Opinion of the European Economic and Social Committee on the Proposal for a Council Regulation establishing a Cohesion Fund


(2005/C 255/17)

On 1 December 2004 the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned communication.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 18 March 2005. The rapporteur was Mr Francisco João Silva.

At its 416th plenary session, held on 6-7 April 2005 (meeting of 6 April), the European Economic and Social Committee adopted the following opinion by 121 votes with 10 abstentions.

1. Introduction — the origin and key aims of the Cohesion Fund

1.1 As provided for in the Maastricht Treaty, the Cohesion Fund was set up in 1993 as a ‘cohesion financial instrument’ and formally given the status of a Community ‘Fund’ under Regulation 1164/94 of 16 May 1994 (1) — amended in the meantime by Regulations 1264/99 and 1265/99, both dated 21 June 1999 (2).

1.2 The Cohesion Fund was established to assist Member States whose Gross National Product was below 90 % of the Community average — this percentage was assessed on a three-yearly basis after the 1999 amendment — which meant that from the outset only four Member States were eligible for assistance: the three countries arriving with the second wave of EU enlargement — Spain, Greece and Portugal — and Ireland.

1.3 Under Regulation 1164/94, the Cohesion Fund helped consolidate economic and social cohesion in the Community, providing support for projects in the following areas:

— the environment;
— trans-European networks and transport infrastructures; and
— preparatory studies and technical support measures relating to eligible projects.

2. The impact of the Cohesion Fund from its creation to the present time

2.1 The contribution of the Structural Funds, especially the Cohesion Fund, is both visible and quantifiable in terms of progress in achieving the ‘convergence’ objective in the four Member States benefiting from the Funds to date.

2.2 For example, ‘the density of the motorway network in these four countries increased from 20 % below the Community average in 1991 to 10 % above in 2001’ (3).

2.3 Still with reference to transport infrastructure, there have not been similar improvements in the modernisation of railway transport and the density of railway network coverage in the four cohesion countries, which stands at 55 % of the EU average.

2.4 It has also been noted that investments in transport infrastructure made with Cohesion Fund support are a key factor in making the beneficiary regions attractive, giving a boost to economic activity, with all the benefits that that entails, such as productivity gains and growth in the real income of the local population.

2.5 Recent studies point to the fact that the contribution of the Structural Funds in general, and of the Cohesion Fund more particularly, can also have a positive effect by attracting businesses with a major R & D component to the regions concerned, which cannot fail to provide a stimulus to sustained growth throughout Europe.

2.6 The increase in per capita GDP in these four Member States between 1994 and 2001 — on average 3 % in real terms — was more than 1 % higher than the average annual increase in the rest of the EU (4).

3. The new proposal for a Council Regulation applying to the Cohesion Fund, submitted by the Commission in 2004 — General comments

3.1 The 1 May 2004 enlargement of the European Union from 15 to 25 Member States (the total number of members being set to rise to 27 in the near future, with Bulgaria and Romania being two countries which will also receive Cohesion Fund support) calls for serious discussion about the importance — in both qualitative terms (priority selection) and quantitative terms (the money allocated to Community funds) — of the methods used to attain the three key objectives of the Structural Funds: ‘convergence’, ‘regional competitiveness and employment’ and ‘European territorial cooperation’.

(*) Idem
3.2 Such a discussion is all the more urgent given that the simultaneous accession of 10 new Member States, with a GDP lower than the EU 15 average, has given rise to greater challenges for our efforts to achieve the ‘convergence’ objective, for which purpose the Cohesion Fund is being deployed, together with the ERDF and ESF.

3.3 Hence the Commission is channelling around EUR 264,000 million (78% of the total budget for European development programmes) into the ‘convergence’ objective; of this amount, around EUR 63,000 is earmarked for the Cohesion Fund, which constitutes a significant increase over the fund’s budget for 2000 — 2006: EUR 18,000 million.

3.4 With this in mind, the EESC assesses the Commission initiative positively in preparation for new Structural Funds rules and regulations for 2007 — 2013, providing a new legal framework for European cohesion policy.

3.5 In the time frame envisaged for the current revision of the rules on the Structural Funds, the latest statistics would indicate that Greece, Portugal, the 10 new Member States from the recent enlargement and, as soon as they join, Bulgaria and Romania will benefit from the Cohesion Fund.

3.6 As far as the proposed Regulation on the Cohesion Fund is concerned, designed to replace Council Regulation (EC) 1194/94, the EESC endorses the thrust of the proposal which aims to bring together in this Regulation only the key objectives and key lines of application and access; all aspects of making this fund operational — basic principles, definition of tasks and their division between the Member States and the Commission, financial management rules, auditing and monitoring rules — are to be covered by the General Regulation applying to all the Structural Funds.

3.7 Against this background, the Cohesion Fund will clearly provide back-up for steps to refocus Community cohesion policy on a limited number of selected priorities rooted in the commitments and strategies set out at Lisbon in 2000 — a more competitive economy based on an approach relying on knowledge and social cohesion — and those drawn up at Gothenburg in 2001 — stressing the need for environmental protection and the establishment of a sustainable development model.

