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(Resolutions, recommendations and opinions)

RESOLUTIONS

COMMITTEE OF THE REGIONS

99TH PLENARY SESSION, 31 JANUARY-1 FEBRUARY 2013

Resolution of the Committee of the Regions on ‘Legislative package on Cohesion Policy post-2013’

(2013/C 62/01)

THE COMMITTEE OF THE REGIONS

— strongly advocates, in view of the current negotiations on the Multi-Annual Financial Framework, that Cohesion Policy needs both an effective spending and a vigorous budget; therefore calls on the Member States to reconsider the budgetary restrictions and maintain at least the current level of funding;

— strongly supports the REGI Committee’s negotiating team in the trialogue process; in particular, recalls some key positions shared with the EP such as "transition regions", the balance between Europe 2020 Strategy and the Treaty objectives, the effective involvement of local and regional authorities (LRAs), as well as the rejection of macroeconomic conditionality and performance reserve; it therefore hopes they could be kept in the final package;

— advocates the full application of the multilevel governance principle and a stronger involvement of LRAs in the setting of future Partnership Agreements and operational programmes; supports the European Commission’s proposal to elaborate a European Code of Conduct on Partnership (ECCP); therefore deeply regrets that the Council rejects such a tool and asks reluctant Member States to reconsider their positions, as it gives a negative signal regarding their willingness to cooperate with legitimate partners;

— supports a stronger democratic accountability and considers that the Council should discuss several financial issues - *such as the allocation method of Funds at national and regional levels, capping rate, safety net, etc.* - within the framework of the negotiations on the legislative package on Cohesion Policy rather than of the MFF, so that the European Parliament could be properly involved in these discussions and the CoR be consulted;

— regrets once more that GDP/GNI (and the number of unemployed people to a lesser extent) are the only criteria used to determine the level of allocation of the Structural Funds in a region and stresses that supplementary indicators should be used in order to better assess social and environmental needs and challenges.

Rapporteur Marek WOŹNIAK (PL/EPP), Marshal of the Wielkopolska region

Resolution of the Committee of the Regions – Legislative package on Cohesion Policy post-2013

I. **POLICY RECOMMENDATIONS**

THE COMMITTEE OF THE REGIONS

Introduction

1. adopts a political resolution on the current interinstitutional negotiations on the legislative package on Cohesion Policy post-2013, taking into account its first positions adopted between February and July 2012 and responding to the recent discussions and positions taken by the European Parliament and the Council;

2. strongly advocates, in view of the ongoing negotiations on the Multi-Annual Financial Framework (MFF), that Cohesion Policy is an investment policy that needs both effective spending and a vigorous budget that cannot be cut down if we want to stimulate growth and jobs, increase competitiveness and fight against territorial disparities within and between the EU regions, especially in times of crisis. Due to its crucial importance in tackling the economic crisis and the challenges of the Europe 2020 strategy, spending on Cohesion Policy should not be cut by EUR 19 billion (*in comparison with the European Commission's proposal*) while spending on other European Union policies is being maintained or even increased, as it is proposed by the draft Council conclusions of 22 November 2012;

3. expresses its utmost satisfaction with the mandates adopted by the REGI Committee of the European Parliament on 11-12 July 2012, which largely echo the demands of local and regional authorities, as expressed and adopted in the Committee of the Regions' opinions; regrets, however, that key issues concerning the draft regulation on the ESF were not taken on board by the draft report adopted by the EMPL Committee on 5 July 2012;

4. appreciates the positive developments towards simplification as proposed by the EC draft legislative package and welcomes provisions of the recently-adopted financial rules applicable to the general EU budget, such as on the use of flat rates, lump sums and shorter payment deadlines; insists on having an even more ambitious agenda at Member State level to simplify access to EU funds procedures, EU and national public procurement rules and reporting and control mechanisms;

5. strongly supports the REGI Committee's negotiating team in the trialogue process; in particular, recalls some key positions shared with the EP on the following issues, and hopes they could be kept in the final package:

— support for a cohesion policy that includes all regions and focuses equally on the EU's less developed regions;

— support for a new category of "transition regions" and the safety net of two-thirds of the current allocation for regions no longer eligible for convergence support;

