

5.2. Despite this the COR considers that the degree of flexibility built-in to many of the measures is also important in assisting regions which will have difficulty in reaching targets set. However, a revision of the

implementation of the strategy should consider the gradual reduction in the level of flexibility inherent in many of the strategy's measures.

Brussels, 19 November 1997.

The Chairman
of the Committee of the Regions
Pasqual MARAGALL i MIRA

Opinion of the Committee of the Regions on 'Agenda 2000: the financing of the European Union after 1999 taking account of enlargement prospects and the challenges of the 21st century'

(98/C 64/06)

THE COMMITTEE OF THE REGIONS,

having regard to its decision of 11 June 1997, under Article 198c(4) of the Treaty establishing the European Community, to draw up an opinion on Agenda 2000: the financing of the European Union after 1999 taking account of enlargement prospects and the challenges of the 21st century and to instruct Commission 1 for Regional Development, Economic Development and Local and Regional Finances to prepare the Committee's work on the subject;

having regard to the European Commission document Agenda 2000: For a stronger and wider Union (COM(97) 2000 final);

having regard to the draft opinion adopted by Commission 1 (CdR 303/97 rev. 2) on 3 October 1997 (rapporteurs: Mr Behrendt and Mrs Nielsen),

at its 20th plenary session of 19 and 20 November 1997 (meeting of 20 November) adopted the following opinion.

1. Introduction

1.1. On 16 July 1997 the European Commission published its document entitled Agenda 2000: for a stronger and wider union. In so doing the Commission was complying with the request of the European Council of December 1995 by submitting, immediately after the IGC, a single communication on the future financial framework of Union. This fleshes out the institutional and treaty framework of the European Union, as extended by the Intergovernmental Conference. There is a clear connection here with the Amsterdam Treaty currently awaiting ratification by the Member States.

1.2. The Committee of the Regions views with interest the Commission document which contains a complex analysis of the financing of the tasks facing the Union

in connection with eastward enlargement, guaranteeing the EU's ability to act both internally and externally, ensuring competitiveness and creating new employment. At the same time the document makes it clear that the forthcoming decisions on the future financing of the Union require complex analysis in the light of integration policy and that the need for adjustments, reforms and changes in the EU is not purely the result of enlargement.

2. Financial framework 2000-2006

2.1. The new financial framework proposed by the Commission in Agenda 2000 provides a total of ECU 745,5 billion (funding for commitments at 1997 prices) for the financing of the tasks of the European Union

over the period 2000-2006. This is equivalent to an annual average of ECU 106,5 billion, compared with an expenditure ceiling of ECU 97,8 billion for 1999, the last year of the financial perspectives adopted by the 1992 Edinburgh European Council. Here it should be borne in mind that the Commission is expecting the first new accessions in 2002 and that provision is made for corresponding increases in the budget from this time. The expenditure ceiling is to be raised by ECU 2 billion for 2000 and 2001. The Committee of the Regions considers this proposed expenditure framework to be a good basis for achieving a compromise in the negotiations between Member States and Community bodies which strikes a balance between the requirements of expenditure reduction at national level, budgetary discipline at all levels and the need for appropriate financing of the Union and its policies.

2.2. The new financial framework earmarks 44,2 % of Community spending for the common agricultural policy, 36,9 % for strengthening economic and social cohesion and barely 7 % for internal and external policies. 5,4 % is earmarked for administrative expenditure and reserves. The Committee of the Regions notes the extent to which this expenditure structure takes account of the immediate needs of regions and localities with a development deficit or problems of structural adjustment, but stresses that it continues to be necessary to promote the development of economic and social cohesion policy in order to reduce disparities in the least favoured regions. At the same time, however, only a relatively low proportion of Community expenditure is allocated to strengthening Europe's international competitiveness, including the promotion of research, technology and innovation. It remains to be seen whether in the longer term the structure of the Community budget does justice to the strategic challenges facing the Union.

2.3. The Committee welcomes the fact that the Commission is proposing a financial framework which retains the expenditure ceiling of 1,27 % of EU GNP laid down in the decision on own resources currently in force. The Commission is thereby acknowledging that Community spending can only rise in line with the EU's economic growth and that, in view of the budgetary situation and expenditure cuts in all Member States, all opportunities for saving must be seized at EU level too.