4. The new proposal for a Council Regulation applying to the Cohesion Fund, submitted by the Commission in 2004 — Specific comments

4.1 Whilst accepting that the standardisation of Structural Funds rules and procedures is an appropriate management measure — for example, one positive step is the guideline stipulating that Cohesion Fund measures will be able to be programmed in conjunction with those of the ERDF, which is an exception to the principle that each programme will be financed by only one fund — the EESC feels it should be pointed out that because of this standardisation, certain rules are being applied to the Cohesion Fund which give rise to serious misgivings.

4.2 The EESC thus has reservations as to the value of the first-time application of the ‘n + 2’ rule to the Cohesion Fund; these concerns are referred generally in the EESC opinion on the proposal for a Council Regulation laying down the general provisions applying to the Structural Funds (1).

4.3 One positive sign is that, as set out in Article 1(1), the Cohesion Fund now aims to strengthen territorial cohesion as well as economic and social cohesion, covering regions whose per capita GDP is below 75% of the Community average (EU 25).

4.4 The importance of this new aspect is easy to see, given that the enlargement of the European Union from 15 to 25 countries has not only led to an approximately 12.5% fall in average per capita wealth, but has also meant that the percentage of the population living in less developed areas has risen from 20% to 25%.

4.5 In the ten Member States joining the EU in 2004, around 92% of the population live in regions where per capita GDP is lower than 75% of the Community average (EU 25) (2).

4.6 In the proposed regulation, the measures to strengthen Community cohesion are part of comprehensive moves to promote sustainable development.

4.6.1 This is illustrated in Article 2(3) which sets out possible areas for development:

— energy efficiency and renewable energies, as part of environmental measures;
— rail, river and sea transport, intermodal transport systems and clean urban transport, as part of transport measures.

4.7 Although this concern is not expressly mentioned, the EESC feels that effective deployment of Cohesion Fund money to invest in measures for improving the use of traditional energy sources and increasing the share of renewable energy sources will help reduce cohesion countries’ energy dependence; these countries currently import about 80% of the energy they consume, although the 10 enlargement countries depend much less on the outside for energy supplies.

4.8 However, these examples should not cause us to lose sight of the fact that promoting sustainable development in Europe requires cohesion policies to be implemented in rural areas as a matter of urgency. Hence this sector cannot be kept outside the scope of the Cohesion Fund without there being a detrimental effect on the funding still provided by other Structural Funds for achieving CAP objectives.

(1) CESE 389/2005
4.9 The EESC, bearing in mind that budgetary consolidation is one of the key pillars of convergence and consolidated growth for the European economy, does however have some reservations about possible inflexibility in applying the conditionality provisions on ‘excessive government deficit’ to the main objectives of the Cohesion Fund, as set out in Article 4 of the proposal in hand.

4.10 Indeed, such inflexibility can have a pernicious effect on the effective deployment of Cohesion Fund resources: allocation of these resources is contingent on whether an excessive deficit has been eliminated; however, one of the causes of excessive deficits may be national governments’ efforts to counter economic, social and territorial disparities.

4.11 It should be borne in mind that success in keeping public deficits within acceptable limits does not mean that the Member States concerned have also managed to remove economic, social and territorial disparities.

5. Conclusions and recommendations

5.1 Overall, the EESC welcomes the proposed Council Regulation on the Cohesion Fund, together with the alignment of the procedures applying to the Cohesion Fund on the general rules drawn up for the other Structural Funds.

5.2 The decision to enlarge the scope of the Cohesion Fund to include infrastructure development policies which respond to major environmental concerns — such as funding for ‘clean’ urban transport — is also worth highlighting as positive.

5.3 With a view to achieving the ‘convergence’ objective more efficiently and more quickly, the EESC recommends that the Commission work together with Member States to ensure that their operational programmes secure efficient, harmonised deployment of ERDF and Cohesion Fund resources so that, in the Member States receiving aid, national convergence goes hand in hand with regional convergence.

5.4 As part of its analysis of the advantages and potential disadvantages of the stability and convergence pact, the EESC urges the Commission to give due thought to the value of the conditionality provision on ‘excessive government deficit’ in relation to the objectives of the Member States receiving aid from the Cohesion Fund; it should be borne in mind that its provision must not be applied in such a way as to hamper the deployment of Cohesion Fund resources for achieving the ‘convergence’ objective.

5.5 Lastly, as stated in the opinion on the proposal for a Council Regulation laying down the general provisions applying to the Structural Funds (7), the EESC advocates allocating more resources to the Cohesion Fund, bearing in mind that the effect of the scheduled increase in resources will be completely diluted by the increase in the number of Member States which, following the latest wave of enlargement, will benefit from this Fund.

Brussels, 6 April 2005.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

(7) Idem footnote 5