— the need to balance the priorities between the Europe 2020 Strategy and the Treaty objectives as well as the need for more flexibility in the application of thematic concentration;

— the effective involvement of local and regional authorities in the design of partnership contracts and operational programmes respecting the multilevel governance principle;

— the strong support for the inclusion of a European Code of Conduct on partnership within Article 5 of the Common Provisions Regulation;

— the strong rejection of macroeconomic conditionality;

— the need for ex ante conditionalities to be directly related to the implementation of Cohesion Policy;

— the rejection of a performance reserve;

— the transfer of the Cohesion Fund allocation to the new Connecting Europe Facility, with the strict application of the CF rules and respect of national quotas;

— support for the integrated approach to territorial development advocated by the European Commission, as well as the introduction of new tools and forms of governance such as Integrated Territorial Investment (ITI) and local development carried out by local actors for urban matters;

— rejection of the urban development platform but call for URBACT to be established on a permanent footing.

6. underlines the need to adopt the legislative package as soon as possible after the adoption of the Multiannual Financial Framework (MFF); recalls the gravity of the economic and social crisis facing the EU, which makes it especially urgent for the implementation of Partnership Contracts and Operational Programmes' to begin in 2014, as this is the only way of delivering European funds that are vital for investment and structural reforms in the Member States, regions and cities;

7. recalls that the discussion on the draft regulation on EGTC should be distinguished from the overall legislative package on Cohesion Policy and stresses the importance of immediately adopting this specific regulation, which has no particular implications for the EU budget, without waiting for adoption of the package. This would enable the regulation to enter into force as soon as possible, providing fresh impetus for the development of new EGTC projects in a secure legal framework;

In favour of an ambitious budget for Cohesion Policy after 2013

8. recalls that local and regional authorities are fully aware of the need to improve the outcome of Cohesion Policy, through better programming and spending of Structural Funds, in particular in the current context of economic crisis and financial constraints;

9. considers a Multiannual Financial Framework (MFF) with a smaller budget than that proposed by the European Commission to be unacceptable, since it would weaken economy and competitiveness of the European Union and of the single market as a whole just when it most needs to be strengthened. Therefore, as stated in the Resolution of the Committee of the Regions on the on-going negotiations on the MFF ([1]), reiterates its call for a credible multi-annual EU budget as an investment tool for the benefit of all EU Member States and regions of at least the same level in terms of commitment appropriations as a percentage of GNI as the one agreed for the current programming period 2007-2013;

10. however considers as unacceptable the proposal by the Cyprus Presidency on 29 October 2012 to reduce the budget allocated to Cohesion Policy after 2013. Therefore calls on the Member States to reconsider the budgetary restrictions and maintain at least the current level of funding;

11. reaffirms the need to maintain a strong and ambitious Cohesion Policy at EU level, in order to respect the Treaty objectives of economic, social and territorial cohesion, as well as the collective commitment to deliver the Europe 2020 targets; a reduction of more than EUR 10 billion – as is proposed by the Council Presidency – would widen the gap between less developed and more developed regions and territories, as well as the revenue gap between citizens;

12. insists on the fact that cuts in Cohesion Policy funding would negatively affect the development of the Single Market and the investment capacity of local and regional authorities in crucial fields for the future of Europe, such as research, innovation, education, support to SMEs, green economy and infrastructure, which are key components of job creation for the future; considers during this current period of economic and social crisis that budgetary cuts would jeopardise long term investments and Europe's future sustainable growth and role in the world;

A stronger democratic accountability: the respect of the co-decision procedure

13. recalls that for the first time the legal texts governing Cohesion Policy will all be adopted under the co-decision legislative procedure, in accordance with the provisions of the Lisbon Treaty, thereby placing Member States and the European Parliament on an equal footing;

14. therefore considers that the Council should discuss several financial issues - *such as the allocation method of Funds at national and regional levels, capping rate, safety net, etc.* - within the framework of the negotiations on the legislative package on Cohesion Policy rather than of the MFF; as already said in its opinion on the "new MFF post-2013" ([2]), condemns the fact that the abovementioned issues are included in the Council's negotiating box and considers that, as areas for co-decision, they should be discussed within the General Affairs Council. Furthermore, the European Parliament should be properly involved in these discussions alongside the Council and the CoR should be consulted, in order to ensure effective democratic accountability; recalls that the CoR reserves the right to appear before the Court of Justice of the European Union if the European Commission does not introduce a legislative proposal on which the CoR has an opportunity to give an opinion;

