

Opinion of the Committee of the Regions on 'Cohesion policy: Strategic Report 2010 on the implementation of the programmes 2007-2013'

(2011/C 42/09)

THE COMMITTEE OF THE REGIONS

- regrets that because of the complexity of the funding mechanism, European projects are driven more and more by compliance with administrative procedures rather than development strategy;
- stresses that fragmentation of EU funding is a barrier to the effective implementation of projects and is hampering the focus on common priorities for development;
- calls for a smart approach with a view to future modifications and amendments to the structural fund (SF) regulations because frequent changes generate administrative burdens and delays in implementation;
- is convinced that the close involvement of LRAs in the operational programmes design paves the way for less unrealistic projects and generates projects that respond better to territorial needs and guarantee swift take-up of funds;
- regrets that concrete evidence about the performance and effectiveness of cohesion policy is missing from the available studies, analysis and reports, due mainly to the focus on the degree of fund implementation and the implementation of the programmes rather than on the actual outcomes of projects and their role in regional development;
- believes that, in order to have a clearer picture of the achievements of the policy and the structural changes generated, a reporting methodology must be agreed that focuses primarily on the results and secondly on the take-up of funds.

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THE COMMITTEE OF THE REGIONS,

1. welcomes the strategic reporting exercise introduced by the general regulation aiming to provide early evidence on outputs and results for the implementation of the cohesion policy 2007-2013. The strategic report will put more weight on the need to maximise the effects of EU cohesion policy measures at local, regional and national levels;

2. regrets that because of the complexity of the funding mechanism, European projects are driven more and more by compliance with administrative procedures rather than development strategy. This is considered one of the major barriers to efficient, speedy and effective delivery of the operational programmes (OP). Project developers lose sight of the core objectives, content and outputs of their projects and focus mainly on compliance with the regulations and financial control requirements;

3. recalls that, unlike sectoral policies of the EU, cohesion policy takes account of the economic, social, cultural and administrative characteristics of each territory and is meant to adapt the EU's intervention to these territorial specificities. For that reason, the EU must in its future policy reforms avoid any forms of standardisation that could hamper sustainable territorial development that is taking into account the needs of all territories concerned;

4. stresses that fragmentation of EU funding is a barrier to the effective implementation of projects and is hampering the focus on common priorities for development. This issue must be addressed seriously at all levels in the future debates about reform of cohesion policy and the EU budget review, in the forthcoming programming exercise;

5. recommends to the European Commission to seek to avoid an overly strict application of prescriptive strategies that might not respond to local needs, specificities and development opportunities, and to try to work in partnership with LRAs;

6. believes that the adaptation of the policy to financial and economic shocks needs to be addressed in the future regulations in order to increase the EU capacity to intervene, to adapt the interventions to new economic and social contexts and to speed up project implementation;

7. calls for a smart approach with a view to future modifications and amendments to the structural fund (SF) regulations because frequent changes generate administrative burdens and delays in implementation. The practice of laying down rules and standards with retroactive effect complicates the implementation and must be avoided in the future. The EC should try to better anticipate the effect of regulations, in order to make them more consistent and easy to apply;

8. is convinced that there is a direct relationship between the following three elements: (1) participation of LRAs, (2) take-up of funds and (3) successful implementation of cohesion policy objectives in the programming as well as project phases. The close involvement of LRAs in the operational programmes design paves the way for less unrealistic projects and – on the contrary – generates projects that respond better to territorial needs and guarantee swift take-up of funds;

9. strongly believes that LRAs must be encouraged to modernise and innovate in order to improve the delivery mechanism and calls for strengthening of the sub-national government level through capacity building and decentralisation of cohesion policy;

A more strategic reporting exercise

10. underlines the important role played by cohesion policy in the development of regions and local communities and in increasing their adaptation capacity in a globalised economy. However, it regrets that concrete evidence about the performance and effectiveness of cohesion policy is missing from the available studies, analysis and reports, due mainly to the focus on the degree of fund implementation and the implementation of the programmes rather than on the actual outcomes of projects and their role in regional development;

11. considers that the recommendations from strategic reports constitute valuable input to be used in the preparation of future European and national strategic reference frameworks, in order to avoid repeating past mistakes. In this respect, more focus must be put on qualitative evaluation of the policy, especially for big projects, rather than interpretation of statistical data. The true value of cohesion policy must be measured by its results and the leverage effect generated at national and sub national level ⁽¹⁾;

⁽¹⁾ See the CoR opinion on the leverage effect of the European cohesion policy.