2.4. The Commission bases its financial framework on the assumption of annual economic growth of 2,5 % for the existing 15 Member States and 4 % for the accession candidates. These economic forecasts are beset with uncertainty and the demographic and overall labour supply forecasts adopted in Agenda 2000 do not tally with such rosy economic scenarios. It is therefore welcome that the Commission does not foresee the own resources ceiling being reached. The expenditure

planned by the Commission amounts to only 1,24 % of EU GNP over the period 2000-2001 and 1,22 % thereafter. This slack will accommodate fluctuations in economic growth of about 2 %.

2.5. A further margin for manoeuvre derives from the difference between expenditure actually planned in the Union's budgets and the planned expenditure ceilings. For example, in the draft 1999 budget the Commission estimates that own resources will be used up to 1,15 % of GNP, although the proposal for the 1999 financial framework is based on a ceiling of 1,25 % of GNP. Whilst the Committee of the Regions is not calling for the maximum provided for in the financial framework to be reduced, it does ask the Commission for an explanation of the difference between current budget plans and the data for 1999 used as a basis for the new financial framework. The Committee also points out that the planned funding of the new financial framework consists of maximum figures, which — as in the current financial framework — should as far as possible be undershot by the Commission's various budget drafts. This applies particularly to the period leading up to the accession of the first new Member States; real expenditure increases of over 10 % would otherwise be unacceptable in view of spending constraints to which the regional and local authorities are above all subject.

3. Future system of financing

3.1. As the expenditure required during the period of the next financial perspectives is to be financed within the current own resources ceiling of 1,27 % of GNP, the Commission sees no need on either technical or legal grounds for any change to the own resources decision underlying the financing system. The Committee of the Regions regrets that with this conclusion the Commission is pre-empting its report on the operation of the financing system, which is it required to carry out under Article 10 of the own resources decision of 31 October 1994 and which it has said will be published in 1998.

3.2. Under Article 10 of the decision, analysis of the financing system must include assessment of the adequacy of funds and the own resources ceiling, but also, in particular, assessment of the current and future financial relationship between the Member States and the European Union — including possible budget imbalances between certain Member States — and evaluation of the various sources of own resources. The Committee of the Regions considers the arguments on the subject put forward by the Commission in Agenda 2000 to be inadequate, and calls on the Commission to spell out its position in detail in the report planned for 1998.

3.3. The Commission itself admits that the question will need to be addressed as to whether under the current system the Member States' contributions reflect their economic and financial strength. The matter is being intensively discussed in some Member States. These discussions need to be taken seriously as they affect the operation of the EU and its image in political circles and with the public.

3.4. The Committee of the Regions stresses that the process of European integration cannot be measured purely in terms of contributions to, and funds received from, the Community budget. On the other hand, it is legitimate for the Member States and the regional and local authorities to analyse the financial impact of decisions taken at Community level, as is done in relation to decisions at national level. The Committee of the Regions points out however that excessive fixation on the 'net benefit' of Union membership would reduce the Union to a mere financial transfer mechanism and rob Community policies of their material foundation. Whilst the Member States' contributions to the Community budget must be based on their economic and financial strength, integration considerations should predominate on the expenditure side, which determines the funds flowing back to the Member States.

3.5. The Commission also acknowledges that in some cases temporary budgetary imbalances may arise which need to be considered in assessing the contribution to the Community budget. A correction mechanism could be set up for the EU's financing system, to be used in the event that a Member State's financial contributions exceed its economic and financial strength to an unacceptable degree. The Committee of the Regions asks the Commission to include these considerations in its report on the financing system. As the own resources decision requires the agreement and ratification of all the Member States, changes can be made only by general agreement. But this should not prevent possible additions from being analysed and made the subject of serious negotiations.