Concerning the allocation method of the Structural Funds

15. regrets once more that GDP/GNI (and the number of unemployed people to a lesser extent) are the only criteria used to determine the level of allocation of the Structural Funds in a region; therefore, welcomes the proposal to increase the impact of the number of unemployed people in less developed and transition regions as indicated in the European Council's draft conclusions (version of 22 November 2012), in order to counter balance the weight of the GDP within the allocation method and to better take into account the social dimension of cohesion. At the same time, suggests that other demographic indicators such as the age dependency ratio be taken into account when determining the allocation of structural funding at the level of Member States;

([1]) Cf. CdR 2263/2012 fin

([2]) Cf. CdR 1777/2012 fin (rapporteur: Mercedes Bresso (IT/PES)).

16. as stated before [3], stresses that supplementary indicators should be used in order to better assess social and environmental needs and challenges (such as public services accessibility, health, per capita income, mobility and a clean environment). The distribution of these indicators at sub-regional level (GINI indicator) could be integrated within the method of allocating Funds, in order to better assess territorial cohesion challenges;

17. considers that, in order to take into account the trends in regional development, the evolution of GDP per inhabitant during the reference period (on the basis of the available Union figures for the latest three year period) should be built into the future method of allocation of Funds. A more flexible approach would enable support to be given also to those regions facing economic downturns;

18. requests that "serious and permanent natural or demographic disadvantages" be added to the list of criteria used for allocating resources by Member States; recalls in particular that demographic criteria, such as population dispersal, depopulation in certain parts of regions, or demographic ageing, have a serious impact on economic development and the cost of public services; commends the European Parliament for its support on this matter and asks the Council to align itself to the Parliament's position;

19. independently of the method chosen, reaffirms the following principles:

— Structural and Cohesion Funds should concentrate on less developed regions, while respecting the repartition between types of regions as proposed by the European Commission;

— "transition regions" should be treated on a fair basis, avoiding the creation of too many differences between regions no longer eligible for the convergence objective and the other type of transition regions;

— more developed regions should also be supported, as most of them are facing significant social problems, pockets of poverty in most urban areas and environmental and economic competitiveness challenges;

20. considers the principle of additionality to be fundamental to the effectiveness of Cohesion Policy, without which all of the efforts made under European regional policy could be rendered useless;

21. is particularly concerned about the Council Presidency's use of the three-year period 2007-2009 as the analysis period for its proposals on the regions. During the current crisis, calculating regions' relative wealth on the basis of measurements from that period distorts reality, since they are based on years of economic growth, which is particularly harmful for the regions on which the crisis is having the greatest impact. The Committee therefore welcomes the introduction of the clause regarding a review in 2016, though it also recommends special support, in addition to the safety net, to compensate those regions whose reduction in relative wealth resulting from the crisis has placed them at a disadvantage compared to the other regions in their category;

Concerning the capping rate

22. supports the capping rate proposed in the 18 September 2012 negotiating box on the MFF (2.5 %) which takes into account the catching up of the EU-12 Member States and the absorption difficulties faced by some Member States during the current programming period; therefore rejects the reduction proposed in the draft European Council conclusions of 22 November 2012 (2.35 %); however, envisages, for the Member States which acceded to the Union before 2013 and whose average real GDP growth in 2008 - 2010 was lower than – 1 %, to secure a level of capping which allows a similar level of commitments as for the current 2007-2013 period;

Concerning the safety net

23. supports the Commission's proposal concerning a "safety net" equal to at least two thirds of the current allocation for regions that will no longer come under the convergence objective; therefore regrets the latest proposals from the Presidency of the European Council reducing the "safety net" to below this level;

Concerning the urban premium

24. welcomes the recent deletion of an "urban premium" in the Council Presidency's documents concerning the negotiating box on the MFF, which was allocating EUR 4 per inhabitant living in cities of 250 000 inhabitants or more. This premium would have given a financial advantage to more urbanised regions, whereas the development gap between rural and urban areas is still very high;