12. thinks that European and national reports should explain in a more structured way the reasons for the failure to achieve the intermediate targets, indicating both internal and external factors;

13. believes that, in order to have a clearer picture of the achievements of the policy and the structural changes generated, a reporting methodology must be agreed that focuses primarily on the results and secondly on the take-up of funds. The reference point for the evaluation should be the short-, medium- and long-term results and the leverage effect of the policy. Outputs and outcomes expressed in both quantitative and qualitative terms will make the reports more strategically oriented;

14. considers that changes in the macro-economic situation and the consequent changes in the operational programmes should be explained in the strategic reports, in order to better justify the relevance of the reports to the new economic, financial, social or environmental contexts;

15. considers that the figures presented in the EC report confirm the slow implementation of the programmes in key EU policy priority areas such as the rail sector, energy, environment, digital economy, social inclusion, governance and capacity building. This calls for an in-depth analysis of the reasons for poor performance in these areas, with corrective measures to be taken in order to improve the situation. Where the situation is generated by changes in the priorities due to economic and social market conditions, reallocation should be allowed in order to respond to more acute territorial needs;

16. considers that strategic reports must focus more precisely on issues that have caused investments to be withheld and seek to collect feedback from national, regional and local authorities on the delivery of operational programmes;

17. considers local and regional authorities to be natural partners for the Member States (MS) and the EC in the strategic reporting exercise, because they are the level closest to the citizens and local businesses that know the realities on the ground. They can provide valuable solutions for improvement in the delivery of the policy and contribute to the focus on outputs, results and strategic developments. Building on the reporting experience and results, debates could be open between LRA and the MA (Managing Authorities) to analyse the obstacles faced and to identify appropriate measures to be taken in view of improving performance;

18. considers that national, regional and local authorities should be able to ask for and receive support from the European Commission services when encountering difficulties in organising the management, control and audit systems. A better understanding of the problems faced by the national,

regional and local authorities when setting up these mandatory systems can contribute to the continuous improvement of the cohesion policy implementation process;

19. considers that more good practices identified in the reports should be shared among local and regional authorities. The spread of best practices must not be limited to internet platforms and conferences; other, more effective, methods should be encouraged as well, for instance peer reviews, staff exchanges and study tours;

Future regulations post 2013

20. calls on the Member States and the Commission to take into consideration the vertical and horizontal approach in the future strategic reporting exercises, thereby paying more attention to territorial changes and achievement of the territorial cohesion objective. The 2010 report concentrates on analysis of the achievements in different sectors and it does not look into the territorial aspects and the structural changes at the level of functional areas;

21. believes that, with a view to future programming and in order to stimulate policy learning, the European Commission should start a debate with local and regional authorities and stakeholders about delegation, subsidiarity, simplification, eligibility and new evaluation indicators, possibly via web-based interactive communication tools;

22. considers that the European Commission should look for better synergies between the strategic reports and other types of report, namely the progress reports on economic, social and territorial cohesion and the reports on the implementation of the national reform programmes about the implementation of the Europe 2020 strategy. The strategic reports should capture the overall impact and performance of the policy in the medium to long term. It must be strategy oriented, in order to assess the value added and the scope of the programmes across the EU and their compatibility with other EU strategies and also with national strategies and programmes;

23. considers that the reporting exercise should not be limited to a seven year programming period; it must be a continuous and dynamic exercise, to allow an in-depth assessment of the long-term results of the policy and consequent improvements of the economic, social and environmental situation at territorial level. Strategic reporting should be an incentive to improve, it should contain feasible recommendations that help amelioration and avoid further bureaucratic efforts;

24. recommends the application of the SISA principle (Single Information Single Audit), a concrete solution to reduce the administrative burden for both businesses and governments ⁽²⁾;

⁽²⁾ The SISA principle is applied successfully in the Netherlands.

25. strongly recommends that Member States and the Commission involve local and regional authorities during negotiations on the operational programmes and create the conditions for effective implementation of the partnership principle. The dialogue with local authorities at national and European level must be reinforced in the future negotiations on the multi-annual programmes from 2014 onwards. Greater attention needs to be paid to the distribution of tasks, administrative capacity and existing barriers in the implementation of funds at national, regional and local level, avoiding the centralisation of tasks at national level. Arguments that local and regional institutional expertise is rather weak should not be considered as sustainable arguments and should not be obstacles to the decentralisation of cohesion policy;

26. believes that tripartite agreements between regions, national authorities and the EC can be a possible solution, in this way increasing the political responsibility and ownership of the policy;

27. recommends the application of outcome-based mechanisms in the delivery of cohesion policy and agreed indicators for the evaluation and performance measurement, thereby attaining mutual accountability for the policy;