4. Economic and social cohesion

4.1. The Committee of the Regions would reiterate in this context the view which it expressed in its opinion on the Commission report on the progress made towards economic and social cohesion (Article 130b of the Treaty establishing the European Community)⁽¹⁾, especially as regards maintaining the cohesion drive. It would underline once again that the EU's structural policies have contributed towards economic and social cohesion by helping to boost economic growth and providing new opportunities for less favoured regions and regions facing industrial decline.

4.2. The Committee of the Regions stresses that the policy of strengthening economic and social cohesion is one of the pillars of the European Union; forthcoming enlargement poses enormous challenges for this policy. The Committee supports the Commission's proposal that the EU's future structural policy in the existing and new Member States be financed within the existing ceiling on own resources and the limitation of structural spending to 0,46 % of the Union's GNP.

4.3. Thus ECU 230 billion would be available to the existing 15 Member States for the EU's future structural policy (ECU 209,7 billion for the Structural Fund, ECU 20,3 billion for the Cohesion Fund at 1997 prices), and ECU 38 billion to the new Member States, as well as an additional ECU 7 billion to assist preparations for accession. These funding proposals make it clear that enlargement of the EU is not to be at the expense of the Community's weakest regions and those with the most severe problems. At the same time, this will make it possible to bring new Member States into the policy of economic and social cohesion — and thus into the framework of European solidarity — on an equal footing from the outset.

4.4. The Committee of the Regions acknowledges that this objective can be realized only if aid is concentrated on the neediest regions and on the most serious problems standing in the way of economic and social cohesion. By concentrating resources it can be ensured that over the period 2000-2006 average aid to the future beneficiary regions does not fall below the level of 1999. For this reason the Committee is also pleased to note that total Structural Fund and Cohesion Fund transfers will in future not exceed 4 % of the beneficiary Member State's GDP. This ceiling will ensure that absorption of aid by the Member States poses no problem.

4.5. All regions, especially the poorer and more remote regions, will, though in differing degrees, experience increasingly sharp competition as globalization gathers pace, for instance as a result of liberalization of the CAP, the internal market, economic and monetary union and EU enlargement. They will therefore all have to adjust to new conditions while at the same time alleviating the social repercussions of this restructuring process.

4.6. The COR therefore agrees with the Commission on the need to continue to focus on the regions' differing capacity to foster sustainable development and adapt to new labour market conditions, to press ahead with combined support for balanced geographical development within the EU and development of the EU's human resources, and to concentrate on an integrated regional development strategy allying productive investment with the upgrading of these human resources.

⁽¹⁾ OJ C 379, 15.12.1997, p. 34.

4.7. The Committee of the Regions endorses the need for concentration of action. But this must not amount to a schematic reduction of the population eligible for support. Greater concentration of support on the thematic priorities of individual regions can also be achieved by varying the level of support. The Committee agrees that transitional arrangements are necessary to allow regions which will cease to receive aid to maintain the benefits achieved to date and adjust to new conditions. These transitional arrangements must be framed so as to be consistent with the concentration principle. The COR would ask for a clarification of the content of such transitional arrangements.

4.8. The COR supports the Commission's proposal for:

- a new Objective 1 giving high priority to the most disadvantaged regions, with a special arrangement to be set up for the northernmost regions with sparse populations and ultra-peripheral regions,
- a new Objective 2 concerning economic and social restructuring in regions in the throes of economic change and structural problems within industry or services, declining rural areas, fishery-dependent areas and urban areas in difficulty, and
- a new horizontal Objective 3 combining the existing Objectives 3 and 4, i.e. measures to find employment for the most disadvantaged sections of society and general retraining of the workforce to meet new terms of competition.

The proposal makes it possible to concentrate on regions and target groups in greatest need while bearing in mind that regions with structural problems can be found in all EU countries.

4.9. The COR would ask for a clarification of the eligibility criteria under the new Objective 2, taking specific account of unemployment levels and per capita GDP in the areas concerned, without prejudice to any other socio-economic indicator. In view of the difficulties involved in including urban and rural areas with quite different problems in a single assistance scheme under the new Objective 2, each Member State should have the option to prioritize assistance for specific types of regions and problems. For this purpose, usable assistance criteria and fitting indicators are needed for the various groups of problems facing regions. As regards support for rural areas, the COR thinks that the structural aspects which determine current Objective 5b status — low level of agricultural income, structure of agricultural holdings and sensitivity to the CAP reforms —

should remain the principal criteria for delimiting the areas eligible for Structural Fund aid. The COR emphasizes that, in view of the very low population density of rural areas, their unemployment level has only limited validity as a criterion for assessing their actual economic situation.

