**Partnership on jobs and skills in the local economy**

**Scoping Paper**

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1. **The objective of the Partnership**

To increase prosperity and decrease unemployment:

1. reducing existing burdens for business development and local production;
2. increasing the role of regional / local municipalities in promoting local economy in line with the integrated regional / local development strategies, among others discovering the ways, how to support local innovation capacities.

The focus will be on:

(a) Attracting and keeping enterprises;

(b) Creating new enterprises;

(c) Producing and consuming locally;

(d) Supporting new ways of working and catching –up present opportunities;

(e) Ensuring that skills meet the needs.

1. **Thematic scope / directions**

Economic performance at local level, including business development, is one of the most essential thematic aspects in fostering regional, including urban, development. New enterprises create new working places thus providing wider employment opportunities, fostering overall prosperity of inhabitants, as well as preventing uncontrolled outflow of local residents. Meanwhile higher entrepreneurial activity and employment, as well as reduced depopulation create preconditions for higher incomes in the budget of local municipalities, which can be used for providing better public spaces, better public services and more favourable business environment, also for attracting highly skilled experts. As a result overall prosperity and life quality can be increased of local residents, as well as created favourable preconditions for attraction of new investors.

From economic perspective territorial development is a struggle for growth resources (including human resources, investments etc.), their attraction and multiplication, thus creating necessary critical mass for growth. Meanwhile local economies have to adapt to the new reality influenced by the globalisation and the new ways different products and services are created and developed. Therefore, it is essential to use the available resources in a most effective way in order to create all the necessary preconditions for local economic development.

As the most essential preconditions for local economic development, including favourable business environment can be mentioned the following:

1. **Highly qualified workforce, experts and capacities**, so as to foster higher productivity, creativity and innovation. In that regard, it is essential to establish a platform for constant dialogue among the local government, entrepreneurs, science and education institutions with a purpose to provide necessary competences that satisfies local market needs.
2. **Available qualitative infrastructure, including transport and communication,** which provides accessibility of working places and services, including possibilities to work or use services from a distance; reliefs transportation of raw material and goods; connects to public infrastructure networks such as water, waste, sewage, energy etc.
3. **Available equipment and technologies**, which also contribute to higher productivity of enterprises;
4. **Opportunities for science and innovation**, which is significant for creation of enterprises with high added value and for more effective and creative use of local resources. In that regard, collaboration between enterprises and scientists are important.
5. **Availability of qualitative public services**, which prevent administrative burdens and facilitate establishment of enterprises and promote their growth.

Meanwhile there exist various obstacles that do not allow to provide all the necessary preconditions for local economy which is in line with local economic specialisation and local development strategy, as well as based on local assets and growth potential. For instance, State aid legislation defines restrictions how the available funding can be spent, although there might be other more efficient ways of spending; or ESI funding doesn’t fully explore the opportunities of coordinated investments (for instance, recently introduced Integrated Territorial investments’ (ITI) instrument is complicated in terms of administration, meanwhile available only for cities).

Taking into account the mentioned, we would like to share few concreate examples where already some bottlenecks can be observed, which require for better solutions in the future:

1. **Elligibility of projects’ costs in case of purchasing real property**

*Challenge* – according to the State aid Regulations, eligibility of costs starts at the moment when particular project is submitted. For revitalisation of territories, as one of the eligible costs under the ESI funds, often purchase of real property (degraded buildings, abounded industrial premises etc.) is significant, especially in cases when private owner is not motivated or cannot provide development and revitalisation of the property due to the lack of finances. Frequently, when local municipality proposes to buy the particular degraded building after the submission of the project, private owners increase the price for the property. As a result such a solution is not widely used, so as to avoid inefficient spending.

*Possible solution* – foreseeing exceptions for purchasing degraded buildings in terms of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance Article 56.