28. calls for a streamlining of programming, monitoring and evaluation of cohesion policy with a view to improving the advisory role of the European Commission and decreasing the administrative burden related, in particular, to control and audit. The European Commission services should be a source of expertise in the field of sectoral and territorial development and this should be made available on a coherent basis to Member States, regions and local authorities during all the programming cycle: preparation, negotiation and implementation;

29. recommends that commitment of match funding by the national, regional and local authorities for major strategic projects starts in the early stages of the acceptance of the OPs; it could even be envisaged as part of the approval of the OPs;

30. urges the European Commission to define the requirements for the control systems and audit trail more clearly and in this respect to cooperate more closely with the managing authorities, especially while the conditions of the operational programmes are being determined;

31. notes that the N+2 rule is particularly problematic for the first year of the programming period, given the late approval of the OPs, launching of calls for projects, evaluation etc., and asks for application of the N+3 rule to all EU 27 Member States in the first half of the programming period;

32. calls for stronger support for the development and management of the projects where administrative and technical capacity is weak from the technical assistance OPs. Furthermore, instruments that focus on supporting the preparation of large scale projects like JASPERS, ELENA or any other existing similar mechanisms are welcomed;

33. believes that the structural funds should become fully integrated instruments for EU intervention in the territories, helping to underpin the sector specific policies. European Social Fund interventions should remain part of the cohesion policy. Furthermore, the rural development fund should be better coordinated with the other structural instruments in order to avoid problems (e.g. uncoordinated investments timetables, demarcation, different requirements for funding) and to promote an integrated territorial development;

Simplification

34. encourages Member States and the European Commission to assess the results achieved through the simplification measures adopted in 2008 and 2009 and implemented by the Member States, in particular with a view to cost and effort proportion of the measures. Further measures that could contribute substantially to the overall goal of reducing the administrative burdens of cohesion policy at all levels are still needed;

35. calls for application of the proportionality principle so that a better balance can be found between audit and control activities. Well-designed rules and legislations that are clear and simple to interpret and apply can significantly reduce the risk of errors and can be more effective than measures such as increasing the number of controls and audits;

36. stresses that management and control procedures must be proportionate to the scale of the projects, because it is very difficult for small institutions and small local authorities to implement projects under the present conditions. Special provisions must be designed for small-scale EU grants in the next programming period;

37. underlines the need for simplification of European legislation and audit practices in order to resolve promptly and uniformly questions concerning interpretation of the structural funds regulation and to make the answers available to the public, possibly using internet platforms;

38. calls for simple, transparent and effective monitoring procedures and in particular for the application of the proportionality principle in the control procedure knowing that too many administrative rules increase rather than reduce the margin of errors. Further considerations should be also given to the definition and identification of the margins of errors with a view of possible simplification;

39. reiterates that the EU public procurement legal framework involves complex procedures that cause delays in project implementation and for that reason encourages the EU institutions to consider revising the relevant Community legislation, in order to ensure firstly respect for the principles of local and regional self-government in relation to Services of General Interest, as defined in the Treaty of Lisbon which postdates the bulk of the legislation, and secondly greater clarity in the legal texts, since the complex case-law of the Court of Justice of the European Union has filled in some of the gaps in the legislation in a piece-meal fashion;

40. shares the views expressed by many local and regional authorities that the application of Article 55 of the general regulation creates a considerable administrative burden; it works against economically sustainable projects and discourages public-private partnerships. For this reason, it recommends that this article only apply to large projects and not at all to services. It also considers that the current Article 57 of the general regulation should not apply to innovation projects, so that the burden on small business and ESF projects is reduced;

Policy learning

41. encourages the European Commission and Member States to use the strategic reports as valuable sources of information for policy learning and also to rely on the recommendations for improvements made by local and regional authorities;

42. particularly welcomes the reporting on project implementation in the Member States and the comparative analysis by guidelines and themes and encourages the European Commission to further develop a benchmarking exercise in order to promote policy learning and good practices illustrated in the national reports;

43. is confident that strategic reports provide the basis for building a more thorough peer review. Unfortunately, the mechanisms and modalities for such peer review, good practice exchange and policy learning are not spelt out in the communication and should be further elaborated by the Commission services with a view to the next strategic report, to be issued in 2012;

44. calls on the European Commission to encourage exchanges and cooperation between authorities from different Member States in order to identify good and appropriate solutions. Implementation of new management, control and audit systems sometimes require considerable changes in national legislation;