4.10. The COR supports the proposal to streamline measures under the new Objectives 1 and 2 in the form of a single multi-annual programme per region. The COR advocates that this approach should also be followed for the new Objective 3. Such programmes should be framed and administered by the regional partnership, preferably with more flexible financial interaction between the Funds.

4.11. The Committee welcomes the proposal to earmark 5% of the structural policy budget for Community initiatives and to simplify them and restrict their number. The content of the present Community initiatives Interreg, Leader and Employment should however be retained. Sufficient funding should be provided for cross-border cooperation at internal frontiers under the Interreg Community initiative, which has a special role in preparing applicants for EU membership and which would serve as a model for the implementation of Phare-CBC programmes. 1% of the budget should also be allocated to pilot projects and innovative measures. The latter measures in particular help promote regional development by facilitating exchanges of information on the implementation of EU policies of importance for regional growth and competitiveness. In addition to the Commission's thematic proposals, however, the option of a Community initiative flanking industrial or sectoral change should be kept open, to make it possible to react flexibly to unforeseen regional structural problems of broader significance arising for example from sectoral crises.

4.12. However, in the COR's view, the impact of both Community initiatives and innovative measures hinges on a broad spectrum of subject areas, forms of cooperation and project dimensions, backed by simple, transparent criteria, no red tape and administration close to the users, i.e. as decentralized as possible. As far as the pilot projects are concerned, it should still be possible to give support to small projects.

4.13. The COR would request the Commission to explain and clarify the proposal to earmark a 10% reserve of Structural Fund resources for allocation, on the basis of the half-way evaluation, to the regions with the best performance in terms of structural policy implementation. The COR considers this proposal to be very problematic.

4.14. The COR regrets that Agenda 2000 does not contain clearer indications on ways of strengthening partnerships. In several Member States, local and regional authorities have very little influence on the preparation and negotiation of programmes. The COR reiterates its stance on this issue, and would refer to its own-initiative opinions on the views of the regions and local authorities on arrangements for European structural policy after 1999⁽¹⁾ and the role of regional and local authorities in the partnership principle of the Structural Funds⁽²⁾.

4.15. The COR acknowledges that the Cohesion Fund makes a vital contribution to strengthening economic and social cohesion within the Community, and hopes that the examination of the current Fund regulation, scheduled to take place before the end of 1999, will be carried out in the light of the proposals set out by the European Commission in its Agenda 2000.

5. Agricultural policy

5.1. Over the period 2000 to 2006 spending of ECU 329,2 billion is planned on the EU's reformed agricultural policy (agricultural guidance). The CAP thus remains the biggest item (about 45 %) in the EU budget. ECU 18,8 billion are earmarked for the new Member States (including aid for preparations for accession).

5.2. The Committee supports the Commission's objective of a radical reform of the common agricultural policy as part of a global approach in line with the points agreed by the Jumbo Council, with increased support for environmentally sound, high-quality production and sustainable development of rural areas. But in future the major part of farm incomes must also come from sales. The Commission's proposed price reductions to world market levels without maintenance of worldwide minimum standards are inadequately compensated for; they will lead to the dismantling of external protection and they represent an unnecessary concession to the WTO partners which could compromise the Community's negotiating position and jeopardize the agriculture of certain regions, particularly those in the south, those with small-scale farming and those which are geared to animal feed production. Sparsely populated regions in the far north, mountainous areas and those with specific handicaps, such as particular climatic conditions, over-acidified soil or short growing seasons, require special attention in any future CAP reform. The COR therefore welcomes the proposal in Agenda 2000 to give separate status to the promotion of disadvantaged agricultural areas, as well as to environmentally-friendly agriculture, early retirement and afforestation, within

the CAP flanking measures. The COR also regrets that no mention is made in Agenda 2000 of young farmers. The problems of and prospects for young farmers should be considered in proposals for CAP reform.