Concerning territorial cooperation budget

25. strongly supports the Commission's proposal to increase the allocation to European territorial cooperation (ETC) to EUR 11.8 billion, instead of 8.7 billion under the current programming period; recalls the added value of ETC towards European integration and territorial cohesion, thanks to the minimisation of the negative effects of borders, the improvement in policy efficiency, the improvement of quality of life, the reinforcement of capacity building as well as the

[3] Cf. Opinion on "Measuring progress – GDP and beyond", CdR 163/2010 fin (rapporteur: Vicente Álvarez Areces (ES/PES)).

promotion of trust and mutual understanding; therefore regrets the 3 billion cut proposed in the draft European Council conclusions of 22 November, as well as the reintroduction of the 150 km requirement for cross-border cooperation, in the case of maritime borders; however, welcomes the fact that the Council draft conclusions align with the CoR's call and EP position on the need to increase the co-financing rate to 85 % for ETC programmes;

Rejection of macroeconomic conditionality and financial sanctions/awards

26. reaffirms its strong opposition to macroeconomic conditionality, in particular to any suspension or cancellation of CSF funds linked to the Stability and Growth Pact sanctions, as it risks heavily penalising regional and local authorities that are not responsible for their Member States' failure to comply with these requirements;

27. welcomes the support of the European Parliament on this matter and hopes that the negotiating team will succeed – within the trialogue – in convincing Member States to withdraw all measures linked to macroeconomic conditionality within the Common Provisions Regulation;

28. reaffirms its support for partially linking CSF Funds and the new EU economic governance, by opening the possibility to amend Partnership Contracts and Operational Programmes on the basis of country specific recommendations within the European Semester, but rejects strongly the hypothesis of partial or total suspension of payments;

29. reiterates its rejection of the "performance reserve" awards to the most successful regions, since this mechanism could incentivise policymakers to set very modest and easily achievable objectives, with a view to tapping into additional resources, and could encourage the development of unambitious projects and discourage innovation; therefore supports the position of the European Parliament and hopes that the Council will modify its opinion on this matter; recalls its proposal for a "flexibility reserve" made up of automatic decommitment resources and used to fund experimental initiatives, which could become a compromise between the two co-legislators;

30. fully agrees with the approach required for the new results-based management framework and, consequently, with the importance attached to measuring performance. However, it considers that flexible rules are needed, enabling the results to be seen in the context of the particular economic situation of each region; furthermore, reaffirms its opposition to any financial sanctions linked to the performance framework;

For an effective partnership with local and regional authorities

31. advocates the full application of the multilevel governance principle and a stronger involvement of local and regional authorities in the preparation, negotiation and implementation of Cohesion Policy during the next programming period;

32. welcomes the European Parliament's proposal to put local and regional authorities on the same footing as national governments in the elaboration of "Partnership Contracts" and "Operational Programmes", with due respect of the subsidiarity principle;

33. expects that local and regional authorities will be fully involved in the design of "Partnership Contracts" in order to respond to the needs of a bottom-up and integrated approach to regional development strategies; calls on the Member States to start work on the strategic planning of Cohesion Policy in order to be ready to begin programming CSF Funds by 1 January 2014; in that respect, requests the European Commission to closely monitor the elaboration of those contracts by avoiding a top-down and sectoral approach to programming;

34. therefore supports the European Commission's proposal to elaborate, for the first time, a European Code of Conduct on Partnership; deeply regrets that the Council rejects such a tool, which aims to improve the quality of partnerships in all Member States and asks reluctant Member States to reconsider their positions on the ECPP, as it gives a negative signal regarding their willingness to cooperate with legitimate partners;

An architecture taking into account territorial disparities

35. reaffirms its clear support for the new category of "transition regions" and supports the European Parliament in the current interinstitutional negotiations; calls on the Council Presidency to maintain its position on this matter until the end of the negotiations, as this new category partially answers the objective of territorial cohesion by offering more equitable support to all regions;

36. welcomes the European Parliament's proposal to create another safety net of four-fifths of the 2007-2013 allocation to "single region Island States eligible to the Cohesion Fund in 2013" and for "outermost regions" that will no longer belong to the less developed regions category after 2013;

