategy in terms of accessibility of knowledge and skills acquirement should be openly supported (also in order to allow workforce mobility within a common professional qualifications framework).

To foster participation of women (whose contribution to labour force remains unsatisfactory in many cases), the role of the availability of services to reconcile family and work is well documented. This issue can be mainstreamed considering the importance of actions directed at providing a whole set of accompanying tools to enhance people participation in labour markets which go beyond the provision of training. Along these lines, efforts made in the current programming period to support the creation of employment service systems for job seekers and inactive people and their development towards the provisions of services tailored on people's needs

should not be abandoned. Networks between public and private systems could help in involving all the potential beneficiaries (people and firms).

Firms should be more forcefully encouraged in investing in their workforce (and all interventions - publicly or privately funded - have to be coordinated and encouraged to take into account more fragile workers) and in adopting organizational models that favour workforce ability to face also adverse events. Adaptability of enterprises is also an important issue to anticipate and face economic changes; early identification of occupational and skills requirements is therefore an important condition.

In more problematical situations creative solutions to retain at risk groups in the labour force should be considered. According to the relevance of the issue in the various contexts, pro active measures to contrast black economy and favour regular activities (as a necessary and useful complement to more traditional repressive actions) should be seriously considered. Projects designed to guide people in acquiring skills to seize local opportunities should also be encouraged.

Issues mostly for Convergence objective

Issue 1: Delivering goods: (to be changed in: Delivering the goods and enabling people to move). Improving accessibility crucially depends on the provision of adequate services not only for the delivery of goods, but also for the movement of people, making use of the technical and organization solutions best suited for diverse physical and economic conditions of the territories.

Three issues should be considered:

1. Transport networks and services should be designed to pursue convergence, having in mind that creation of physical networks and provision of transport services do not coincide.
2. Cohesion policies cannot substitute wider transport policies but they should a) induce European transport policies to reduce and not create new unbalances, b) promote transport models able to improve both direct accessibility of regions and their connection to European TEN networks (mainly in convergence areas), c) properly complement European network/ transport policies to ensure that regions become more competitive (also, mainly in convergence areas).
3. Cohesion policies on transport issues should strengthen the integration of different prevailing transport modes (road and rail) and in general promote intermodality solutions, thereby increasing the attractiveness and competitiveness of regions, mainly in convergence areas (via transport costs reduction and better services)

Issue 2: Linking Europe. Completing the missing links and contrasting digital divide with public intervention in areas where persistent market failures are observable is definitely needed. However, public intervention scope and criteria should be carefully defined, particularly on universal service obligations,. The definition of technical standards and regulations regarding wireless technologies, and their timely adoption by each member State, is particularly important for “weak areas”. On the other hand, the role of content initiatives and new service provision is at the utmost importance. While content development initiatives (e-learning, e-government including at regional and local level, e-healthcare) have indeed sprung up across Europe, the experience so far clearly shows that a major effort is still needed to move from “piloting ” to full-scale deployment and uptake of the new service, hence to achieve the intended socio-economic impact.

Issue 3: Cleaner environment. A greater role should be assigned by the Community Guidelines to European regulations in setting-up objectives and commitments within national frameworks in the areas of prevention, management, and safe disposal of waste and pricing of conservation and use of natural resources. At the same time, national regulations in favour of environmental protection and the prosecution of criminal actions against the environment should play a stronger role in national strategic framework and be better harmonized among Member States.

The Guidelines should explicitly invite Member states to address the issue of adapting the technological mix, infrastructure design and their management models (on the supply side) to specific territorial patterns according to population density and distribution (for urban waste), regional productive structure (for industrial waste) and best available technologies for waste processing aiming at meeting European environmental standards. Furthermore, strengthening of the administration in governing, monitoring and regulating natural resource management should be highlighted.

Issue 4: Kyoto + *(to be changed in: Meeting Kyoto commitments and enhancing regional competitiveness)*

The Commission argues, with particular regard to the convergence objective, that more needs to be done to promote energy efficiency and renewable energy sources, particularly wind power. Italy suggests that the following aspects be taken into account in the Community Guidelines:

1. Fulfilling the Kyoto commitments requires a comprehensive, national level approach encompassing policy decisions in a number of sectors (energy, industry, transport, research, etc.).
2. It is important to recognize that the scope of actions to be undertaken to meet the Kyoto targets goes beyond initiatives in individual sectors (e.g., promotion of renewable energy sources such as wind-power); and that national and community resources for cohesion policies can only be expected to absorb a limited share of the related financial burden.
3. Rather than recommending wider adoption of any given energy technology (such as wind power), the Community Guidelines could suggest that member states take the issue of renewable energy sources into account when defining their development strategies.

Italy therefore suggests that in the Community Guidelines, the Commission could provide guidance on how Member States might integrate initiatives co-financed by the structural funds with their overall emission reduction strategies, including an evaluation of the impact of Kyoto on regional competitiveness. Structural funds interventions should complement, and not substitute, measures taken in the transport, energy and research sectors.