5.3. With regard to the financial planning of the common agricultural policy, the Committee points out that the planned compensatory aid, insofar as this can be calculated from the Agenda 2000 proposals, would mean an economically and socially unacceptable loss of income for farmers. There are still problems of interpretation, particularly with regard to whether farmers can rely on compensatory aid being continued for long enough to allow investment in the future. The Commission is proposing that, in addition to this, more finance will be made available in the coming period for horizontal and flanking measures within the framework of a coherent policy for rural areas, which will benefit all farmers, and indirectly all Union citizens. The COR agrees that a coherent policy on rural areas must include alternative employment opportunities and social and environmental considerations, such as, for example, the increased use of locally available renewable energy sources.

5.4. The Committee of the Regions calls on the Commission to flesh out these measures as soon as possible, as otherwise it will not be possible fully to assess the economic and social effects of the proposed development of the CAP. The COR observes with particular interest that the Commission intends these measures — in common with action to support fisheries in coastal areas — to be applied horizontally and 'implemented in a decentralized way at the appropriate level, at the initiative of Member States'.

5.5. With reference to its opinion of 15 and 16 January 1997 on the CAP and eastward enlargement, the Committee of the Regions calls on the Commission to take greater account of subsidiarity and to assign responsibility for the implementation of agricultural policy accordingly. Account should be taken of the common legal framework and compliance with the objectives of the common agricultural policy, and there should be sufficient provision for flexibility.

5.6. With regard to agricultural structural policy, the Committee of the Regions reiterates its call, with a view to simplification and in the interests of partnership, to leave the fleshing-out of the implementing systems to the Member States and regions, and to move away from the strategy of fragmentation which has hitherto characterized CAP reform, resulting in the submission of a large number of often contradictory documents.

⁽¹⁾ CdR 131/97 fin, 19.11.1997.

⁽²⁾ OJ C 100, 2.4.1996, p. 72.

5.7. Consistency between these various instruments presupposes that they are rooted in a broad development strategy and a programme for each region, to be framed and administered by the regional governments and local authorities, with the active involvement of the economic and social partners. These regions are already responsible for coordinating development in rural and fishery-dependent areas when it comes to physical planning, infrastructure, enterprise promotion, social and labour market policy and environmental and nature protection.

5.8. The Committee of the Regions has consistently argued that eastward enlargement of the EU should be made possible as soon as possible, without however compromising the viability of family-based agricultural structures. The Commission's intention of establishing ceilings for individual farms in relation to compensation payments in the framework of the common market organizations must however be studied in the light of its effects in the regions. The Committee of the Regions is in favour of compensation payments being related to costs.

5.9. The COR agrees that agri-environmental measures are of great importance for sustainable development of rural areas and welcomes the proposal to reinforce and target them with the help of increased budgetary resources and, where necessary, higher EU co-financing rates. Where such measures are administered at regional level, there is greater scope for improving coordination between these environmental instruments and other structural instruments relevant to rural areas. These measures must however continue to be clearly distinguishable from market organization policy (compensatory payments) and agricultural structure policy measures. Each of these categories of measure must be retained and further developed as a separate instrument with different objectives. Only in this way will spending on agriculture continue to be transparent and comprehensible to the public.

5.10. The Committee of the Regions welcomes the Commission's proposed redesign of the agricultural structural support instruments, particularly in view of the fact that in future support for Community projects will also be possible outside Objective areas. It must be ensured, however, that the substance of agricultural structural support is preserved.

6. Enlargement

6.1. The Commission is proposing that under the future financial framework ECU 74,8 billion at 1997 prices be made available to the new Member States, to include aid for preparations for accession. The Committee of the Regions welcomes this proposal and takes the opportunity to stress the political, economic and social necessity of eastward enlargement and the historic opportunity it offers us for the unification of

our continent. The Committee is glad that with this funding proposal preparations for accession will be stepped up, particularly in the structural and agricultural areas, and that new Member States will from the outset benefit from European solidarity on an equal footing.