37. recalls the needs and challenges of outermost and sparsely populated regions and requests that sufficient and proportionate budget resources are allocated for them in order to achieve the objective of economic, social and territorial cohesion, as well as their better integration in the Single Market; therefore welcomes the increased aid intensity for outermost regions (from EUR 20 to 30 per inhabitant) as proposed by the draft European Council conclusions of 22 November 2012;

38. insists on the fact that the Lisbon Treaty has added territorial cohesion to the economic and social cohesion policy objective and questions the lack of reference to this territorial dimension, as well as to regions undergoing industrial change, and island, sparsely populated, mountainous or outermost regions in the EMPL committee report on the draft ESF regulation;

Thematic concentration: towards more flexibility

39. welcomes the more flexible approach on thematic concentration in the Europe 2020 strategy, as adopted by the European Parliament and the Council compromises; recalls the main political objectives of the Treaty (economic, social and territorial cohesion) and the need to take more account of national and regional disparities and challenges that have been supported by both legislators;

40. welcomes the extension of the thematic objectives and investment priorities as stated in the European Parliament's texts for mandate concerning the ERDF and ETC draft regulations, as well as in the compromises adopted by the Council Presidency on the "thematic concentration" bloc; would underline, nevertheless, the importance of continuing to give special attention to themes relating to developing cultural heritage and tourism; regrets, however, that the EMPL committee report on the ESF does not propose any reduction in the concentration percentages proposed by the European Commission, contrary to the suggestion of the CoR;

41. particularly welcomes the European Parliament's position concerning the extension of the field of ICT for all regions to include basic infrastructure, but regrets the Council's silence on this issue; therefore asks the Member States to reconsider their position on this matter, as high speed ICT networks are still missing in many remote rural areas, even in more developed regions;

42. welcomes the fact that the Council has removed the thematic concentration imposed by the European Commission in the specific allocations for the outermost regions in the ERDF regulation, and hopes that the European Parliament will amend its negotiating mandate on this point, in keeping with the Council's stance, with a view to the present interinstitutional negotiations;

European Social Fund

43. reiterates that local and regional authorities are, and must continue to be, key actors in planning and implementing ESF operational programmes and therefore rejects the consideration included in the EMPL committee report according to which Member States should remain the "principal intermediaries" for all ESF policies given the importance of national employment policies;

44. reiterates its request for a reference in the ESF regulation to areas with natural and demographic handicaps similar to that foreseen in Article 10 of the draft regulation on the ERDF, as well as to the outermost regions; highlights the need to extend territorial cooperation under the ESF to cross-border and interregional cooperation alongside transnational cooperation;

45. regrets the budget cut proposed in the 22-23 November European Council conclusions to the food aid programme for the most deprived persons (EUR 2.1 instead of EUR 2.5 billion); calls for a clear separation of the programme from the ESF and insists on an allocation of adequate resources transferred from heading 2 of the MFF (CAP);

Towards a formal "Council for Cohesion Policy"

46. welcomes and supports the Cyprus Presidency's proposal to create a formal "Council for Cohesion Policy", which would "be composed of the Ministers with responsibility for Cohesion policy"; the CoR has advocated for such a formal meeting for a long time, as it would give more visibility and would ensure a continuous political debate on Cohesion Policy; wishes to participate actively in the political discussions of a formal Council, as it will affect the interests of local and regional authorities of the EU, which are directly concerned and involved in the implementation of Cohesion policy on the ground;

47. regrets that the investment pre-financing effort is still imposed on national or regional authorities that have managing authority status. This entails a financial effort that is difficult to make in the current situation of constraints in the financial markets. If the investment pre-financing principle is imposed, the European Union will waste a unique opportunity to inject financial resources directly into boosting the economy and structural change, providing larger amounts in advance so that funding can be provided at the right time to allow repayments to start;

Financial Management of the Operational Programmes

48. regarding the rules on management and control, disagrees with the way value added tax is dealt with, since its eligibility as an operational cost is limited to very specific cases which, in most regions, will rule it out as an eligible expenditure. In practice, this means a real cut in the rate of co-financing by the funds of up to 23 %;

49. is in favour of retaining the n+3 rule for the 2014-2020 programming period;

50. upholds the eligibility of VAT for all categories of expenditure, where this tax cannot be recovered by the beneficiaries.

Brussels, 1 February 2013.

The President
of the Committee of the Regions
Ramón Luis VALCÁRCEL SISO