45. believes that working in partnership with the local and regional authorities that know best the local situation and bottlenecks in implementation of projects is the best approach to determine common measures for improvements of policy effectiveness and its management, better accountability and sound financial management;

46. observes that some managing and control authorities have limited experience in project implementation at the ground level and some project developers also have a narrow experience in the administration of the operational programmes. In such cases, technical assistance could be used to enable these two categories of players to work better in partnership for the successful implementation of cohesion policy. Technical assistance should be more flexible and serve the needs of

those stakeholders; in the first place, however, Community funding should as far possible benefit final recipients;

47. is of the opinion that managing authorities should be inspired by the diversity of practices for the selection and contracting of projects in different Member States, and learn from each other. They should seek to be more accountable in what concerns evaluation and contractual formalities and to respect a reasonable timeframe, in order to allow smooth implementation of projects. Major delays in the selection process have serious consequences for local and regional authorities, firstly financially because of the variation of exchange rates in Member states not being part of the Euro zone and secondly technically in the case of public works where delays cause discontinuities in the delivery of public services. The evaluation, selection and contracting practices could be benchmarked between managing authorities in the strategic reports;

48. believes that the Commission could encourage benchmarking of performance rate and methods between MS and peers, and assess the strengths, weaknesses, opportunities and threats, in order to facilitate learning and continuous improvement;

... and the Committee's role in policy learning

49. through its opinions, must be a guardian of the application of the partnership principle in the delivery of cohesion policy: to encourage the learning of strategic policy lessons, highlight good practices where the involvement of local and regional authorities has facilitated the implementation of OPs and voice criticism where LRAs are poorly involved;

50. through forums and conferences, should act in particular as a promoter of LRA experience and expertise and advocates this with EU decision-makers. It should also promote pilot initiatives and support local authorities that have less institutional capacity and a low propensity for networking;

Involvement of the local and regional authorities and their associations

51. values the positive experience achieved by the LRAs in the management of the EU multiannual financial framework, based on common EU priorities and territorial development strategies and encourages further exploration of development concepts, including the integrated urban development concepts, as means for effective implementation of the OPs;

52. considers that LRAs should play a greater role and should be treated as partners and not as bidding organisations by the Managing Authorities (MA). Furthermore, the dialogue between project developers and MAs must be consolidated through training sessions, annual forums, and so on. More transparency is also needed to facilitate direct contacts between beneficiaries and MAs, e.g. on who does what in the MAs;

53. stresses that according to the subsidiarity principle regions should be managing authorities in as many cases as possible because of their better understanding of the local and regional development needs. Groupings of LRAs should also be encouraged to implement parts of the Ops;

54. calls for a detailed definition of the partnership principle. LRAs should be at the heart of the delivery mechanism. The partnership principle must be reinforced and dilution of responsibility among different organisations avoided;

55. underlines the fact that LRAs combine, in an efficient manner, different EU priorities and integrate them into their own policies. Therefore, impact of EU cohesion policy must be measured in the medium and long term using qualitative and quantitative results indicators and taking into account the realities on the ground;

56. reiterates that through regional policy the EU has encouraged the creation of different forms of LRA associations that have put the driving principles of cohesion into practice: integration of resources and knowledge, and partnership and cooperation. For that reason, European policies must encourage all forms of cooperation (institutionalised or not) – rural-urban, inter-municipal, interregional, cross-border and transnational – with a view to strategic territorial planning and effective management of complex projects;

57. believes that communication between managing authorities and with the European Commission should be encouraged in order for opinions to be exchanged about measures taken to overcome difficulties in the implementation

of the programmes. Furthermore, the dialogue between managing, control and audit authorities and local and regional authorities, as the major beneficiaries of the funds, should be consolidated, from the early stages of the preparation of new Structural Funds regulations;

58. urges the Member States and the Commission to apply the recommendations contained in the CoR's White paper on multilevel governance in order to improve the partnership principle in the application of cohesion policy. It's essential to continue the decentralisation process in the implementation of the European cohesion policy and to ensure that the management system is structured around the principle of multi-level governance;

Improvement of project implementation

59. calls on Member States and the EC to give priority to the integrated approach for local and regional development projects, making it possible to combine several sources of financing: OPs, national programmes and private resources at the individual project level;

60. recommends a better articulation between territorial projects financed by structural funds, their objectives, programming and implementation systems, as well as with the EC's FP7 and CIP programmes;

61. stresses the need to accelerate the formalities for confirmation of the awards and signing of grant agreements by the managing authorities in order to reduce time pressure on LRAs in project implementation.

Brussels, 2 December 2010.

*The President
of the Committee of the Regions*
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