6.2. In order to keep scenarios realistic and capable of being financed, the Committee supports the idea of a step-by-step approach to enlargement, with accessions being dependent on concrete progress in the relevant negotiations. If applicant countries unlikely to qualify in the period up to 2006 are to continue to enjoy credible prospects of EU membership, the Union must not let up in its efforts to support them in its intensified strategy of preparation for membership, the structured dialogue and the planned European conference. The Committee points out that fulfilment of the criteria set by the Copenhagen European Council is an essential precondition for accession.

6.3. The COR would point out that the proposed pre-accession aid is linked with inter-regional cooperation with Central and Eastern Europe. Inter-regional cooperation plays a major role in promoting European integration and cohesion and encompasses, among other things, the development of decentralized economic and administrative competence. It is a prerequisite if the future Member States are to be in a position to contribute to, and benefit from, EU policies — particularly structural policy — and to implement EU legislation (now very largely applied at a decentralized level) effectively.

6.4. The Committee would refer here to its Opinion on the effects on the Union's policies of enlargement to the applicant countries of Central and Eastern Europe (impact study) ⁽¹⁾.

6.5. In connection with a successful pre-accession strategy for applicant countries, the COR would point out how important it is to take account of the EU Member States' persistent structural weaknesses, particularly in border areas, which, even with the disappearance of the iron curtain, it has not been possible to eliminate. Structural policy measures should thus continue to be considered to help these regions adapt to changed conditions.

7. Internal and external policy areas

7.1. In the first part of its Agenda 2000 Communication the Commission deals with the development of internal policy areas, which in future will be more geared to the need to secure the global competitiveness of the

⁽¹⁾ CdR 280/97 fin, 20.11.1997.

European economy, to growth, new jobs and modern employment systems. The Commission proposes a ceiling of ECU 51 billion (at 1997 prices) for spending on these internal policy areas over the period 2000 to 2006. This amounts to 7,3 % of total expenditure. The Commission itself admits that the 1999 budget offers considerable scope in these expenditure categories. This scope will be needed, as assessing the financial impact of enlargement and the associated adjustments to internal policy areas is decidedly complex.

7.2. The COR sees the areas of internal policy referred to in Agenda 2000 as being of key importance for further development in the EU. Moreover, local and regional authorities play a major role in implementing the various internal policies in, for instance, the following areas:

- improving conditions for small and medium-sized businesses, e.g. through providing advice, establishing infrastructure and other basic prerequisites and environment-friendly production;
- development, expansion and exploitation of the requisite 'intangible' conditions for growth and employment, e.g. innovation, education and vocational training;
- modernization of labour market and employment policy, where partnerships comprising local and regional authorities, businesses and the social partners can frame and implement new job creation strategies.

7.3. With regard to spending on external policies, the Committee of the Regions recognizes that the necessary financing must be made available, in view of the greater weight given by the Treaty of Amsterdam to the common foreign and security policy, but also in order to enable the European Union to meet its international obligations more effectively. The Commission proposal earmarks ECU 49,9 billion for this purpose. This amounts to 7,1 % of total spending and represents an increase more or less coinciding with the forecast growth of Community GNP. The Community welcomes this development, particularly as it makes it possible for the EU to pursue international cooperation more intensively, particularly with its immediate neighbours, such as the successor states of the former Soviet Union and the former Yugoslavia, Albania, the Mediterranean countries and Turkey; it also makes it possible for the EU to step up its humanitarian aid effort.

7.4. The Committee notes however that the Commission's text is unfortunately not sufficiently detailed on the planned financing of either internal or external policies. The Commission is therefore asked to provide more detailed reasoning for the financial planning of both internal and external policy in separate communi-

cations, and to involve the Committee, in accordance with its responsibilities.

8. Conclusions

8.1. The Committee of the Regions welcomes the Commission document, which contains a complex analysis of the financing of the tasks facing the Union in connection with eastward enlargement, guaranteeing the EU's ability to act both internally and externally, ensuring competitiveness and creating new employment, and puts this into the necessary integration-policy context.