**2)** **Increasing *de minimis* support**

*Challenge* – currently *de minimis* support for 3 years is 200 000 EUR. For new enterprises, especially for those established by youth, there is a significant limitation for start-up capital. Since innovative products often are technologically intensive, development of such products might be complicated without start-up capital. One of the instruments that might help in such situation would be appropriate amount of *de minimis* support. Meanwhile *de minimis* rarely are used for production of new and innovative products, taking into account limited amount of *de minimis* support per 3 years period as well as high expenses for technological solutions in innovative enterprises.

*Possible solution –* increasing *de minimis* support for development of innovative products in new enterprises, including those developed by youth (review the Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid Text with EEA relevance).

1. **Decreasing existing limitations for large enterprises**

*Challenge* – there are significant limitations for big enterprises to get the support under the ESIF (including ERDF). Large enterprises might attract funding for experimental pilot-equipment, energy efficiency activities and capacity building of workforce. Meanwhile they cannot attract EU funding for purchasing commercial production equipment or production line, although such expenses are eligible for small and medium enterprises (SMEs). Large enterprises are the largest employers in countries and often create basis for development of different sub sectors, which might provide opportunities for SMEs. Financial instruments are essential precondition for further development of large enterprises, especially in the regions where exists natural obstacles for development (geographical location, high energy costs) and in regions with limited national budget opportunities. Absence of such financial instruments might influence the common competitiveness of EU, as particular large enterprises might choose other more favourable regions (outside the EU) for their further development cycle.

*Possible solution –* decreasing existing limitations for large enterprises within ESIF (including ERDF, ESF) regulations, reviewing ex-ante evaluation criteria and guidelines.

**4) Harmonisation of rules for municipal infrastructure projects in agriculture and other sectors**

*Challenge* – currently there exists different state aid regulation for agriculture sector (Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union) and for other sectors (Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance). Among others, there are different *de minimis* rules for agriculture and other sectors. For local municipalities all sectors are essential when programming their infrastructure development in their administration, especially taking into account that municipalities shall enhance development of all their territorial units and foster urban – rural collaboration. So as to enhance efficient support instruments for infrastructure projects, there is a need to harmonise existing regulation both for agriculture and other sectors.

*Possible solution* – harmonisation of rules for municipal infrastructure projects in agriculture and other sectors, excluding existing limitations.

**5) Education conformity to the labour market needs**

*Challenge* – current collaboration between education institutions and institutions representing entrepreneurs is formal and doesn’t provide desirable results.

*Possible solution* – establishment of platform for exchange of best practices and experience.

1. **Working method**

Taking into account the mentioned, we would propose to explore and analyse the above mentioned preconditions for local economy and business development (capacities, infrastructure, technologies and equipment, science and innovation, public services) within the Partnership, so as to identify and agree on the most urgent bottlenecks and burdens at EU level.

Under each mentioned precondition for local economy, it would be useful to evaluate all the existing and available EU support instruments including:

1. financial (grants, loans, guarantees)
2. non – financial (legislation, public property, rent opportunities, etc.)

The concreate cases / local experiences will be used as one of the sources to demonstrate existing burdens and bottlenecks of EU legislation, as well as serve as a platform for increasing urban knowledge, exchange experience and build capacity.

Meanwhile the existing evidence and quantitative analyses will be used as a source to come up with conclusions and reasonable improvements.

1. **Expected results**

Identified main EU level bottlenecks and burdens in promoting local economy and business development.

Prepared concreate proposals / suggestions for improvements in the existing EU legislation and support measures, so as to provide more favourable conditions for local economy.

Established platform for exchange of experience and capacity building.

1. **Provisional partners**

Gent, Antwerp (Belgium), Rotterdam (Netherlands), Finland, Rumania – expressed interest in a leader position of the Partnership.

Partner countries or their cities: Denmark, Czech Republic, Belgium, Netherlands, Greece, Poland, Croatia, Italy

Partner institutions: European Investment Bank, ESPON, CEMR, Eurocities

1. **Provisional time plan**

Provisionally Partnership might start at the beginning of 2017.