8.2. The Committee welcomes the fact that the Commission is proposing a financial framework which retains the expenditure ceiling of 1,27 % of EU GNP laid down in the decision on own resources currently in force. The Committee is also glad that the Commission plans to use own resources only up to 1,22 or 1,24 %, in order to allow for the uncertainties inherent in growth forecasts.

8.3. The Committee also points out that the planned funding of the new financial framework consists of maximum reference figures, which — as in the current financial framework — should as far as possible be undershot by the Commission's various budget drafts. This applies particularly to the period leading up to the accession of the first new Member States.

8.4. The Committee of the Regions regrets that the Commission is pre-empting the conclusions of its report on the operation of the financing system, which it is required to carry out under Article 10 of the own resources decision of 31 October 1994.

8.5. The Committee of the Regions points out that excessive fixation on the 'net benefit' of Union membership does not do justice to the complexity of the integration process. Whilst the Member States' contributions to the Community budget must be based on their economic and financial strength, integration considerations should predominate on the expenditure side, which determines the funds flowing back to the Member States. It is also legitimate for the Member States and the regional and local authorities to analyse the financial impact of decisions taken at Community level. In the event that the amounts involved placed undue strain on the economic and financial capacity of a Member State, a correction mechanism could be added to the EU's financial system.

8.6. The funding proposals for structural measures make it clear that enlargement of the EU is not to be at the expense of the Community's weakest regions and those with the most severe problems. At the same time, this will make it possible gradually to bring new Member States into the EU's policy of economic and social cohesion on an equal footing from the outset. The COR

supports a new approach to the target areas so as to concentrate on the regions and groups in greatest need, bearing in mind that regions with structural difficulties can be found in all Member States and recognizing that all regions will have to adjust to new conditions. The COR supports the proposed multi-annual programme for each region and feels strongly that these programmes should be framed and administered by regional partnerships. It expressly welcomes the call, in this context, for the local and regional authorities to have greater responsibility, alongside the national authorities. However, it regrets that Agenda 2000 does not give clearer indications on ways of strengthening such partnerships.

8.7. The Committee points out that the Commission's agricultural proposals could lead to significant loss of income for farmers, especially family-run concerns and small producers. In the interests of equal treatment for all producers in the Union, the Committee calls on the Commission to continue to provide compensation geared to the scale of price cuts and to make sufficient use of the subsidiarity principle in the field of agricultural policy. The COR welcomes the Commission's efforts to achieve a coherent structural policy for economically, socially and environmentally sustainable development of rural areas and calls on the Commission to flesh out the horizontal and flanking measures planned in the framework of a coherent policy for rural areas and areas dependent on fisheries as soon as possible and to make suitable funding arrangements, as otherwise it is to be feared that the proposed development of the CAP will have damaging economic and social effects. The COR attaches particular importance to the option to implement agricultural structure and incomes policy at the appropriate decentralized level. Here consistency should be achieved through a broad development strategy for each region, to be framed and administered by

the regional governments subject to consultation of the sectors concerned.

8.8. The Committee of the Regions notes the funding proposals for the strategy for preparing for enlargement and for the accession of new Member States and is glad that with this funding proposal preparations for accession will be stepped up, particularly in the structural and agricultural areas, and that new Member States will from the outset benefit from European solidarity on an equal footing. The COR would point out that inter-regional cooperation with Central and Eastern Europe furthers the development of decentralized economic and administrative competence and hence the pre-accession process and European integration.

8.9. Given the adjustments which will be needed in the structurally weak EU regions at the European Union's external borders in the event of enlargement, consideration should continue to be given to implementing structural policy measures.

8.10. The COR considers that enlargement policy must be accompanied by a special commitment to the Mediterranean area, which will increasingly be called upon to play a strategic role in the development and peace process of the whole Mediterranean basin. This process is also vital for European stability.

8.11. The Committee notes that the Commission's text is unfortunately not sufficiently detailed on the planned financing of either internal or external policies. The Commission is therefore asked to provide more detailed reasoning for the financial planning of both internal and external policy in separate communications, and to involve the Committee, in accordance with its responsibilities.

Brussels, 20 November 1997.

The Chairman
of the Committee of the Regions
Pasqual MARAGALL i MIRA
